

**Tseshaht First Nation
Consolidated Financial Statements**
March 31, 2020

Tseshah 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 Change in Net Financial Assets.....	3
Consolidated Statement of Cash Flows.....	4
Notes to the Consolidated Financial Statements.....	5
Schedules	
Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	20
Schedule 2 - Schedule of Consolidated Expenses by Object.....	23
Schedule 3 - Schedule of Revenue and Expenses and Accumulated Surplus - Operating.....	24
Schedule 4 - Schedule of Revenue and Expenses and Accumulated Surplus - Trust.....	26
Schedule 5 - Schedule of Revenue and Expenses and Accumulated Surplus - Social Housing.....	27
Schedule 6 - Schedule of Revenue and Expenses and Accumulated Surplus - Enterprise.....	28
Schedule 7 - Schedule of Revenue and Expenses and Accumulated Deficit - Treaty.....	29

Management's Responsibility

To the Members of Tseshah First Nation:

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

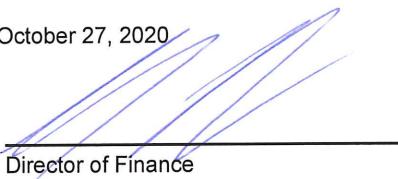
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate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

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

The Tseshah 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 is also responsible for recommending the appointment of the First Nation's external auditors.

MNP LLP is appointed by Chief and Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with, both the Chief and Council and management to discuss their audit findings.

October 27, 2020



Director of Finance

Independent Auditor's Report

To the Members of Tseshah First Nation:

Opinion

We have audited the consolidated financial statements of Tseshah First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations, accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 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 First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

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

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

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

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

Nanaimo, British Columbia

October 27, 2020

MNP LLP

Chartered Professional Accountants

MNP
LLP

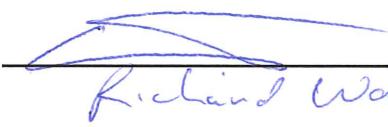
Tseshah First Nation
Consolidated Statement of Financial Position
As at March 31, 2020

	2020	2019
Financial assets		
Cash and cash equivalents	4,578,975	2,816,755
Accounts receivable (Note 3)	1,444,518	1,299,162
Term investments (Note 4)	974,820	966,794
Inventory for resale (Note 5)	229,408	228,141
Restricted cash (Note 6)	1,595,883	1,608,167
Funds held in trust (Note 7)	172,332	166,902
Investment in First Nation business enterprises (Note 8)	6,447,583	5,810,627
Investment in First Nation business partnerships (Note 8)	242,975	197,698
Portfolio investments (Note 8)	25,000	25,000
Total financial assets	15,711,494	13,119,246
Financial liabilities		
Accounts payable	1,576,304	1,329,857
Deferred revenue (Note 9)	1,111,264	847,629
Long-term debt (Note 11)	7,231,961	10,100,505
Total financial liabilities	9,919,529	12,277,991
Net financial assets	5,791,965	841,255
Contingencies (Note 13)		
Significant event (Note 20)		
Non-financial assets		
Tangible capital assets (Schedule 1)	18,355,682	19,380,782
Prepaid expenses	22,130	50,426
Total non-financial assets	18,377,812	19,431,208
Accumulated surplus (Note 14)	24,169,777	20,272,463

Approved on behalf of the Chief and Council


Councillor

On behalf of
Chief
Councillor


Richard Waits

Councillor

Tseshah First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2020

	<i>Schedules</i>	<i>2020 Budget (Note 18)</i>	<i>2020</i>	<i>2019</i>
Revenue				
Sales		55,000	8,717,583	9,989,375
Nuu-chah-nulth Tribal Council - CFNFA		3,573,017	3,850,629	3,905,920
Earnings from investment in First Nation business enterprises (Note 8)		-	1,837,842	110,331
Nuu-chah-nulth Tribal Council - non CFNFA		429,892	1,362,235	730,175
Rental income		89,800	580,012	567,468
BC Gaming		-	533,778	-
Other revenue		60,000	533,494	313,178
First Nations Health Authority		-	405,062	178,231
Province of B.C.		146,000	313,265	483,786
Canada Mortgage and Housing Corporation		-	270,255	227,587
Government of Canada		352,915	255,715	497,263
Fees (Note 15)		39,000	154,154	162,380
First Nation Education Steering Committee		-	108,594	44,670
Interest income		1,200	92,042	105,644
Other grants		10,500	72,084	38,500
Nuu-chah-nulth Employment & Training Board		52,000	69,794	52,000
Lease income		19,400	66,265	62,600
Earnings from investment in First Nation business partnerships (Note 8)		-	45,277	94,248
Fish license fees		242,000	35,215	226,100
Nuu-chah-nulth Economic Development Corporation		-	18,158	13,630
Administration recoveries		-	6,000	6,825
BC Special		-	2,725	2,724
		5,070,724	19,330,178	17,812,635
Expenses (Schedule 2)				
Operating	3	5,666,368	7,752,894	6,471,241
Trust	4	-	10,000	14,000
Social Housing	5	-	707,246	752,550
Enterprise	6	-	8,820,653	9,565,941
Treaty	7	-	952,675	556,261
		5,666,368	18,243,468	17,359,993
Annual surplus (deficit) before other items		(595,644)	1,086,710	452,642
Other revenue				
Treaty loan forgiveness (Note 12)		-	2,810,604	-
Annual surplus (deficit)		(595,644)	3,897,314	452,642
Accumulated surplus, beginning of year		20,272,463	20,272,463	19,819,821
Accumulated surplus, end of year (Note 14)		19,676,819	24,169,777	20,272,463

Tseshah First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2020

	2020 Budget (Note 18)	2020	2019
Annual surplus (deficit)	(595,644)	3,897,314	452,642
Purchases of tangible capital assets	-	(411,437)	(636,152)
Loss on writedown of tangible capital assets	-	163,012	-
Amortization of tangible capital assets	-	1,273,525	1,303,961
	-	1,025,100	667,809
Acquisition of prepaid expenses	-	(22,130)	(50,424)
Use of prepaid expenses	-	50,426	63,010
	-	28,296	12,586
Decrease in net financial assets	(595,644)	4,950,710	1,133,037
Net financial assets (net debt), beginning of year	841,255	841,255	(291,782)
Net financial assets (net debt), end of year	245,611	5,791,965	841,255

Tseshah 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	3,897,314	452,641
Non-cash items		
Amortization	1,273,525	1,303,961
Bad debts	14,709	40,418
Earnings from investment in First Nation business partnerships	(45,277)	(94,248)
Earnings from investment in First Nation business enterprises	(1,837,842)	(110,331)
Treaty loan forgiveness	(2,810,604)	-
Loss on writedown of tangible capital assets	163,012	-
Changes in working capital accounts	654,837	1,592,441
Accounts receivable	(160,065)	(253,782)
Prepaid expenses	28,296	12,585
Funds held in trust	(5,430)	(8,245)
Inventory for resale	(1,267)	(24,276)
Accounts payable and accruals	246,448	173,849
Deferred revenue	263,635	310,739
	1,026,454	1,803,311
Financing activities		
Advances of long-term debt	595,975	30,633
Repayment of long-term debt	(653,915)	(1,598,156)
	(57,940)	(1,567,523)
Capital activities		
Purchases of tangible capital assets	(411,437)	(636,152)
Investing activities		
Purchase of term investments	(8,026)	(14,035)
Decrease in restricted cash	12,284	31,253
Advances from (to) related parties	636,527	(221,322)
Withdrawal from First Nation business enterprises	564,358	1,200,000
	1,205,143	995,896
Increase in cash and cash equivalents	1,762,220	595,532
Cash and cash equivalents, beginning of year	2,816,755	2,221,223
Cash and cash equivalents, end of year	4,578,975	2,816,755

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

1. Operations

The Tseshah First Nation (the "First Nation") is located in the province of British Columbia, and provides various services to its members. Tseshah First Nation includes the First Nation's members, government and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

2. Significant accounting policies

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

Reporting entity consolidated

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities and First Nation business partnerships. Trusts administered on behalf of third parties by Tseshah First Nation are excluded from the First Nation reporting entity.

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

- Orange Bridge Cannabis (Department)
- Social Housing (Department)
- Tseshah Market (Department)
- Tseshah Somass Society (Wholly owned)
- Tseshah Development Society (Wholly owned)
- Tseshah Economic Development Corporation (Wholly owned)

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Tseshah First Nation business enterprises, owned or controlled by the First Nation's Chief and Council but not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method.

First Nation business partnerships, jointly owned and controlled by the First Nation's Chief and Council but not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method.

Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Tseshah Forestry Corporation (Wholly owned)
- Omoah Forestry LLP and its General Partner, Omoah Forestry Corporation (Wholly owned)
- Cisaa Forestry LLP, and its General Partner, Cisaa Forestry Corporation (Wholly owned)
- Ekoolthaht Marine LLP, and its General Partner, Ekoolthaht Marine Corporation (Wholly owned)
- Tseshah Fisheries Corporation (Wholly owned)
- Equis Forest Products Ltd. (51% ownership)
- 1054423 Fisheries Limited Partnership and its General Partner, 10554233 B.C. Ltd. (50% ownership)

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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

Cash and cash equivalents

Cash and cash equivalent include 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 exceeding \$1,000 are initially recorded at cost less accumulated amortization. Contributed tangible assets are recorded at their fair value at the date of contribution.

Amortization

Amortization for tangible capital assets is provided using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives. See below for amortization rates of specific asset categories.

All intangible assets and items inherited by the right of the First Nation, such as reserve land, forests, water and mineral resources, are not recognized in the First Nation's consolidated financial statements. Thunderbird poles have an unlimited useful life, and are therefore no longer depreciated.

	Method	Years/Rate
Automotive equipment	straight-line	5 years
Boat	straight-line	10 years
Community buildings	straight-line	20 years
Computer equipment	straight-line	3 years
Dock and gazebo	straight-line	10 years
Housing	straight-line	20 years
Infrastructure	straight-line	20 years
Office equipment	straight-line	5 years
Other equipment	straight-line	5 years
Paving	straight-line	10 years
Shellfish licenses	straight-line	20 years
Social Housing	straight-line	30 years

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.

Long-lived assets

Long-lived assets consist of tangible capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in operations for the year.

The First Nation does not perform impairment testing on its long-lived assets that are held for public administration and situated on its reserve land as it is not possible to determine their fair market value.

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.

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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

Net financial assets

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2020.

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

Funds held in trust

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

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

Revenue recognition

Non-government Funding

Revenue is recognized as it becomes receivable under the terms of 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.

Government Transfers

The First 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 First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Funds held in trust

The First 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.

Sales

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer and collection is reasonably assured.

Other Revenue

Other revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the First Nation and when the amount of revenue can be reliably measured and collectibility is reasonably assured. Revenue is measured at the fair value of the consideration received or receivable.

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

2. Significant accounting policies (Continued from previous page)

Measurement uncertainty

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 expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

Inventories are valued at lower of cost and net realizable value using the first in, first out costing method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs.

Expenditures that relate to on-going environmental and remediation programs are charged against operations as incurred. A liability for a contaminated site reflects management's best estimate of the amount required to remediate the contaminated site. The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future site remediation.

Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

Segments

The First Nation conducts its business through five reportable segments as described in Note 16. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

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

3. Accounts receivable

	2020	2019
Nuu-chah-nulth Tribal Council	157,497	57,658
Rent receivables	75,703	-
Other government agencies	90,148	172,800
Pacific Integrated Commercial Fisheries Initiative	142,432	247,576
Canadian Mortgage and Housing Corporation (CMHC)	18,999	79,938
Province of British Columbia	-	11,573
Goods and service tax receivable (payable)	(37,840)	(21,163)
Other receivables	997,579	750,780
	<hr/>	<hr/>
	1,444,518	1,299,162

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

4. Term investments

	2020	2019
Internally restricted		
Guaranteed Investment Certificate (GIC) maturing August 23, 2021, bearing interest as follows: Year 1 - 1.00%, Year 2 - 1.10%, Year 3 - 1.30%, Year 4 - 1.60%, Year 5 - 1.75% (a reserve fund established by the Board of Directors of Tseshah Market for future fuel system upgrades and expansion)	285,788	285,788
GIC redeemed during the year.	-	181,910
GIC redeemed during the year.	-	188,460
GIC redeemed during the year.	-	103,545
GIC redeemed during the year.	-	207,091
GIC maturing January 19, 2021, bearing interest at 2%	211,415	-
Tseshah Economic Development Corporation - GIC maturing February 22, 2022 bearing interest at 1.91%	190,000	-
GIC maturing July 19, 2024, bearing interest at 0.7%	105,707	-
GIC maturing October 4, 2024, bearing interest at 0.7%	181,910	-
	974,820	966,794

5. Inventory for resale

	2020	2019
Tseshah Market	207,665	228,141
Orange Bridge Cannabis	23,968	-
	229,408	228,141

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

6. Restricted cash

	2020	2019
Social Housing Replacement Reserve	351,704	375,604
Social Housing Operating Reserve	236,352	232,503
Trust cash and short-term investments	798,211	504,309
Trust long-term investments	209,616	495,751
	1,595,883	1,608,167

Social Housing Reserves

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the replacement reserve account is to be credited in the amount of \$73,000 (2019 - \$73,000) annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. At year end, this reserve was underfunded by \$119,290 (2019 - \$63,564 underfunded).

Under the terms of the agreement with Canada Mortgage and Housing Corporation, 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 - adequately funded).

Trust

The purpose of the Tseshah Trust is to hold and protect a past specific claim settlement intended for its beneficiary, the First Nation. As at March 31, 2020, the fair market value of the investments held in Trust is \$995,564 (2019 - \$981,593).

7. Funds held in trust

Capital and revenue trust funds are transferred to the First Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada, with the consent of the First Nation's Council. Other trust funds are to be used with consent of the First Nation's Council.

	2020	2019
Capital Trust		
Balance, beginning and end of year	78,605	78,605
Revenue Trust		
Balance, beginning of year	88,297	80,052
Interest	2,705	5,521
British Columbia special distribution	2,725	2,724
Balance, end of year	93,727	88,297
	172,332	166,902

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*.

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

8. Long-term investments

The First Nation uses the investees year-end financial statements to account for its investment in these investees. Equis Forest Products Ltd. has an October 31, 2019 year-end and the remainder of the investees have a December 31, 2019 year-end.

After the December 31, 2019 year-end of Cisaa Forestry LLP, \$550,000 was advanced to the First Nation and \$564,358 was withdrawn from the partner capital account. No other significant transactions occurred between the year-end dates of the investees and March 31, 2020

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Share of earnings (loss)</i>	<i>Other adjustments</i>	<i>2020 Total investment</i>
Portfolio Investments:					
Coast Forest Management Ltd. - 30%	25,000	-	-	-	25,000
First Nation Business Enterprises:					
Tseshah Fisheries Corporation - 100%	9	-	-	-	9
Tseshah Forestry Corporation - 100%	(530,102)	1,311,424	(4,456)	-	776,866
Equis Forest Products Ltd. - 51%	35,093	3,150	(13,903)	-	24,340
Omoah Forestry LLP - 99%	1,115,104	2,094,911	(294,928)	-	2,915,087
Cisaa Forestry LLP - 99%	2,538,242	(1,382,263)	2,176,017	(564,358)	2,767,638
Ekoolthaht Marine LLP - 99%	(14,323)	2,854	(24,888)	-	(36,357)
	3,144,023	2,030,076	1,837,842	(564,358)	6,447,583
First Nation Business Partnerships:					
1055423 Fisheries LP - 50%	197,967	-	45,277	-	243,244
1055423 B.C. Ltd. - 50%	(269)	-	-	-	(269)
	197,698	-	45,277	-	242,975
	3,366,721	2,030,076	1,883,119	(564,358)	6,715,558

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

8. Long-term investments *(Continued from previous page)*

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Share of earnings (loss)</i>	<i>Other adjustments</i>	<i>2019 Total investment</i>
Portfolio Investment					
Coast Forest Management Ltd. - 30%	25,000	-	-	-	25,000
First Nation Business Enterprises:					
Tseshah Fisheries Corporation - 100%	(1,778)	1,787	-	-	9
Tseshah Forestry Corporation - 100%	(450,869)	1,139,185	(79,233)	-	609,083
Equis Forest Products Ltd - 51%	47,634	-	9,225	(18,616)	38,243
Omoah Forestry LLP - 99%	1,249,703	2,045,653	(34,601)	(100,000)	3,160,755
Cisaa Forestry LLP - 99%	3,408,808	(523,272)	229,435	(1,100,000)	2,014,971
Ekoolthaht Marine LLP - 99%	172	1,889	(14,495)	-	(12,434)
	4,253,670	2,665,242	110,331	(1,218,616)	5,810,627
First Nation Business Partnerships:					
1054423 Fisheries LP - 50%	103,949	-	94,018	-	197,967
10554423 B.C. Ltd - 50%	(24)	-	230	(475)	(269)
	103,925	-	94,248	(475)	197,698
	4,382,595	2,665,242	204,579	(1,219,091)	6,033,325

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

8. Long-term investments *(Continued from previous page)*

Summary financial information for each First Nation business enterprise and partnership, accounted for using the modified equity method, for their respective year-end is as follows:

	<i>Tseshah Forestry Corporation</i> <i>As at December 31, 2019</i>	<i>Omoah Forestry LLP</i> <i>As at December 31, 2019</i>
Assets		
Cash	382,645	367,110
Forestry contracts	-	2,100,000
Accounts receivable	28,468	4,109
Prepaid expenses	1,773	-
Intangible assets	-	-
Property, plant and equipment	30,235	-
Other	-	542,884
Due from related parties	228,871	18,951
Total assets	671,992	3,033,054
Liabilities		
Accounts payable	29,791	28,295
Deferred revenue	4,480	-
Due to related parties	1,172,278	2,183,503
Silviculture liabilities	-	-
Total liabilities	1,206,549	2,211,798
Retained earnings	(534,557)	821,256
Total revenue	298,405	522,803
Total expenses	302,861	818,026
Net income (loss)	(4,456)	(295,223)
Comprehensive income (loss)	(4,456)	(295,223)

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

8. Long-term investments (Continued from previous page)

	<i>Cisaa Forestry LLP</i> <i>As at December 31, 2019</i>	<i>Ekoolthaht Marine LLP</i> <i>As at December 31, 2019</i>	<i>Tseshah Fisheries Corporation</i> <i>As at December 31, 2019</i>	<i>Equis Forest Products Ltd.</i> <i>As at October 31, 2019</i>
Assets				
Cash	3,659,770	17,040	-	127,230
Forestry contracts	-	-	-	-
Accounts receivable	48,641	1,248	-	-
Prepaid expenses	3,978	-	-	-
Intangible assets	-	-	-	-
Property, plant and equipment	138,390	-	-	-
Other	467,154	-	-	13,138
Due from related parties	968,012	-	-	-
Total assets	5,285,945	18,288	-	140,368
Liabilities				
Accounts payable	20,465	2,200	-	1,499
Deferred revenue	-	-	-	-
Due to related parties	198,858	55,339	1,778	-
Silviculture liabilities	346,383	-	-	97,320
Total liabilities	565,706	57,539	1,778	98,819
Retained earnings	4,720,239	(39,251)	(1,778)	41,549
Total revenue	4,118,635	10,130	-	-
Total expenses	1,940,440	35,043	-	27,261
Net income (loss)	2,178,195	(24,913)	-	(27,261)
Comprehensive income (loss)	2,178,195	(24,913)	-	(27,261)

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

8. Long-term investments (Continued from previous page)

	1055423 B.C. Ltd. - 50%	1055423 Fisheries LP - 50%
	As at December 31, 2019	As at December 31, 2019
Assets		
Cash	300	260,691
Forestry contracts	-	-
Accounts receivable	-	93,631
Prepaid expenses	-	8,551
Intangible assets	-	77,725
Property, plant and equipment	-	1,207,379
Other	113	-
Due from related parties	-	115,080
Total assets	413	1,763,057
Liabilities		
Accounts payable	1,000	3,814
Deferred revenue	-	1,056,154
Due to related parties	1,301	109,230
Silviculture liabilities	-	-
Total liabilities	2,301	1,169,198
Retained earnings	(1,888)	593,859
Total revenue	-	354,534
Total expenses	-	257,958
Net income (loss)	-	96,576
Comprehensive income (loss)	-	96,576

9. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Contributions recognized</i>	<i>Balance, end of year</i>
Deferred revenue - government funding	518,105	913,658	645,950	785,813
Rent deposits	20,838	6,161	-	26,999
Grants for acquiring tangible capital assets - Tseshah				
Market	308,686	8,916	19,150	298,452
	847,629	928,735	665,100	1,111,264

10. Available credit

As at March 31, 2020, the First Nation had available a revolving demand facility with a credit limit of \$737,500, bearing interest at prime plus 1.25%, of which \$nil (2019 - \$nil) was outstanding at year-end. This credit facility is secured by a general security agreement.

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

11. Long-term debt

	2020	2019
CMHC Phase 1 - All Nations Trust Company		
- Interest at 2.14% per annum		
- Monthly blended payments of \$15,882		
- Maturity date of January 2034; due March 2024		
- Secured by a guarantee of the First Nation and the Government of Canada	2,281,801	2,422,025
CMHC Phase 2 - All Nations Trust Company		
- Interest at 0.96% per annum		
- Monthly blended payments of \$7,131		
- Maturity date of September 2036; due September 2021		
- Secured by a guarantee of the First Nation and The Government of Canada	1,305,394	1,378,046
CMHC Phase 3 - All Nations Trust Company		
- Interest at 2.5% per annum		
- Monthly blended payments of \$1,701		
- Maturity date of June 2038; due June 2023		
- Secured by a guarantee of the First Nation and the Government of Canada	299,176	311,955
CMHC Phase 4 - All Nations Trust Company		
- Interest at 1.83% per annum		
- Monthly blended payments of \$2,418		
- Maturity date of December 2039; due December 2024		
- Secured by a guarantee of the First Nation and the Government of Canada	480,891	516,237
CMHC Phase 5 - All Nations Trust Company		
- Interest at 1.46% per annum		
- Monthly blended payments of \$2,604		
- Maturity date of March 2042; due March 2022		
- Secured by a guarantee of the First Nation and the Government of Canada	587,941	610,431
CMHC Phase 6 - All Nations Trust Company		
- Interest at 1.97% per annum		
- Monthly blended payments of \$2,860		
- Maturity date of October 2042; due December 2022		
- Secured by a guarantee of the First Nation and the Government of Canada	629,726	651,428
Bank of Montreal - demand loan		
- Interest at bank prime plus 1.25% per annum		
- Monthly payments of \$14,167, plus interest		
- Secured by a promissory note and a charge against specific assets with a net book value of \$5,848,735 (2019 - \$6,249,760)	834,439	1,006,676
Nuu-chah-nulth Tribal Council ("NTC") Treaty Loan	-	2,810,604
- See Note 12 for details		
Market Nuu-chah-nulth Economic Development Corporation ("NEDC") Loan #2011004N		
- Interest at 6.00% per annum		
- Monthly blended payments of \$10,642		
- Maturity date of January 2027		
- Secured by a promissory note	163,444	277,506
Market Nuu-chah-nulth Economic Development Corporation ("NEDC") Loan #2016025N		
- Interest at prime plus 3% per annum		
- Monthly blended payments of \$1,105		
- Maturity date of November 1, 2021		
- Secured by a promissory note	28,563	39,407

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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

Market Nuu-chah-nulth Economic Development Corporation ("NEDC") Loan #2016025NF		
- Repaid during the year	-	6,883
 Ford Credit Financing		
- 0% interest		
- Monthly payments of \$1,172		
- Maturity date of December 2021		
- Secured by the financed asset	24,611	38,674
 Nuu-chah-nulth Economic Development Corporation ("NEDC") Loan 2018020N		
- Repaid during the year	-	30,633
 Indigenous Services Canada		
- Specific claim loan		
- Bearing no interest		
- Repayable upon settlement of specific claim		
- Secured by a promissory note	130,975	-
 Orange Bridge Cannabis Nuu-chah-nulth Economic Development Corporation ("NEDC")		
Loan #2019007N		
- Interest at bank prime plus 2% per annum		
- Monthly blended payments of \$3,157		
- Maturity date of December 1, 2039		
- Secured by a promissory note	440,000	-
 Orange Bridge Cannabis Nuu-chah-nulth Economic Development Corporation ("NEDC")		
Loan #2019007NF		
- Bearing no interest		
- Forgivable at a rate of \$1 for every \$1 in principal repaid on NEDC loan #2019007N		
- Secured by a promissory note	25,000	-
 <hr/>	7,231,961	10,100,505

Total repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

	Principal
2021	614,088
2022	542,055
2023	539,192
2024	483,279
2025	462,130

12. Treaty loan

The First Nation has received funds from Nuu-chah-nulth 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 First Nation. Effective March 31, 2020, \$2,810,604 in comprehensive land claim negotiation debt owed to Canada by the First Nation was forgiven.

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

13. Contingencies

- (a) The First Nation has entered into an agreement to guarantee mortgages of Members' residences on reserve to a limit of \$3,000,000 through the Bank of Montreal's On-Reserve Housing Loan Program. The total amount of outstanding guarantees as at March 31, 2020 is \$1,478,303 (2019 - \$1,439,243). These loan guarantees are in addition to CMHC mortgages.
- (b) The First Nation has received funding from CMHC to provide major renovations to the homes of certain of its members. This funding becomes repayable in the event that the member does not remain in the house for a period of five years.
- (c) The First Nation is contingently liable for guarantees of mortgages of Members' residences situated on reserve through Ministerial Loan Guarantees. The total amount of such mortgages at March 31, 2020 is \$100,070 (2019 - \$145,516). These loan guarantees are in addition to CMHC On-Reserve Non-Profit Housing Program Mortgages.
- (d) The First Nation is liable for the costs of future removal of fuel storage tanks and site restoration at the Tseshah Market. These costs cannot be reasonably estimated at this time.

14. Accumulated surplus

Accumulated annual surplus is comprised of the following:

	2020	2019
Equity in Funds held in trust	1,134,209	1,131,698
Equity in Operating Fund - operations	3,810,228	2,648,034
Equity in Operating Fund - tangible capital assets	11,254,696	12,090,881
Equity in Social Housing Fund	1,255,086	1,179,129
Equity in Enterprise Fund	6,715,558	6,033,325
Deficit in Treaty Fund	-	(2,810,604)
	24,169,777	20,272,463

15. Related party transactions

During the year the First Nation charged management fees to the following business enterprises:

	2020	2019
Tseshah Forestry Corporation	30,865	28,791
Cisaa Forestry LLP	46,227	43,542
Cisaa Forestry Corporation	918	881
Omoah Forestry LLP	46,227	43,542
Omoah Forestry Corporation	918	881
Ekoolthaht Marine LLP	3,669	3,526
Ekoolthaht Marine Corporation	1,534	1,463
Equis Forest Products Ltd.	6,000	5,140
	136,358	127,766

The above transactions were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the Nation and the related parties.

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

16. Segments

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 First Nation.

Enterprise

Includes activities related to the growth of revenue producing projects with the First Nation.

Treaty

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

17. Economic dependence

Tseshah First Nation receives a significant portion of its revenue from Indigenous Services Canada ("ISC") via Nuu-chah-nulth 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.

18. Budget information

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

The disclosed budget information has been approved by the Chief and Council of the Tseshah First Nation at the Tseshah Community Budget Meeting held on May 1, 2019.

Chief and Council has not budgeted for the following segments:

- Trust
- Social Housing
- Enterprise
- Treaty

19. Comparative figures

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

20. Significant event

In early 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 First Nation as this will depend on future developments that are highly uncertain and 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 combat the virus.

Tseshah First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2020

	<i>Automotive equipment</i>	<i>Boat</i>	<i>Community buildings</i>	<i>Computer equipment</i>	<i>Dock and gazebo</i>	<i>Housing</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	392,901	359,647	19,408,974	179,749	419,658	2,183,659	22,944,588
Acquisition of tangible capital assets	3,380	-	76,643	22,137	-	-	102,160
Disposal of tangible capital assets	-	-	-	-	-	-	-
Write down of tangible capital assets	-	-	-	-	-	-	-
Balance, end of year	396,281	359,647	19,485,617	201,886	419,658	2,183,659	23,046,748
Accumulated amortization							
Balance, beginning of year	231,587	140,427	13,537,387	160,742	230,836	2,183,659	16,484,638
Annual amortization	51,158	35,967	542,213	11,273	41,964	-	682,575
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	282,745	176,394	14,079,600	172,015	272,800	2,183,659	17,167,213
Net book value of tangible capital assets	113,536	183,253	5,406,017	29,871	146,858	-	5,879,535
Net book value of tangible capital assets	161,314	219,220	5,871,587	19,007	188,822	-	6,459,950

Tseshah First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2020

	<i>Subtotal</i>	<i>Infrastructure</i>	<i>Land</i>	<i>Office equipment</i>	<i>Other equipment</i>	<i>Paving</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	22,944,588	9,256,729	2,042,260	163,521	1,793,870	77,797	36,278,765
Acquisition of tangible capital assets	102,160	125,533	-	9,856	7,514	-	245,063
Disposal of tangible capital assets	-	-	-	-	-	-	-
Write down of tangible capital assets	-	-	-	-	-	-	-
Balance, end of year	23,046,748	9,382,262	2,042,260	173,377	1,801,384	77,797	36,523,828
Accumulated amortization							
Balance, beginning of year	16,484,638	5,379,941	-	154,353	1,513,582	33,700	23,566,214
Annual amortization	682,575	248,226	-	4,390	32,013	5,880	973,084
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	17,167,213	5,628,167	-	158,743	1,545,595	39,580	24,539,298
Net book value of tangible capital assets	5,879,535	3,754,095	2,042,260	14,634	255,789	38,217	11,984,530
Net book value of tangible capital assets	6,459,950	3,876,788	2,042,260	9,168	280,288	44,097	12,712,551

Tseshah First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2020

	<i>Subtotal</i>	<i>Shellfish licenses</i>	<i>Social housing</i>	<i>Thunderbird poles</i>	<i>Leasehold improvements</i>	2020	2019
Cost							
Balance, beginning of year	36,278,765	10,914	8,832,549	44,035	-	45,166,263	44,534,568
Acquisition of tangible capital assets	245,063	-	88,103	-	78,271	411,437	636,152
Disposal of tangible capital assets	-	-	-	-	-	-	(4,457)
Write down of tangible capital assets	-	-	(217,350)	-	-	(217,350)	-
Balance, end of year	36,523,828	10,914	8,703,302	44,035	78,271	45,360,350	45,166,263
Accumulated amortization							
Balance, beginning of year	23,566,214	9,281	2,194,987	14,999	-	25,785,481	24,485,977
Annual amortization	973,084	546	290,111	-	9,784	1,273,525	1,303,961
Accumulated amortization on disposals	-	-	(54,338)	-	-	(54,338)	(4,457)
Balance, end of year	24,539,298	9,827	2,430,760	14,999	9,784	27,004,668	25,785,481
Net book value of tangible capital assets	11,984,530	1,087	6,272,542	29,036	68,487	18,355,682	19,380,782
Net book value of tangible capital assets	12,712,551	1,633	6,637,562	29,036	-	19,380,782	

Tseshah First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2020

	2020 Budget (Note 18)	2020	2019
Consolidated expenses by object			
Administration fees	-	40,430	40,430
Advertising	18,500	43,282	60,017
Professional fees - Specific Claims	-	34,018	36,276
Amortization	-	1,273,525	1,303,961
Bad debts	-	14,709	40,418
Cost of goods sold	-	7,149,260	8,068,490
Cultural promotion	5,000	2,427	15,103
Custom election code	-	8,686	652
Fire protection	60,348	71,610	70,454
Food fish expense	18,500	58,903	21,082
Honoraria	233,550	209,599	189,923
Housing grants	89,310	-	35,000
Insurance, licenses and dues	100,400	217,810	154,973
Interest and bank charges	10,000	122,105	159,934
Interest on long-term debt	213,624	155,623	174,374
Meeting costs	14,000	17,821	12,451
Miscellaneous	188,501	66,372	57,443
National child benefit	-	7,263	29,757
Newsletter	3,000	1,450	1,100
Office expenses	174,000	249,070	189,093
Professional fees - Specific Claim Iwachis Tribunal	-	88,628	96,976
Professional fees - Specific Claim Tlukwatkwuu7is	-	85,387	12,110
Professional fees	71,000	995,330	714,556
Program costs	39,958	991,940	363,971
Property tax	-	13,736	13,352
Repairs and maintenance	308,165	849,444	575,041
Salaries and benefits	1,941,625	2,928,911	2,792,945
Social assistance	590,000	621,429	610,692
Student allowances	145,000	74,534	53,197
Subcontracts	79,166	57,573	-
Supplies	92,848	136,738	99,643
Training	23,500	46,341	17,959
Transfer to band members	-	10,000	14,000
Travel	115,677	145,612	139,600
Tuition - Elementary/Secondary	728,195	924,709	692,739
Utilities and telephone	362,151	479,681	457,621
Vehicle	40,350	49,512	44,658
	5,666,368	18,243,468	17,359,991