

Huu-ay-aht Government
Consolidated Financial Statements
For the year ended March 31, 2024

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Huu-ay-aht Government (the "Government") are the responsibility of management and have been approved by the Executive Council of the Government.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

Management maintains systems of internal accounting and administrative controls consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Government's assets are appropriately accounted for and adequately safeguarded.

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

The Executive Council reviews the Government's consolidated financial statements and recommends their approval to the People's Assembly. The Executive Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report. The Executive Council takes this information into consideration when approving the consolidated financial statements for issuance to the citizens. The Executive Council also appoints the engagement of the external auditors.

The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the citizens. BDO Canada LLP has been given unrestricted access to all financial and other records of the Government.

Signed by:

Raja Narayanan

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Chief Financial Officer

October 10, 2024

Independent Auditor's Report

To the Executive Council of the Huu-ay-aht Government

Opinion

We have audited the Consolidated Financial Statements of the Huu-ay-aht Government and its controlled entities (the "Consolidated Entity"), which comprise the Consolidated Statement of Financial Position as at March 31, 2024 and the Consolidated Statements of Operations, Change in Net Financial Assets, Remeasurement Gains 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 Consolidated Entity as at March 31, 2024 and its results of operations, its remeasurement gains, its changes in net financial assets and its 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 this report. We are independent of the Consolidated Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Restated Comparative Information

We draw your attention to Note 23 to the Consolidated Financial Statements, which explains that certain comparative information presented for the year ended March 31, 2023 has been restated. Our opinion is not modified in respect of this matter.

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 Consolidated Entity'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 Consolidated Entity, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Consolidated Entity'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 Consolidated Entity'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 audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity 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 the audit.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia

October 11, 2024

Huu-ay-aht Government Consolidated Statement of Financial Position

As at March 31

2024

2023

Restated - Note 22

Financial Assets

Cash and cash equivalents (Note 3)	\$ 42,925,340	\$ 9,617,818
Accounts receivable (Note 4)	2,977,359	8,951,500
Portfolio Investments (Note 5)	47,938,091	50,663,733
Investment in government businesses (Note 6)	18,883,099	20,049,264
	112,723,889	89,282,315

Liabilities

Accounts payable and accrued liabilities (Note 8)	1,940,828	9,106,363
Deferred revenue (Note 10)	985,328	505,249
Long term debt (Note 11)	14,708,399	14,314,556
Other liabilities (Notes 3 and 12)	2,266,906	2,237,918
Asset Retirement Obligation	117,624	108,710
	20,019,085	26,272,796

Net Financial Assets

92,704,804 **63,009,519**

Non-financial Assets

Tangible capital assets (Note 7)	39,872,127	39,837,758
Prepaid expense	58,614	483,108
Purchased intangibles	1,035,275	1,035,275
	40,966,016	41,356,141

Accumulated Surplus (Note 13)

\$ 133,670,820 **\$ 104,365,660**

Accumulated surplus is comprised of:

Accumulated operating surplus	\$ 131,085,692	\$ 103,357,773
Accumulated remeasurement gains	2,585,128	1,007,887

\$ 133,670,820 **\$ 104,365,660**

Approved on behalf of the Executive Council:



Chief Councillor John Jack



Councillor Brad Johnson



Councillor Edward Johnson



Councillor Evan Cook



Councillor Stephen Rayner



Councillor Stella Peters



Ha'wiih Representative Theresa Nookemus

Huu-ay-aht Government Consolidated Statement of Change in Net Financial Assets

March 31	Budget (Note 15)	2024	2023 (Restated - Note 23)
Annual surplus (deficit)	\$ (39,549,354)	\$ 27,727,919	\$ (4,517,490)
Purchases of tangible capital assets	(6,000,000)	(1,813,101)	(2,338,159)
Adjustments due to Asset Retirement Obligations	-	-	(108,710)
Amortization of tangible capital assets	1,250,000	1,778,732	1,530,947
Change in prepaid expenses	-	424,494	(194,318)
Increase (decrease) in net financial assets excluding effect of remeasurement gains and (losses)	(44,299,354)	28,118,044	(5,627,730)
Net effect of remeasurement gains	-	1,577,241	1,007,887
Net financial assets, beginning of year	63,009,519	63,009,519	67,629,362
Net financial assets, end of year	\$ 18,710,165	\$ 92,704,804	\$ 63,009,519

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Huu-ay-aht Government Consolidated Statement of Operations

For the year ended March 31	Budget (Note 15)	2024	2023 (Restated - Note 23)
Revenue			
Taxation	\$ 27,500	\$ 37,219	\$ 30,058
Government transfers (Note 17)	10,170,544	15,578,326	13,215,239
Fees, charges, and other	997,948	1,136,893	1,718,044
Investment income (Note 5)	2,525,000	1,085,442	381,278
Stumpage income	366,038	180,169	(2,950)
Loss from investment in government businesses (Note 6)	-	(1,166,165)	(375,953)
Grants and contributions (Note 18)	500,000	2,794,717	4,284,743
	<u>14,587,030</u>	<u>19,646,601</u>	<u>19,250,459</u>
Expenses			
General government	2,923,017	3,441,800	2,746,626
Community services	4,634,287	5,436,636	6,419,392
Economic development	629,012	1,418,018	1,865,863
Finance	2,578,257	4,625,564	3,518,426
Implementation	850,000	799,462	548,733
Infrastructure	1,285,053	1,634,329	1,823,141
Land and natural resources	1,036,758	1,655,986	2,603,459
	<u>13,936,384</u>	<u>19,011,795</u>	<u>19,525,640</u>
Annual surplus (deficit), before other items	<u>650,646</u>	<u>634,806</u>	<u>(275,181)</u>
Other items			
Revenue			
Government transfers related to specific claims	-	35,727,814	-
Government transfers related to provincial infrastructure projects (Note 20)	10,000,000	10,737,644	23,013,625
	<u>10,000,000</u>	<u>46,465,458</u>	<u>23,013,625</u>
Expenses			
Specific claims	-	360,653	-
Provincial infrastructure projects (Note 20)	30,000,000	19,011,692	27,255,934
Special programs and other	20,200,000	-	-
	<u>50,200,000</u>	<u>19,372,345</u>	<u>27,255,934</u>
Annual surplus (deficit)	<u>(39,549,354)</u>	<u>27,727,919</u>	<u>(4,517,490)</u>
Accumulated operating surplus, beginning of year	<u>103,357,773</u>	<u>103,357,773</u>	<u>107,875,263</u>
Accumulated operating surplus, end of year	<u>\$ 63,808,419</u>	<u>\$ 131,085,692</u>	<u>\$ 103,357,773</u>

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Huu-ay-aht Government Consolidated Statement of Remeasurement Gains

March 31	2024	2023
		(Restated - Note 23)
Accumulated remeasurement gains, beginning of year	\$ 1,007,887	\$ -
Impact on adoption of <i>PS 3450 Financial instruments</i>	-	1,477,961
Unrealised gains (losses) attributable to:		
Portfolio investments	1,583,010	(559,806)
Amounts reclassified to the statement of operations:		
Portfolio investments	5,769	(89,732)
Net remeasurement gains for the year	1,577,241	1,007,887
Accumulated remeasurement gains, end of year	\$ 2,585,128	\$ 1,007,887

Huu-ay-aht Government Consolidated Statement of Cash Flows

For the year ended March 31

2024

2023

(Restated - Note 23)

Operating transactions		
Annual Surplus (Deficit)	\$ 27,727,919	\$ (4,517,490)
Non-cash items		
Amortization	1,778,732	1,530,947
Amortization of financing fees	50,000	50,000
Loss from investment in government businesses	1,166,165	375,953
Accretion expense	8,914	-
Changes in working capital accounts		
Accounts receivable	5,974,141	(662,932)
Accounts payable and accruals	(7,165,535)	5,823,383
Deferred revenue	480,079	(11,986,786)
Prepaid expenses	424,494	(194,318)
Other liabilities	28,988	(11,539)
Cash flows from operating transactions	30,473,897	(9,592,782)
Capital transactions		
Purchase of tangible capital assets	(1,813,101)	(2,338,159)
Investing transactions		
Redemption of Guaranteed Investment Certificates	-	338,363
Redemption of (Investment in) Huu-ay-aht Settlement Trust	4,589,422	(105,706)
Investment in Invested Wealth Fund	(286,539)	(153,849)
Cash flows from investing transactions	4,302,883	78,808
Financing transactions		
Cash proceeds from debt financing	1,273,000	1,676,827
Repayment of long term debt	(929,157)	(1,165,662)
Cash flows from financing transactions	343,843	511,165
Net increase (decrease) in cash and cash equivalents	33,307,522	(11,340,968)
Cash and cash equivalents, beginning of year	9,617,818	20,958,786
Cash and cash equivalents, end of year	\$ 42,925,340	\$ 9,617,818

Huu-ay-aht Government

Notes to the Consolidated Financial Statements

March 31, 2024

1. The Huu-ay-aht Government

The Huu-ay-aht Government (the "Government") under the authority of the Constitution Act of the Huu-ay-aht First Nations and under the Maa-nulth Final Agreement. The Government was recognized April 1, 2011 as a constitutionally-protected self-government under the Maa-nulth Final Agreement agreed to by the Government of Canada (Canada) and the Government of British Columbia ("BC").

The Government has the right to assume and exercise all law-making authority set out in the Maa-nulth Final Agreement and any law-making authority set out in non-Treaty agreements with the Province of British Columbia and Canada. The Maa-nulth Final Agreement was among the first Final Agreements reached in the Province of British Columbia, which sets out the Government's rights and benefits respecting land and resources, and self-government over its lands and resources and its citizens.

The Government's structure consists of a Legislature, an Executive Council, a Ha'wiih Council and People's Assembly. The Government's Executive Council has the authority to make laws pertaining to: citizenship; Government structures, and public institutions; land, and land management; resources on Government land; and social services that include, but not limited to, children, education (public primary and post-secondary), public health, public utilities (water and sewer), public works, public infrastructure, and taxation.

The Huu-ay-aht have existed from time immemorial, owned and occupied the lands and waters within the traditional territory, governed the lands and waters, abided by laws and shared language and culture. Since 2011, the Government's jurisdiction includes Huu-ay-aht Treaty Settlement Lands (TSL), in accordance with the Maa-nulth Treaty, and other properties owned and operated outside the TSL in other jurisdictions. In the Province of British Columbia, jurisdiction 408 of area 4 on Vancouver Island is under the authority of the Huu-ay-aht Government.

2. Summary of Significant Accounting Policies

(a) Basis of accounting

These consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) developed by the Public Sector Accounting Board. They are prepared to comply with the Government's legislation, Constitution and the Financial Administration Act (FAA), which require the Government to report financial statements under standards comparable to those generally accepted for governments in Canada.

These consolidated financial statements include the accounts of the Government and organizations controlled by the Government. The Government reporting entity includes the Government's operating departments: General Government (including Human Resources), Community Services, Economic Development, Finance, Implementation, Infrastructure, and Lands and Natural Resources (Note 24). The Government also consolidates related entities which are accountable to and are either owned or controlled by the Government. The trust funds created by the Government's legislation and/or under the Government's control are incorporated directly into the Government's accounts.

Huu-ay-aht Government Notes to the Consolidated Financial Statements

March 31, 2024

2. Summary of Significant Accounting Policies (continued)

(b) Principles of consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of a Government Business Enterprise and Business Partnerships. Inter-entity balances and transactions are eliminated under this method, and the Government reports the controlled entities as if they were one organization. The organizations included through the consolidation method are:

- Huu-ay-aht Government
- Huumiis Ventures Corporation
- Huumiis Ventures Limited Partnership, which holds the Government's interest in the investment in Tsawak-qin Forestry Limited Partnership (formerly TFL 44 Limited Partnership)
- Ma-as Ta-limlth Housing Society

(c) Investment in Government Business Enterprises and Partnerships

Investments subject to control or shared control and which meet the definition of a Government Business Enterprises ("GBEs") or Business Partnerships ("BPs") have been accounted for on the modified equity basis. The investment balance represents investment in, and accumulated earnings to the companies net of distributions and dividends paid to the Government.

These entities are included in the consolidated financial statements on a modified equity basis (Note 6). No adjustment is made to conform the accounting policies of these entities, which are prepared in accordance with International Financial Reporting Standards (IFRS), to those of the Government. Under this method, the inter-corporate transactions are not eliminated. These entities are reviewed annually to determine whether they can be expected to meet the definition of a GBE or BP in the normal course of operations.

The following are the GBEs accounted for by the Modified Equity Method:

- Huu-ay-aht First Nations Development Corporation ("HFN Development Corp")
- Huu-ay-aht First Nations Development Limited Partnership ("HFN Development LP"), which consolidates or proportionately consolidates:
 - Huu-ay-aht First Nations Fisheries Limited Partnership
 - Huu-ay-aht First Nations Forestry Limited Partnership
 - Huu-ay-aht First Nations Gravel Limited Partnership
 - Huu-ay-aht First Nations Hospitality Limited Partnership
 - Huu-ay-aht First Nations Lands Limited Partnership
 - Huu-ay-aht First Nations LNG Development Limited Partnership
 - Huu-ay-aht First Nations Management Limited Partnership
 - Huu-ay-aht First Nations Market Limited Partnership
 - Nuu-chah-nulth Seafood Limited Partnership
 - Nuu-chah-nulth Seafood Development Corporation
- Huu-ay-aht First Nations Forestry Consulting Services Corporation
- Huu-ay-aht First Nations Forestry Consulting Services Limited Partnership

Huu-ay-aht Government

Notes to the Consolidated Financial Statements

March 31, 2024

2. Summary of Significant Accounting Policies (continued)

(d) Revenue Recognition

Investment income, sale of services and other revenue are recognized on the accrual basis of accounting, and are recognized when any service has been provided, the amount can be reasonably estimated, and collection is reasonably assured.

(e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and guaranteed investment certificates having a maturity of less than three months from the date of acquisition which are held for the purpose of meeting short-term cash commitments.

(f) Government Transfers

Government transfers are transfers of monetary assets or tangible capital assets from other public sector entities to the Government that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers received are recognized in the consolidated financial statements as revenue in the financial period in which the transfers are authorized, any eligibility criteria have been met, stipulations, if any, have been met and reasonable estimates of the amounts can be determined. Stipulations attached to transfers that give rise to an obligation may be deferred in the consolidated financial statements to the extent there is an obligation meeting the definition of a liability.

(g) Taxation Revenue

Taxation revenue is recognized in the year the taxes are levied because the tax revenues result from non-exchange transactions that are compulsorily paid to governments in accordance with the laws and regulations established to provide revenue to the Government for the provision of public services. Levies imposed by other taxing authorities are not included as taxation revenue.

In accordance with the Maa-nulth Final Agreement, and related agreements and legislation, the Government has the authority to levy taxes within its treaty settlement lands related to income, sales of goods, and real property. The Government's taxation authority does not limit the taxation authority of the Province of British Columbia and Canada.

Commencing in 2024, under a non-treaty agreement with the Province of British Columbia, the Huu-ay-aht Government will collect all property taxes applicable to citizens and non-member residents on the Government's land including that which may have formerly been part of a municipality. Property taxes levied will be based on market assessments of land value that are subject to appeal. Through the British Columbia Assessments appeal process, taxes may be adjusted by way of supplementary roll adjustments. Estimates are made of potential adjustments to taxes. Any additional adjustments required over that estimate are recognized at the time they are awarded.

Huu-ay-aht Government

Notes to the Consolidated Financial Statements

March 31, 2024

2. Summary of Significant Accounting Policies (continued)

(h) Deferred Revenue

Funds received for specific purposes that are externally restricted by legislation, regulation or agreement that meet the definition of a liability, and fees collected pertaining to services required in a future period are accounted for as deferred revenue. These amounts will be recognized as revenue in the period when the conditions giving rise to the liability have been settled.

(i) Contaminated Sites

The government recognizes a liability for remediation of contaminated sites when conditions are identified which indicate non-compliance with the applicable environmental legislation. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. The liability reflects the Government's best estimate of the amount required to remediate the site to the current minimum standard of use prior to contamination, as of the financial statement date. Recorded liabilities are adjusted each year for the passage of time, new obligations, changes in management estimates and actual remediation costs incurred.

(j) Financial Instruments

Cash and Portfolio investments comprising equity instruments that are quoted in an active market are measured at fair value. All other portfolio investments, accounts receivable, accounts payable and accrued liabilities, long term debt, and other liabilities are measured at cost or amortized cost on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. Portfolio investments reported at cost are written down to net realizable value when there has been, in management's opinion, a loss in value of a portfolio investment that is other than a temporary decline. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

Huu-ay-aht Government

Notes to the Consolidated Financial Statements

March 31, 2024

2. Summary of Significant Accounting Policies (continued)

(k) Asset Retirement Obligations

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed

(l) Non-financial Assets

Non-financial assets are held for use in the provision of goods and services but are not available to discharge existing liabilities. These assets may have a useful life extending beyond the current year and are not intended for sale in the ordinary course of operations.

(m) Tangible Capital Assets

The Government's tangible capital assets are recorded at cost, which includes amounts that are directly attributable to the acquisition, construction, development or betterment of the assets. The cost, less residual value, of the tangible capital assets (excluding land and work in progress), is amortized on a straight-line basis over the estimated useful life as follows:

Buildings	10 - 50 years straight-line
Machinery and equipment	5 - 20 years straight-line
Vehicles	3 - 10 years straight-line
Public infrastructure	10 - 100 years straight-line
Utilities	10 - 100 years straight-line

Assets under construction are not amortized until the asset is substantially complete and placed into service.

Contributed tangible capital assets are recognized at fair value at the date of contribution and are also recognized as revenue. Where an estimate of fair market value cannot be made, the tangible capital asset is recognized at nominal value.

Huu-ay-aht Government

Notes to the Consolidated Financial Statements

March 31, 2024

2. Summary of Significant Accounting Policies (continued)

(n) Purchased Intangibles

The Government holds a crab fishing licence which provides the Government the right to annually renew a related commercial fishing licence. The licence was purchased from an unrelated third party and is recorded at cost. The license has an indefinite life and is not amortized.

(o) Impairment of Long-lived Assets

Tangible capital assets and purchased intangibles are written down when conditions indicate that they no longer contribute to the Government's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets or purchased intangibles are less than their net book value. The net write-downs are accounted for as expenses in the Consolidated Statement of Operations.

(p) Budget

The budget information reflects amounts set out in the annual Budget Act, as approved by the Huu-ay-aht Legislature, with reallocations and reclassifications to conform with the presentation of the consolidated financial statements.

(q) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The significant areas requiring management estimates include the useful lives of tangible capital assets, valuation of contributed assets, impairment of investments, government business enterprises and partnerships, asset retirement obligations and estimating provisions for accrued liabilities. Actual results will depend on future economic events and could differ from those estimates.

Huu-ay-aht Government Notes to the Consolidated Financial Statements

March 31, 2024

3. Cash and Cash Equivalents

	2024	2023 (Restated - Note 23)
General	\$40,698,091	\$ 7,041,537
Other	23,653	338,363
Minor's Trust	2,203,596	2,237,918
	\$42,925,340	\$ 9,617,818

The Government's general cash is held for general operations and delivery of government services. The cash is held at a Canadian chartered bank and earns interest at the current prevailing rates. Included in the cash balance is the Minors Trust balance of \$2,203,596 (2023 - \$2,237,918) that is dedicated by the Government under tribunal order to minor citizens (under the age of 19 years old as at the reporting date). The Minors Trust Liability is reported as an other liability (Note 12).

Other cash is primarily used for employment and training related purpose with other corporate partners in the forestry sector. The cash is held at a Canadian chartered bank and earns interest at current prevailing rates. The Government's Community Services Department manages the delivery of these services.

4. Accounts Receivable

	2024	2023
Federal Government - grants receivable	\$ 503,995	\$ 3,500,526
Federal Government - loan reimbursement	983,203	1,966,409
Related party receivables (Note 16)	184,694	4,525
GST receivable	76,108	1,035,419
PST receivable	222,414	457,234
Other	1,006,945	1,987,387
	\$ 2,977,359	\$ 8,951,500

During the 2020 fiscal year, the Government received notice from the Federal Government of Canada that loan principal payments of \$5,443,563 made in prior years by the Government related to treaty negotiations were forgiven. The Federal Government of Canada has committed to reimburse the Government in annual installments in the 2020 to 2025 fiscal years.

Huu-ay-aht Government Notes to the Consolidated Financial Statements

March 31, 2024

5. Portfolio Investments

Portfolio investments are managed in accordance with the Investment Management Policy Regulation and include internally and externally managed investments. Externally managed investments, which are held in the Invested Wealth Fund and Huu-ay-aht Settlement Trust, include positions in cash, bonds and preferred shares, Canadian equities, U.S. equities, International equities, and private equities. Government managed investments comprise the Government's 35% (2022 - 35%) holdings of Tsawak-qin Forestry LP, through its subsidiary Huumiis Ventures Limited Partnership.

	2024	2023 (Restated - Note 23)
Investment in Tsawak-qin Forestry LP	\$30,546,019	\$30,546,019
Invested Wealth Fund	15,874,792	14,114,990
Settlement Trust		
RBC Cash	86,968	4,715,417
TD Wealth Investments	1,430,312	1,287,307
	1,517,280	6,002,724
	\$47,938,091	\$ 50,663,733

Tsawak-qin Forestry LP Investment

In 2018, the Huu-ay-aht Government agreed to buy into Tree Farm Licence 44 (TFL44) and become a beneficial owner in the rights of the licence, initially held by Western Forest Products (WFP). A tree farm licence (TFL) is an area-based tenure that grants virtually exclusive rights to harvest timber and manage and conserve forests, recreation and cultural heritage resources on a specified area of land. TFL44 was created in 1984 and is an area of west-central Vancouver Island, extending from Strathcona Park in the north to Walbran Creek in the south, covering a total of 136,900 hectares. TFL44's administrative boundary overlaps the traditional territories of the Maa-nulth First Nations, including Huu-ay-aht First Nation.

In March of 2019, the management of the non-financial asset TFL44 changed from WFP to TFL 44 Limited Partnership (TFL 44 LP). In October 2021, TFL 44 LP changed its name to Tsawak-qin Forestry Limited Partnership (TFLP). TFLP is the partnership between the Huu-ay-aht Government (through its investment entity Huumiis) and WFP for the purpose of holding the licence issued by the Province of British Columbia.

The current licence for TFL44 was issued by the Province of British Columbia for a 25 year term, beginning on August 1, 2019. Under Section 36 of the Forest Act, the Province is required to offer a replacement TFL every five to ten years with a new 25-year term.

Huu-ay-aht Government Notes to the Consolidated Financial Statements

March 31, 2024

5. Portfolio Investments (continued)

The Huu-ay-aht Government's 35% beneficial interest in TFL44, through its investment in TFLP, was acquired in the following phases:

Phase 1 Transaction

On December 12, 2018, the Government entered into an agreement with Western Forest Products Inc. (WFP) to acquire a 7% interest in TFLP. On March 29, 2019 Huumiis Ventures Limited Partnership ("Huumiis"), a wholly owned special investment body owned by the Government, completed the Phase 1 transaction. The Government's investment of \$7,968,068 was accounted for at cost. The Government holds the associated debt to acquire the investment (Note 11).

Phase 2 Transaction

On March 16, 2020, the Government announced the intent to purchase a majority stake and controlling interest in Tsawak-qin Forestry LP. On April 22, 2021, WFP and Huumiis entered into an agreement whereby Huumiis will acquire an additional 44% ownership interest in Tsawak-qin Forestry LP for total consideration of \$35.2 million in two separate transactions (Phases 2 and 3).

On May 3, 2021, the Phase 2 transaction completed, with Huumiis acquiring an additional 28% interest in Tsawak-qin Forestry LP for total consideration of \$22.4 million. Huumiis partially financed the transaction with a \$10.8 million term loan and \$2.6 million in vendor financing, with the remaining consideration being paid by the Government directly to WFP. Acquisition costs of \$177,950 associated with the Phase 2 transaction were capitalized to the investment in the 2021 fiscal year. The Phase 3 transaction was not entered into by the Government.

As at March 31, 2024, the following are the entities related to the purchase of TFL44 and consolidated by the Huu-ay-aht Government.

Entity	Description	Owner(s)	Inception
Tsawak-qin Forestry LP (formerly TFL 44 LP)	Holds tree farm licence 44, issued by BC Government	65%WFP & 35% Huu-ay-aht Government (via Huumiis)	2019
Huumiis Ventures LP (Huumiis)	Huu-ay-aht Government special investment body holds Government interest of TFL44	100% owned by Huu-ay-aht Government	2019
Huumiis Ventures Corporation	Huu-ay-aht Government general partner for Huumiis	100% owned by Huu-ay-aht Government	2019
HFN Forestry Consulting Services LP	Huu-ay-aht Government management fees for operating Huumiis	100% owned by Huu-ay-aht Government	2019
HFN Forestry Consulting Services Corporation	Huu-ay-aht Government general partner for HFN Forestry Consulting Services	100% owned by Huu-ay-aht Government	2019

Huu-ay-aht Government Notes to the Consolidated Financial Statements

March 31, 2024

5. Portfolio Investments (continued)

During the year, Tsawak-qin Forestry LP declared distributions of nil (March 31, 2023 - nil).

Distributions from TFLP are generated from the logging operations associated with TFL44. The markets for lumber are cyclical and prices are affected by such factors as the general level of economic activity in the markets in which TFLP sells its products, geopolitical uncertainty, interest rates, construction activity, duty rates, supply shortages due to weather or logistical issues, and log supply/demand relationships. Current distribution levels from TFLP in 2023 and 2022 are reflective of more challenging macroeconomic conditions impacting the BC forestry industry, resulting in weaker demand and lower lumber prices.

The BC forestry industry is subject to extensive federal, provincial, municipal and other local laws and regulations, including those governing forestry, exports, taxes, labour standards, occupational health, safety, waste disposal, building structures/systems, environmental protection and remediation, protection of endangered and protected species and land use and expropriation.

Under Section 8 of the Forest Act (BC), the Provincial Chief Forester must conduct a review of the allowable annual cut (AAC) for each Timber Supply Area and each TFL in the Province on a periodic basis, at least once every ten years. This review is then used to determine the AAC for licences issued by the Province under the Forest Act. Many factors affect the AAC such as timber inventory, the amount of operable forest land, growth estimates of young forests, regulation changes and environmental and social changes. Land use planning, including critical habitat designations, stand age restrictions, as well as new harvesting regulations, can constrain access to timber and new parks can permanently remove land from the timber harvesting land base.

TFLs have cut control periods, which, under the Forest Act, if the volume of timber harvested during a cut control period is less than the total AAC for the TFL in that period, the TFL holder loses the right to harvest the unharvested volume in any subsequent period. This unharvested volume can be allocated by the Province to third parties.

In June 2023, the Province set a new AAC for TFL 44, reducing the AAC from 793,600 cubic metres to 642,800 cubic metres, as well as reallocating previously unharvested volume to new forest licences. TFLP strongly opposes the AAC determination and the allocation of unharvested volume to new forest licences in light of concerns that the allocation significantly affected the AAC determination. TFLP is discussing these concerns with the Province, and thus TFLP is unable to assess the potential impact of this AAC determination at this time.

Management has conducted a review of its investment in TFLP, which is recorded at cost, and has determined that there is no impairment provision required as at March 31, 2024. However, the circumstances described above give rise to measurement uncertainty that could negatively impact TFLP's future financial performance, which could affect the anticipated timing and amount of the return on this investment.

Huu-ay-aht Government Notes to the Consolidated Financial Statements

March 31, 2024

5. Portfolio Investments (continued)

Invested Wealth Fund

The Huu-ay-aht Government has transferred funds into an Invested Wealth Fund (IWF), in accordance with its legislation and the FAA. The intent of this fund is to provide the Government perpetual investment income to help fund the increased administrative activities required to operate a Government with essential public services.

The IWF had a market value of \$15,874,792 (2023 - \$14,114,990) and were held in the following investment categories:

	2024	2023
Cash and Cash Equivalents	3%	3%
Fixed Income	32%	34%
Equities	65%	63%

Settlement Trust

The Huu-ay-aht Government has transferred funds to the Huu-ay-aht Settlement Trust (HST), in accordance with the legislation and the FAA. The purpose of this Trust is to hold and protect capital transfers and resource revenues intended for its beneficiaries: the Huu-ay-aht Government, other Government trusts, any registered charity or not-for-profit organizations that are qualified donees that in the opinion of the Trustees directly or indirectly benefits one or more Huu-ay-aht citizens, or a combination of the above mentioned entities and persons. The market value of the TD Wealth investments is \$1,430,312 - (2023 - \$1,287,307). The HST funds were held in the following investment categories:

	2024	2023
Cash and Cash Equivalents	2%	4%
Fixed Income	55%	59%
Equities	43%	37%

Huu-ay-aht Government
Notes to the Consolidated Financial Statements

March 31, 2024

6. Investments in Government Businesses

The Government's investments in government business enterprises ("GBEs"), which represents equity/profit from the GBEs, are noted in the following table. The GBEs have a December 2023 year-end; therefore the Government's equity income for its March 31, 2024 fiscal year-end is based on twelve months of gains from the GBEs for their year ended December 31, 2023.

	2023	Share of (loss)	Capital contributions	Capital draws	2024
Government Business Enterprises					
HFN Development LP	\$ 19,956,260	\$ (734,692)	\$ -	\$ -	\$ 19,221,568
HFN Development Corp	(17,467)	(1,346)	-	-	(18,813)
HFN Forestry Consulting Services Corp & LP	110,471	(430,127)	-	-	(319,656)
	<u>\$ 20,049,264</u>	<u>\$ (1,166,165)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,883,099</u>

The following summarizes the assets, liabilities and financial results of the GBEs and BPs as at and for the year ended December 31st:

	Assets	Liabilities	Net Assets	Revenue	Expense	2024 Net (loss)	2023 Net (loss)
Government Business Enterprises							
HFN Development LP	19,324,992	103,424	19,221,568	(698,476)	36,216	\$ (734,692)	\$ (112,707)
HFN Development Corp	7	18,820	(18,813)	-	1,346	\$ (1,346)	\$ (1,284)
HFN Forestry Consulting Services Corp & LP	217,911	537,567	(319,656)	1,610,304	2,040,431	\$ (430,127)	\$ (261,962)

Huu-ay-aht Government
Notes to the Consolidated Financial Statements

March 31, 2024

7. Tangible Capital Assets

	Land and Land Improvements	Building	Machinery and equipment	Vehicles	Public infrastructure	Utilities	Work in progress	2024 Total	2023 Total (Restated - Note 23)
Cost, beginning of year	\$ 12,611,670	\$ 24,515,683	\$ 4,695,588	\$ 1,261,730	\$ 1,814,357	\$ 6,851,671	\$ 2,522,089	\$ 54,272,788	\$ 51,825,919
Additions	381,995	1,120,118	17,095	67,449	165,251	66,916	(5,723)	1,813,101	2,338,159
Asset Retirement Obligation	-	-	-	-	-	-	-	-	108,710
Cost, end of year	12,993,665	25,635,801	4,712,683	1,329,179	1,979,608	6,918,587	2,516,366	56,085,889	54,272,788
Accumulated amortization, beginning of year	11,891	8,387,615	1,273,602	599,550	1,251,053	2,911,319	-	14,435,030	12,904,083
Amortization	36,856	955,052	195,126	150,763	139,151	301,784	-	1,778,732	1,530,947
Disposals	-	-	-	-	-	-	-	-	-
Accumulated amortization, end of year	48,747	9,342,667	1,468,728	750,313	1,390,204	3,213,103	-	16,213,762	14,435,030
Net carrying amount, end of year	\$ 12,944,918	\$ 16,293,134	\$ 3,243,955	\$ 578,866	\$ 589,404	\$ 3,705,484	\$ 2,516,366	\$ 39,872,127	\$ 39,837,758
Net carrying amount, prior year	\$ 12,599,779	\$ 16,128,068	\$ 3,421,986	\$ 662,180	\$ 563,304	\$ 3,940,352	\$ 2,522,089	\$ 39,837,758	\$ 38,921,836

Huu-ay-aht Government Notes to the Consolidated Financial Statements

March 31, 2024

8. Accounts Payable and Accrued Liabilities

	2024	2023
Trade payable and accrued liabilities	\$ 1,467,317	\$ 8,211,106
Accrued wages and benefits	469,461	503,978
Related party payables (Note 16)	4,050	391,279
	\$ 1,940,828	\$ 9,106,363

9. Bank Indebtedness

The Government holds an operating line of credit up to \$1,000,000 bearing interest at the bank's prime lending rate. At March 31, 2024, \$nil was drawn on the operating line of credit (2023 - \$nil).

10. Deferred Revenue

	2024	2023
Deferred revenue	\$ 985,328	\$ 498,673
Damage deposits - rental properties	-	6,576
	\$ 985,328	\$ 505,249

The deferred revenue is comprised of grants and contribution funds the Government has received from other levels of government and external sources. These funds will be used for the following projects in subsequent years.

	Balance March 31, 2023	Additions	Revenue recognized	Balance March 31, 2024
Provincial Infrastructure Project	\$ 38,270	\$ -	\$ (38,270)	\$ -
Salish Sea Initiative	62,111	707,034	(394,117)	375,028
Sarita Hydro Project Funding	76,392	-	(76,392)	-
Childcare Space Funding	305,570	-	-	305,570
Co Developing Community Response	-	183,700	-	183,700
Pacific Salmon Commission	4,767	-	-	4,767
Invasive Species Mitigation	-	60,200	-	60,200
West Coast Trail Guardians	-	230,000	(185,500)	44,500
Other	18,139	-	(6,576)	11,563
	\$ 505,249	\$ 1,180,934	\$ (700,855)	\$ 985,328

Deferred revenue will be recognized as revenue in the Statement of Operations in the period in which the related expenses are incurred and/or services performed and stipulation criteria have been met.

Huu-ay-aht Government Notes to the Consolidated Financial Statements

March 31, 2024

11. Long Term Debt

	2024	2023
		Restated - Note 23
Term loan - Tsawak-qin Forestry Phase 2	\$ 8,620,000	\$ 9,340,000
Vendor-take-back financing-Tsawak-qin Forestry Phase 2	2,600,000	2,600,000
Advances from Tsawak-qin Forestry LP	2,423,000	1,150,000
RBC Term Loan - Land purchase	54,794	259,039
BMO Term Loan - NEDC - Crab license	340,843	350,571
RBC Term Loan - PAGO	179,746	208,119
HFN Development LP Term Loan - Special Projects	560,016	526,827
	\$14,778,399	\$ 14,434,556
Less: Unamortized financing costs	70,000	120,000
	\$14,708,399	\$ 14,314,556

The estimated principal repayments on the above long term debt required over the next five years are as follows:

2025	\$ 14,453,012
2026	10,555
2027	11,453
2028	12,429
2029	13,487
Thereafter	277,463
	\$ 14,778,399

The Royal Bank of Canada loans have terms and conditions as follows:

- The Term Loan Land Purchase is repayable in monthly installments of \$17,795 including interest at the RBC prime rate, maturing July 2024.
- The PAGO loan is repayable in monthly installments of \$2,364 plus interest at the RBC prime rate plus 1.00%, maturing August 2024.

The RBC term loans are secured by a general security agreement under which all assets of the Government are pledged as collateral, in addition to a first charge on all inventory, mortgages on real property, assignment of stumpage proceeds, and guarantee and postponement of claim by several of the Government's controlled entities.

The Nuu-Chah-Nulth Economic Development Corporation (NEDC) Crab License loan is held at Bank of Montreal and is repayable in annual installments of \$37,400 including interest of Bank of Montreal prime rate plus 1.00% per annum, maturing October 2037. The NEDC loan is secured by a first position over the commercial crab license.

In April 2024, the Government paid in full the outstanding loan balance related to the RBC term and NEDC loans.

The HFN Development LP Term Loan bears interest at the RBC prime rate compounded annually. The Government will have the right at any time and from time to time to prepay the loan or any part thereof, with accrued and unpaid interest thereon, without notice, premium or penalty.

Huu-ay-aht Government

Notes to the Consolidated Financial Statements

March 31, 2024

11. Long Term Debt (continued)

On May 3, 2021, the Government completed the Phase 2 transaction of Tsawak-qin Forestry LP which was partially financed by a \$10.8 million term loan and a \$2.6 million vendor-take-back financing agreement.

Term Loan - Tsawak-qin Forestry Phase 2

The term loan was advanced 75% by Export Development Canada and 25% by RBC (the "lenders") and is repayable in quarterly installments of \$180,000 plus interest accruing at 3.20% for two years following the April 2021 advance and at RBC prime rate plus 1.50% for the period from May 1, 2023 and ending on July 6, 2023. On July 7, 2023 the interest rate was fixed at 6.76% until the April 2026 maturity date and at RBC prime rate plus 1.75% thereafter while the term loan remains outstanding.

The term loan is secured by:

- General security agreement under which all assets of Huumiis are pledged as collateral, in addition to a first charge on all Tsawak-qin Forestry LP and Tsawak-qin Forestry GP equity interests and assignment of all distributions from Tsawak-qin Forestry.
- Debt service agreement signed by the Government whereby the Government agrees to cover any debt service shortfalls of Huumiis as well as a postponement and subordination of claims signed by the Government.
- Postponement and subordination of certain other financing of Tsawak-qin Forestry LP signed by Western Forest Products (WFP) and other consents and acknowledgements by WFP.
- Agreement by the Government on other matters including certain restrictions on distributions by Huumiis Ventures Limited Partnership, to be accepted, acknowledged and authorized by the Government pursuant to an Executive Council Resolution.

The lending agreement includes a covenant whereby a fixed charge coverage ratio of 1.15 must be maintained. As at year end, the Government was in violation of its covenant and as a result, the debt is due on demand. On April 3, 2024, the loan agreement was amended to remove the fixed charge coverage covenant requirement for the periods ended March 31, June 30, September 30, and December 31, 2024.

Vendor-take-back Financing - Tsawak-qin Forestry Phase 2

The vendor-take-back financing accrues interest at 3.20%, with interest payable annually on the last day of each year. The vendor financing is repayable the earlier of December 31, 2024, the date Huumiis sells any of its interest in Tsawak-qin Forestry LP or when the Huumiis repays or refinances the term loan with Export Development Canada and RBC. The vendor financing is secured by a general security agreement and pledge general security and pledge agreement over all of Huumiis' present and after-acquired personal property, including the limited partner units and other interests owned by Huumiis in Tsawak-qin Forestry LP.

Huu-ay-aht Government

Notes to the Consolidated Financial Statements

March 31, 2024

11. Long Term Debt (continued)

Advances by Tsawak-qin Forestry LP

During the year, Tsawak-qin Forestry LP issued advances of \$1,273,000 (March 31, 2023 - \$1,150,000) to Huumiis such that Huumiis could meet its term loan repayment obligations with Export Development Canada and RBC. The advances are interest-free and payable on demand.

12. Other Liabilities

	2024	2023
Minor's Trust Liability	\$ 2,203,596	\$ 2,237,918
Citizens' Dividends	63,310	-
	\$ 2,266,906	\$ 2,237,918

Under the Tribunal order, the Government has allocated \$2,266,906 (2023 - \$2,237,918) for all Huu-ay-aht First Nation Citizens who are minors to receive accumulated dividends upon becoming legal age (19 years old). The funds are currently held in a Canadian chartered bank (Note 3). The Minors Trust was allocated interest of \$105,680 - (2023 - \$10,506) which has been added to the liability. The Minors Trust liability has not been established as a legal trust.

13. Asset Retirement Obligation

	2024	2023
		Restated - Note 23
Balance, beginning of the year	\$ 108,710	\$ -
Liabilities incurred	-	108,710
Accretion expense	8,914	-
	\$ 117,624	\$ 108,710

Significant estimates and assumptions are made in determining the asset retirement costs as there are numerous factors that will affect the amount ultimately payable. Those uncertainties may result in future actual expenditures that are different than the amounts currently recorded. At each reporting date, as more information and experience is obtained as it relates to these asset retirement obligations, the estimates of the timing, the undiscounted cash flows and the discount rates may change. Adjustments to these factors are accounted for as an adjustment to the asset retirement obligation and the related tangible capital asset in the current period on a prospective basis.

Huu-ay-aht Government Notes to Financial Statements

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13. Asset Retirement Obligation (continued)

Contaminated Site

On the 31st of March 2023, the Huu-ay-aht First Nations identified a contaminated site that has an estimated useful life of 6 years. The Nation is legally required to remediate the site according to the BC Contaminated Sites Regulation in a timely manner. The asset is amortized over this period using the straight-line amortization method. In accordance with PS 3280, Asset Retirement Obligations, the Huu-ay-aht First Nations recognized the Asset Retirement Obligation in the amount of \$63,166. This balance was derived from an estimated undiscounted future remediation expenditure of \$90,000, expected to be incurred in 6 years. The associated discount rate applied was 8.2%.

Wells

The Huu-ay-aht First Nations owns 7 assets which are wells, and therefore, the Nation is legally required by the BC Groundwater Protection Regulation to perform decommissioning activities, such as filling the wells, upon retirement of these assets. The asset is amortized over this period using the straight-line amortization method. In accordance with PS 3280, Asset Retirement Obligations, the Huu-ay-aht First Nations recognized the Asset Retirement Obligation in the amount of \$44,515 for the 7 wells. This balance was derived from an estimated undiscounted future remediation expenditure of \$57,653 for the 7 wells, expected to be incurred this year for 5 wells and in 17 years for 2 wells. The associated discount rate applied was 8.2%.

X-ray Machine

The Huu-ay-aht First Nations owns an x-ray machine within its dental equipment. The Nation is legally required to properly decommission this asset according to the BC Hazardous Waste Regulation upon retirement of this machine. The asset is amortized over this period using the straight-line amortization method. In accordance with PS 3280, Asset Retirement Obligations, the Huu-ay-aht First Nations recognized the Asset Retirement Obligation in the amount of \$1,029. This balance was derived from an estimated undiscounted future remediation expenditure of \$1,650, expected to be incurred in 7 years. The associated discount rate applied was 8.2%.

14. Accumulated Surplus

	2024	2023
		Restated - Note 23
Operating Fund	\$ 40,176,047	\$ 6,715,531
Investment in Enterprises Fund	35,712,068	36,994,002
Investment in Wealth Fund (Note 5)	15,874,792	14,114,990
Investment in Settlement Fund (Note 5)	1,517,280	6,002,724
Investment in Non-financial Assets	40,390,633	40,538,413
	\$ 133,670,820	\$ 104,365,660

Huu-ay-aht Government Notes to Financial Statements

March 31, 2024

14. Accumulated Surplus (continued)

The Investment in Enterprises Fund is calculated as follows:

	2024	2023 <small>Restated - Note 23</small>
Investment in government businesses (Note 6)	\$ 18,883,099	\$ 20,049,264
Investment in Tsawak-qin Forestry LP (Note 5)	30,546,019	30,546,019
Amounts financed by long term debt and accounts payable	<u>(13,717,050)</u>	<u>(13,601,281)</u>
	<u>\$ 35,712,068</u>	<u>\$ 36,994,002</u>

The Investment in Non-financial Assets is calculated as follows:

	2024	2023 <small>Restated - Note 23</small>
Non-financial assets	\$ 40,966,016	\$ 41,356,142
Amounts financed by long term debt	<u>(575,383)</u>	<u>(817,729)</u>
	<u>\$ 40,390,633</u>	<u>\$ 40,538,413</u>

15. Budget

The Government's budget is publicly available at www.huuayaht.org, which was passed by legislation on March 30, 2024 (Budget Act 2022 HFNA 1/2023). Budget information reflects amounts set out in the annual Budget Act, as adjusted to match the required presentation in the Consolidated Statements of Operations and Change in Net Financial Assets in accordance with PSAS. This adjustment is necessary because certain budgeted expenditures are not considered expenses for PSAS purposes.

The following shows how these two bases are reconciled:

	2024
Spending Authority net of authorized borrowing per Budget Act	\$(111,106,384)
Acquisition of capital and investments	106,000,000
Debt proceeds	(60,000,000)
Banking transfer between government accounts	720,000
Contingency reserve	250,000
Planned revenue not contained in the Budget Act	<u>24,587,030</u>
Budgeted deficit on PSAS basis	<u>(39,549,354)</u>
Acquisition of tangible capital assets	(6,000,000)
Amortization	<u>1,250,000</u>
Budgeted decrease in net financial assets	<u>\$ (44,299,354)</u>

Huu-ay-aht Government Notes to the Consolidated Financial Statements

March 31, 2024

16. Related Party Balances

	2024	2023
<i>Due from</i>		
Huu-ay-aht First Nations Forestry Limited Partnership	\$ 180,169	\$ -
Huu-ay-aht First Nations Settlement Trust	3,058	3,058
Huumiis Ventures Limited Partnership	1,467	1,467
	\$ 184,694	\$ 4,525
<i>Due to</i>		
HFN Forestry Consulting Services LP	\$ 4,050	\$ 304,050
Huu-ay-aht First Nations Forestry Consulting Services LP	-	9,866
Huu-ay-aht First Nations Gravel Limited Partnership	-	76,151
Huu-ay-aht First Nations Market Limited Partnership	-	1,212
	\$ 4,050	\$ 391,279

Receivables from Huu-ay-aht First Nations Forestry Limited Partnership relate to stumpage revenues earned as part of Standing Timber Purchase Agreements. Other related party receivables arise from time to time during the course of annual operations. These amounts are processed through accounts receivable (Note 4). Related party payables arise from time to time during the course of annual operations and are processed through accounts payable (Note 8).

17. Government Transfers

	Budget (Note 15)	2024	2023
Federal			
FFA Block Funding	\$ 9,043,342	\$11,326,226	\$ 9,426,413
FFA Time Limited Funding	-	1,952,850	1,319,075
Resource Revenue Funding	192,143	237,952	192,142
Specific Claim	-	-	191,645
Post Secondary Student Support	-	49,712	97,950
Fisheries Funding	-	-	92,333
GST Revenue Sharing	110,000	-	-
Provincial			
Resource Revenue Funding	192,143	237,952	192,142
Provincial Daycare	90,000	106,868	89,736
Provincial Annual Funding	48,247	1,369,243	820,702
PST Revenue Sharing	30,000	42,007	39,597
Other			
NTC Funding	30,225	35,100	42,900
Child Welfare	-	64,204	61,999
Drinking Water Safety Program	-	19,281	19,282
BC FN Gaming Revenue	434,445	-	434,445
NTC - Patient Travel	-	136,931	194,878
	\$ 10,170,545	\$15,578,326	\$ 13,215,239

Huu-ay-aht Government Notes to the Consolidated Financial Statements

March 31, 2024

18. Grants and Contributions

	Budget (Note 15)	2024	2023
Child and Family Prevention - Canada	\$ -	\$ 370,159	\$ 869,800
Sarita Hydro Project	-	-	134,134
Park Trail	-	-	295,800
Watershed Restoration	-	-	125,000
First Nations of the Maa Nulth Treaty Society	-	110,000	251,590
Warrior Program	-	381,560	338,864
Salish Sea Initiative	-	394,117	1,268,369
National Indian Brotherhood	-	-	283,700
Canadian Coast Guard	-	183,700	-
CMHC Rapid Housing	-	-	80,000
Park Canada	-	325,668	-
Other grants and contributions	500,000	1,029,513	637,486
	\$ 500,000	\$ 2,794,717	\$ 4,284,743

19. Contractual Rights

At the end of the reporting period, the Government had the following agreements:

- HFN Forestry Consulting Services LP had an agreement with Tsawak-qin Forestry to provide consulting services in exchange for an annual fee of \$475,000 (2023 - \$475,000) for an indefinite term.

Huu-ay-aht Government Notes to the Consolidated Financial Statements

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20. Provincial Infrastructure Projects

The Government committed to upgrading a 76km stretch of the Bamfield Main road between the communities of Anacla and Bamfield, and Port Alberni and marked the completion of the project in October 2023.

While the Bamfield Main road is a crucial link for citizens of the Government living in the Huu-ay-aht village of Anacla, the Government does not retain ownership or control over the road. As a result, these improvements and the associated funding are recognized in the statement of operations as they are incurred.

The project had an approved capital budget of \$40.7 million, of which the Province of British Columbia committed to a maximum funding of \$35.7 million, however, the Government identified unanticipated cost overruns and warranty requirements on the road, resulting in higher expenses than originally planned.

The Government has elected to present the revenue and expenses related to non-recurring, one-time infrastructure projects separately from the operational activity of the Government. As a result, the comparative amounts presented in the financial statements associated with these revenue and expenses have been reclassified to conform with the current year's presentation.

During the course of the project, the following revenues and expenses have been recognized:

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Expenses</u>
2021	\$864,771	\$987,960
2022	1,968,487	2,586,511
2023	23,013,625	27,255,934
2024	10,737,644	19,011,692
Total	\$36,584,527	\$49,842,097

21. Oomiiqsu Lease

The Government has entered into an agreement to enter into a lease with Provincial Rental Housing Corporation ("PRHC"), a wholly owned and controlled corporation of the Province of British Columbia. Under the agreement PRHC will develop a multi-purpose building and facilities containing Huu-ay-aht First Nations Child and Family Wellness Department office space, an Indigenous mother's centre that includes offices, transitional residential housing and second stage housing, and a Huu-ay-aht childcare facility (the "Building"), located in Port Alberni. The Building and related lands will be owned by PRHC, which upon completion, will be leased to the Government for 60 years at a basic rent of \$3,108,000 to be paid on the lease commencement date. The Building development is expected to be completed by December 2024.

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22. Financial Instrument Risks

The Government is exposed to credit, liquidity, Interest, and market price risk from its financial instruments. Qualitative analysis of the significant risks from the Government's financial instruments is provided by the type of risk below. There have been no changes to these risks from the prior year.

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk primarily arises from the Government's cash and cash equivalents, accounts receivable, and portfolio investments. The risk exposure is limited to their carrying amounts at the date of the statement of financial position.

The Government manages credit risk by holding balances of cash and cash equivalents and portfolio investments with reputable financial institutions.

Accounts receivable primarily consists of amounts receivable from Canada, the Province, and other government agencies. To reduce the risk, the Government periodically reviews the collectibility of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts.

(b) Liquidity risk:

Liquidity risk is the risk that the Government will not be able to meet its financial obligations as they become due. It is the Government's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand, and future funds to be received under existing fiscal finance agreements between the Government and the Government of Canada. Given the Government's available liquidity resources and the timing of the payments of its obligations, management assesses the Government's liquidity risk as low.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Government is exposed to interest rate risk on its long-term debt (Note 11).

(d) Market price risk:

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Government is exposed to market price risk through its portfolio investments (Note 5)

Huu-ay-aht Government

Notes to the Consolidated Financial Statements

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23. Prior period restatement

a) During the preparation of the current year consolidated financial statements, it was determined that a loan received from Huu-ay-aht First Nation Group of Businesses was recorded as revenue in error in the year ending March 31, 2023. As a result, for the year ending March 31, 2023, revenue was overstated by \$500,000 and interest expense was understated by \$26,827. As at March 31, 2023, long term debt was understated by \$526,827, net financial asset and accumulated surplus were overstated by the same amount. These financial statements have been restated to correct this error. This error had no net cash impact on the Government.

b) During the preparation of the current year consolidated financial statements, it was determined that the Guaranteed Investment Certificates presented in Portfolio Investments were a letter of credit in substance. This letter of credit was raised by Huu-ay-aht First Nation for the Department of Fisheries & Oceans in relation to the Sarita project and were funds owned and held by Huu-ay-aht First Nation in RBC. These financial statements have been restated to correct this error.

c) Change in Accounting Policy - Asset retirement obligation

Effective April 1, 2022, the Government adopted the new Public Sector Accounting Handbook Standard, PS 3280 Asset Retirement Obligations. The standard requires the reporting of legal obligations associated with the retirement of tangible capital assets by public sector entities. The standard was adopted on the prospective basis at the date of adoption. Under the prospective method, the discount rate and assumptions used on initial recognition are those as of the date of the legal obligation was incurred. The impact of adoption of this standard was an increase in the Government's Tangible Capital Assets for a value of \$108,710 and a corresponding increase in Asset Retirement Obligation for the same amount as at March 31, 2023.

		Previously Reported	Adjustment	Restated
Consolidated Statement of Financial Position				
Assets				
Cash and cash equivalents	b) \$	9,279,455	\$ 338,363	\$ 9,617,818
Portfolio Investments	b)	51,002,096	(338,363)	50,663,733
Liabilities				
Long term debt	a)	13,787,729	526,827	14,314,556
Asset Retirement Obligations	c)	-	108,710	108,710
Total Liabilities	a) & c)	25,637,259	635,537	26,272,796
Net Financial Assets	a) & c)	63,645,056	(635,537)	63,009,519
Non-financial Assets				
Tangible capital assets	c)	39,729,048	108,710	39,837,758
Accumulated Surplus	a)	104,892,487	(526,827)	104,365,660
Consolidated Statement of Operations				
Revenue				
Grants and contribution	a)	4,784,743	(500,000)	4,284,743
Expenses				
General Government	a)	2,719,799	26,827	2,746,626
Annual operating deficit	a)	(3,990,663)	(526,827)	(4,517,490)
Accumulated operating surplus (ending)	a) \$	103,884,600	\$ (526,827)	\$103,357,773

Huu-ay-aht Government

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24. Segment Disclosure

The Government provides a wide range of services to its citizens, residents, and stakeholders. Distinguishable functional departments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows.

General Government

This service area provides the structure of government and legislation for the Government as well as the administrative services needed to support the government operations at both the Port Alberni Government Office and in the Anacla Government Office. This includes the Executive council, People's Assembly, Committees of Council, Executive Director, administration and human resource services and treaty implementation.

Community Services

This service area provides for health-related services, social services, childcare services and education services.

Economic Development

This service area provides for the development of economic opportunities to the Government. This department also supports any major investment deals led by the Government such as the negotiations of acquiring TFL 44 LP.

Finance

The service area provides the financial services in both government offices and includes the daily procedures relating to all finance matters of the Government (accounts payable, accounts receivable, payroll and general journal entries), budgeting and financial planning, and reporting and financial statements.

Implementation

This service area is dedicated to implementing Treaty and supporting self-government.

Infrastructure

This service area is responsible for the management of public works and capital infrastructure including maintenance of capital infrastructure, provision of residential services in the Anacla community and operations of the House of the Nations and the multi-use building.

Land and Natural Resources

This service area is responsible for the management of government lands and natural resources, including the management of fisheries, forest harvesting and other uses of the land base, identification and protection of cultural sites and acquisition and distribution of cultural food.

Huu-ay-aht Government
Notes to the Consolidated Financial Statements

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24. Segment Disclosure (continued)

	Budget (Note 15)	General Government	Community Services	Economic Development	Finance	Implementation	Infrastructure	Land and Natural Resources	2024 Total
Revenue									
Taxation	27,500	-	-	-	37,219	-	-	-	37,219
Government transfers	20,170,544	35,727,814	1,981,323	-	9,534,022	-	14,145,372	655,253	62,043,784
Fees, charges and other	997,948	308,648	223,241	286,867	216,855	270	27,687	73,325	1,136,893
Investment income	2,525,000	-	-	20,317	1,065,125	-	-	-	1,085,442
Stumpage income	366,038	-	-	-	180,169	-	-	-	180,169
Loss from investment in government businesses	-	-	-	-	(1,166,165)	-	-	-	(1,166,165)
Grants and contributions	500,000	260,000	887,908	22,500	430,408	170,785	265,412	757,704	2,794,717
	24,587,030	36,296,462	3,092,472	329,684	10,297,633	171,055	14,438,471	1,486,282	66,112,059
Expenses									
Administration	2,353,350	154,495	91,462	4,589	128,349	262	10,207	738	390,102
Salaries and wages	4,354,869	1,501,083	1,684,147	183,415	680,628	-	699,895	885,434	5,634,602
Travel	239,000	96,324	58,094	15,375	4,711	-	3,604	36,621	214,729
Materials and supplies	310,470	50,700	73,985	-	28,872	-	188,031	117,858	459,446
Professional and contractor fees	31,317,085	1,953,850	2,640,906	462,378	1,567,089	799,200	19,217,692	406,513	27,047,628
Interest	12,500	33,189	-	700,100	29,674	-	-	25,362	788,325
Other goods and services	24,299,110	12,812	888,042	52,161	407,509	-	526,592	183,460	2,070,576
	62,886,384	3,802,453	5,436,636	1,418,018	2,846,832	799,462	20,646,021	1,655,986	36,605,408
Annual surplus, before amortization	(38,299,354)	32,494,009	(2,344,164)	(1,088,334)	7,450,801	(628,407)	(6,207,550)	(169,704)	29,506,651
Amortization	1,250,000	-	-	-	1,778,732	-	-	-	1,778,732
Annual surplus	(39,549,354)	32,494,009	(2,344,164)	(1,088,334)	5,672,069	(628,407)	(6,207,550)	(169,704)	27,727,919