

Tseshahat First Nation
Consolidated Financial Statements
March 31, 2021

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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.

July 29, 2021

Signed by: Chris Anderson

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, 2021, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, cash flows and related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2021, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

Nanaimo, British Columbia

July 29, 2021

MNP LLP

Chartered Professional Accountants

Tseshahat First Nation
Consolidated Statement of Financial Position
As at March 31, 2021

	2021	2020
Financial assets		
Cash and cash equivalents	6,295,898	4,578,975
Accounts receivable (Note 3)	1,978,712	1,444,518
Term investments (Note 4)	999,263	974,820
Inventory for resale (Note 5)	205,493	229,408
Restricted cash (Note 6)	1,741,524	1,595,883
Funds held in trust (Note 7)	177,065	172,332
Investment in First Nation business enterprises (Note 8)	6,692,108	6,447,583
Investment in First Nation business partnerships (Note 8)	406,053	242,975
Portfolio investments (Note 8)	25,000	25,000
Total financial assets	18,521,116	15,711,494
Financial liabilities		
Accounts payable	1,222,434	1,576,304
Deferred revenue (Note 9)	2,043,575	1,111,264
Long-term debt (Note 12)	6,887,912	7,231,961
Total financial liabilities	10,153,921	9,919,529
Net financial assets	8,367,195	5,791,965
Contingencies (Note 13)		
Significant event (Note 20)		
Non-financial assets		
Tangible capital assets (Schedule 1)	17,471,943	18,355,682
Prepaid expenses	3,547	22,130
Total non-financial assets	17,475,490	18,377,812
Accumulated surplus (Note 14)	25,842,685	24,169,777

Approved on behalf of the Chief and Council

Signed by: Ken Watts

**Chief
Councillor**

Signed by: Les Sam

Councillor

Tseshaht First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2021

	Schedules	2021 Budget (Note 17)	2021	2020
Revenue				
Sales		35,000	7,947,386	8,717,583
Nuu-chah-nulth Tribal Council - CFNFA (Note 10)		3,770,364	4,333,223	3,850,629
Nuu-chah-nulth Tribal Council - non CFNFA (Note 10)		1,034,929	1,903,757	1,362,235
Earnings from investment in First Nation business enterprises (Note 8)		-	991,595	1,837,842
Other revenue		60,000	646,768	533,494
Rental income		84,800	569,479	580,012
BC Gaming		-	569,030	533,778
Province of B.C.		146,000	500,475	313,265
Canada Mortgage and Housing Corporation		14,532	328,843	270,255
First Nations Health Authority		-	299,021	405,062
Government of Canada		407,915	277,895	255,715
Fees		39,000	145,793	154,154
Earnings from investment in First Nation business partnerships (Note 8)		-	84,420	45,277
Lease income		13,784	77,578	66,265
Nuu-chah-nulth Employment & Training Board (Note 10)		52,000	93,762	69,794
Fish license fees		146,000	72,564	35,215
Interest income		10,000	49,703	92,042
Administration recoveries		-	42,696	6,000
First Nation Education Steering Committee		-	40,085	108,594
Other grants		4,000	4,000	72,084
BC Special		-	2,703	2,725
Nuu-chah-nulth Economic Development Corporation (Note 10)		-	-	18,158
		5,818,324	18,980,776	19,330,178
Expenses (Schedule 2)				
Operating	3	6,290,241	8,401,698	7,752,894
Trust	4	-	11,005	10,000
Social Housing	5	-	684,958	707,246
Enterprise	6	-	7,860,068	8,820,653
Treaty	7	-	350,139	952,675
		6,290,241	17,307,868	18,243,468
Annual surplus (deficit) before other items		(471,917)	1,672,908	1,086,710
Other revenue				
Treaty loan forgiveness		-	-	2,810,604
Annual surplus (deficit)		(471,917)	1,672,908	3,897,314
Accumulated surplus, beginning of year		24,169,777	24,169,777	20,272,463
Accumulated surplus, end of year (Note 14)		23,697,860	25,842,685	24,169,777

The accompanying notes are an integral part of these consolidated financial statements

Tseshah First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2021

	2021 Budget (Note 17)	2021	2020
Annual surplus (deficit)	(471,917)	1,672,908	3,897,314
Purchases of tangible capital assets	(285,878)	(407,230)	(411,437)
Loss on writedown of tangible capital assets	-	-	163,012
Amortization of tangible capital assets	-	1,290,968	1,273,525
	(285,878)	883,738	1,025,100
Acquisition of prepaid expenses	-	(3,546)	(22,130)
Use of prepaid expenses	-	22,130	50,426
	-	18,584	28,296
Increase (decrease) in net financial assets	(757,795)	2,575,230	4,950,710
Net financial assets, beginning of year	5,791,965	5,791,965	841,255
Net financial assets, end of year	5,034,170	8,367,195	5,791,965

Tseshah First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	1,672,908	3,897,312
Non-cash items		
Amortization	1,290,968	1,273,525
Bad debts	19,279	14,709
Earnings from investment in First Nation business partnerships	(84,420)	(45,277)
Earnings from investment in First Nation business enterprises	(991,595)	(1,837,842)
Treaty loan forgiveness	-	(2,810,604)
Loss on writedown of tangible capital assets	-	163,012
	1,907,140	654,835
Changes in working capital accounts		
Accounts receivable	(534,194)	(160,065)
Prepaid expenses	18,583	28,296
Funds held in trust	(4,733)	(5,430)
Inventory for resale	23,915	(1,267)
Accounts payable and accruals	(353,870)	246,446
Deferred revenue	932,310	263,635
	1,989,151	1,026,450
Financing activities		
Advances of long-term debt	360,047	595,975
Repayment of long-term debt	(704,096)	(653,915)
	(344,049)	(57,940)
Capital activities		
Purchases of tangible capital assets	(407,230)	(411,437)
Investing activities		
Purchase of term investments	(24,443)	(8,026)
Decrease (Increase) in restricted cash	(145,641)	12,284
Advances from related parties	649,135	636,527
Withdrawal from First Nation business enterprises	-	564,362
	479,051	1,205,147
Increase in cash and cash equivalents	1,716,923	1,762,220
Cash and cash equivalents, beginning of year	4,578,975	2,816,755
Cash and cash equivalents, end of year	6,295,898	4,578,975

The accompanying notes are an integral part of these consolidated financial statements

1. Operations

The Tseshaht First Nation (the "First Nation") is located in the province of British Columbia, and provides various services to its members. Tseshaht 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 Tseshaht 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)
- Tseshaht Market (Department)
- Tseshaht Somass Society (Wholly owned)
- Tseshaht Development Society (Wholly owned)
- Tseshaht 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.

Tseshaht 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:

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

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 \$2,000 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 straight line 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.

	<i>Years/Rate</i>
Automotive equipment	5 years
Boat	10 years
Community buildings	20 years
Computer equipment	3 years
Dock and gazebo	10 years
Housing	20 years
Infrastructure	20 years
Office equipment	5 years
Other equipment	5 years
Paving	10 years
Shellfish licenses	20 years
Social Housing	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.

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, 2021.

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, 2021, 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.

Tseshaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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

	2021	2020
Nuu-chah-nulth Tribal Council	590,990	157,497
Rent receivables (prepaid receivables)	55,231	92,626
Other government agencies	259,592	90,148
Pacific Integrated Commercial Fisheries Initiative	-	142,432
Canadian Mortgage and Housing Corporation (CMHC)	12,426	2,076
Goods and service tax receivable (payable)	(66,873)	(37,840)
Other receivables	1,127,346	997,579
	1,978,712	1,444,518

Tseshahat First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

4. Term investments

	2021	2020
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 Tseshahat Market for future fuel system upgrades and expansion)	303,829	285,788
Unrestricted		
GIC redeemed during the year.	-	211,415
GIC redeemed during the year.	-	105,707
GIC redeemed during the year.	-	181,910
GIC maturing July 19, 2022, bearing interest at 0.5%	217,817	-
Tseshahat Economic Development Corporation - GIC maturing February 18, 2022 bearing interest at 1.91%	190,000	190,000
GIC maturing July 19, 2024, bearing interest at 1.5%	105,707	-
GIC maturing October 4, 2024, bearing interest at 1.5%	181,910	-
	999,263	974,820

5. Inventory for resale

	2021	2020
Tseshahat Market	149,632	207,665
Orange Bridge Cannabis	58,771	23,968
	205,493	229,408

The cost of inventories recognized as an expense and included in Enterprise expenses amounted to \$6,334,083 (2020 - \$7,149,259)

Tseshaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

6. Restricted cash

	2021	2020
Social Housing Replacement Reserve	495,963	351,704
Social Housing Operating Reserve	236,825	236,352
Trust cash and short-term investments	1,008,736	798,211
Trust long-term investments	-	209,616
	1,741,524	1,595,883

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 (2020 - \$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 adequately funded (2020 - \$119,290 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 (2020 - adequately funded).

Trust

The purpose of the Tseshaht Trust is to hold and protect a past specific claim settlement intended for its beneficiary, the First Nation. As at March 31, 2021, the fair market value of the investments held in Trust is \$1,002,083 (2020 - \$995,564).

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.

	2021	2020
Capital Trust		
Balance, beginning and end of year	78,605	78,605
Revenue Trust		
Balance, beginning of year	93,727	88,297
Interest	2,030	2,705
British Columbia special distribution	2,703	2,725
Balance, end of year	98,460	93,727
	177,065	172,332

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*.

Tseshahat First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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, 2020 year-end and the remainder of the investees have a December 31, 2020 year-end.

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Share of earnings (loss)</i>	<i>Other adjustments</i>	<i>2021 Total investment</i>
Portfolio Investments:					
Coast Forest Management Ltd. - 30%	25,000	-	-	-	25,000
First Nation Business Enterprises:					
Tseshahat Fisheries Corporation - 100%	9	-	-	-	9
Tseshahat Forestry Corporation - 100%	(534,559)	1,454,438	(6,773)	-	913,106
Equis Forest Products Ltd. - 51%	21,190	3,150	(13,905)	-	10,435
Omoah Forestry LLP - 99%	820,171	2,143,641	59,042	-	3,022,854
Cisaa Forestry LLP - 99%	4,149,901	(2,320,123)	990,165	-	2,819,943
Ekoolthaht Marine LLP - 99%	(39,212)	1,907	(36,934)	-	(74,239)
	4,417,500	1,283,013	991,595	-	6,692,108
First Nation Business Partnerships:					
1055423 Fisheries LP - 50%	296,852	-	84,420	25,050	406,322
1055423 B.C. Ltd. - 50%	(269)	-	-	-	(269)
	296,583	-	84,420	25,050	406,053
	4,739,083	1,283,013	1,076,015	25,050	7,123,161

Tseshahat First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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>2020 Total investment</i>
Portfolio Investment					
Coast Forest Management Ltd. - 30%	25,000	-	-	-	25,000
First Nation Business Enterprises:					
Tseshahat Fisheries Corporation - 100%	9	-	-	-	9
Tseshahat 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:					
1054423 Fisheries LP - 50%	229,726	-	48,278	18,858	296,862
10554423 B.C. Ltd - 50%	(269)	-	-	-	(269)
	229,457	-	48,278	18,858	296,593
	3,398,480	2,030,076	1,886,120	(545,500)	6,769,176

Tseshaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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>Tseshaht Forestry Corporation (unaudited) As at December 31, 2020</i>	<i>Omoah Forestry LLP (unaudited) As at December 31, 2020</i>	<i>Cisaa Forestry LLP (unaudited) As at December 31, 2020</i>	<i>Ekoolthaht Marine LLP (unaudited) As at December 31, 2020</i>
Assets				
Cash	587,596	49,577	1,438,135	10,763
Forestry contracts	-	2,100,000	-	-
Accounts receivable	24,900	253,089	274,933	6,181
Prepaid expenses	1,655	-	3,978	-
Term deposits	-	-	1,000,005	-
Property, plant and equipment	20,284	-	118,620	-
Other	-	739,080	479,887	-
Due from related parties	174,695	22,284	2,498,526	-
Intangible assets	-	-	-	-
Total assets	809,130	3,164,030	5,814,084	16,944
Liabilities				
Accounts payable	33,932	64,052	25,908	1,934
Deferred revenue	2,560	-	300,000	-
Due to related parties	1,313,969	2,219,626	160,367	91,232
Silviculture liabilities	-	-	180,772	-
Total liabilities	1,350,461	2,283,678	667,047	93,166
Retained earnings	(541,331)	880,352	5,147,037	(76,222)
Total revenue	267,028	248,770	1,301,836	6,131
Total expenses	275,801	189,669	310,679	43,102
Net income (loss)	(8,773)	59,101	991,157	(36,971)
Comprehensive income (loss)	(8,773)	59,101	991,157	(36,971)

Tseshaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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

	<i>Equis Forest Products Ltd. (unaudited) As at October 31, 2020</i>	<i>1055423 Fisheries LP - 50% (audited) As at December 31, 2020</i>
Assets		
Cash	99,965	7,085
Forestry contracts	-	-
Accounts receivable	-	151,092
Prepaid expenses	-	9,836
Term deposits	-	-
Property, plant and equipment	-	1,123,134
Other	13,138	-
Due from related parties	-	399,703
Intangible assets	-	131,773
Total assets	113,103	1,822,623
Liabilities		
Accounts payable	1,500	28,733
Deferred revenue	-	981,058
Due to related parties	-	-
Silviculture liabilities	97,320	-
Total liabilities	98,820	1,009,791
Retained earnings	14,283	812,832
Total revenue	-	422,038
Total expenses	27,265	253,165
Net income (loss)	(27,265)	168,873
Comprehensive income (loss)	(27,265)	168,873

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	785,813	1,930,808	978,029	1,738,592
Rent deposits	26,999	57,553	51,412	33,140
Grants for acquiring tangible capital assets - Tseshaht Market	289,536	-	17,693	271,843
Grants for acquiring tangible capital assets - Orange Bridge Cannabis	8,916	-	8,916	-
	1,111,264	1,988,361	1,056,050	2,043,575

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

10. Indigenous Services Canada funding reconciliation

Revenue per confirmation	7,551,926	5,141,796
Additional NTC receivables	79,042	140,862
Amounts provided for Nation Business Enterprises	(501,138)	-
Deferred capital funding	(799,088)	-
	6,330,742	5,282,658

11. Available credit

As at March 31, 2021, 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 (2020 - \$nil) was outstanding at year-end. This credit facility is secured by a general security agreement.

12. Long-term debt

	2021	2020
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	2,138,338	2,281,801
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	1,231,986	1,305,394
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	286,042	299,176
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	460,455	480,891
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	565,082	587,941
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	607,538	629,726

Tseshah First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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

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 \$5,539,943 (2020 - \$5,848,735)	662,202	834,439
Market Nuu-chah-nulth Economic Development Corporation ("NEDC") Loan #2011004N		
- Repaid during the year	-	163,444
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	16,520	28,563
Ford Credit Financing		
- 0% interest		
- Monthly payments of \$1,172		
- Maturity date of December 2021		
- Secured by the financed asset	10,547	24,611
Indigenous Services Canada		
- Specific claim loan		
- Bearing no interest		
- Repayable upon settlement of specific claim		
- Secured by a promissory note	451,022	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	418,158	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	22	25,000
Market Nuu-chah-nulth Economic Development Corporation ("NEDC") Loan #2020036V		
- Non-interest bearing		
- Monthly payments of \$834		
- Due March 1, 2025		
- Unsecured loan	40,000	-
	6,887,912	7,231,961

Tseshaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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

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
2022	482,571
2023	495,130
2024	508,082
2025	521,444
2026	535,229

Prime rate at March 31, 2021 was 2.45% (2020-2.45%)

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, 2021 is \$1,791,689 (2020 - \$1,478,303). 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, 2021 is \$81,675 (2020 - \$100,070). 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 Tseshaht Market. These costs cannot be reasonably estimated at this time.

14. Accumulated surplus

Accumulated annual surplus is comprised of the following:

	2021	2020
Equity in Funds held in trust	1,132,004	1,134,209
Equity in Operating Fund - operations	5,298,770	3,810,228
Equity in Operating Fund - tangible capital assets	11,035,051	11,254,696
Equity in Social Housing Fund	1,253,699	1,255,086
Equity in Enterprise Fund	7,123,161	6,715,558
	25,842,685	24,169,777

Tseshaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

15. Related party transactions

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

	2021	2020
Tseshaht Forestry Corporation	30,993	30,865
Cisaa Forestry LLP	46,404	46,227
Cisaa Forestry Corporation	920	918
Omoah Forestry LLP	46,404	46,227
Omoah Forestry Corporation	920	918
Ekoolthaht Marine LLP	3,678	3,669
Ekoolthaht Marine Corporation	1,539	1,534
Equis Forest Products Ltd.	6,000	6,000
	136,858	136,358

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.

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.

Tseshaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

17. Economic dependence

Tseshaht 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.

18. Budget information

Budgets were not prepared for all segments and all departments in 2021. 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 Tseshaht First Nation at the Tseshaht Community Budget Meeting held on April 16, 2020.

Chief and Council has not budgeted for the following segments:

- Trust
- Social Housing
- Enterprise
- Treaty

A reconciliation of these amounts to the Chief and Council approved budget is as follows:

Budgeted surplus per the Consolidated Statements of Operations and Accumulated Surplus	\$ (471,917)
Adjusted for:	
Acquisitions of tangible capital assets	(285,878)
Principal repayments on long-term debt	(184,000)
Transfers to entities included within the reporting entity	(89,111)
	\$ (1,030,906)

19. Comparative figures

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

20. Significant event

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the full 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 that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the full extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, and increased government regulations, all of which may negatively impact the First Nation's business and financial condition.