

Nuxalk Nation
Consolidated Financial Statements
For the year ended March 31, 2018

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Consolidated Financial Statements
For the year ended March 31, 2018

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Nuxalk Nation are the responsibility of management and have been approved by the Administrator and the Finance Officer of the Nation.

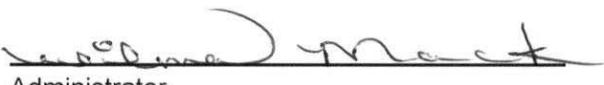
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen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

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

Nuxalk Nation is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council carries out this responsibility principally through the Nation's Council.

The Chief and Council review the Nation's consolidated financial statements and recommend their approval. The Chief and Council meet 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 Chief and Council takes this information into consideration when approving the consolidated financial statements for issuance to the Members. The Chief and Council also appoint 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 members. BDO Canada LLP has full access to the Nation Council.


Administrator


Finance Officer

Independent Auditor's Report

**To the Members of
Nuxalk Nation**

We have audited the accompanying consolidated financial statements of Nuxalk Nation, which comprise the consolidated statement of financial position as at March 31, 2018 and the consolidated statements of changes in net financial assets, operations and cash flows for the year then ended, and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

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

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Nuxalk Nation as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

These consolidated financial statements include unaudited supplementary exhibits and schedules which present detailed program revenues and expenditures and have been prepared to assist management of Nuxalk Nation to meet the reporting requirements of the various funding agencies. As a result, the consolidated financial statements should not be distributed to or used by other parties.

Nuxalk Nation has also prepared another set of consolidated financial statements for the year ended March 31, 2018 in accordance with Canadian public sector accounting standards. However, these consolidated financial statements do not include unaudited supplementary exhibits and schedules, and have a more aggregated disclosures in the financial statements. Our audit report on the other set of consolidated financial statements was issued to the members of Nuxalk Nation and was dated July 26, 2018.



Chartered Professional Accountants

Kamloops, British Columbia
July 26, 2018

Nuxalk Nation
Exhibit A - Consolidated Statement of Financial Position

<u>As at March 31</u>	<u>2018</u>	<u>2017</u>
		(Restated)
Financial Assets		
Cash (Note 2)	\$ 3,986,134	\$ 5,193,557
Restricted cash (Note 3)	1,042,768	969,024
Accounts receivable (Note 4)	1,163,918	654,861
Investment in Nation business entities (Note 10)	1,693,479	2,407,257
Inventory	83,136	66,080
Due from related party	95,626	-
	<u>8,065,061</u>	<u>9,290,779</u>
Liabilities		
Accounts payable (Note 5)	1,454,999	1,349,793
Deferred revenue (Note 6)	1,383,773	1,477,472
Long term debt (Note 7)	962,177	1,027,934
Replacement reserve (Note 3)	185,575	166,106
	<u>3,986,524</u>	<u>4,021,305</u>
Net Financial Assets	<u>4,078,537</u>	<u>5,269,474</u>
Non-financial Assets		
Prepaid expense	326,801	290,532
Tangible capital assets (Note 8)	<u>25,780,453</u>	<u>24,560,450</u>
	<u>26,107,254</u>	<u>24,850,982</u>
Accumulated Surplus (Note 9)	<u>\$ 30,185,791</u>	<u>\$ 30,120,456</u>

Approved on behalf of the Band Council:

, Administrator

, Finance Officer

Nuxalk Nation
Exhibit B - Consolidated Statement of Change in Net Assets

For the year ended March 31	2018	2017
	(Restated)	
Surplus - Exhibit C	\$ 44,676	\$ 2,092,760
Purchases of tangible capital assets	(2,606,390)	(3,112,631)
Amortization of tangible capital assets	1,386,388	1,347,502
Disposals of capital assets	-	890,993
	(1,220,002)	(874,136)
Change in prepaid expense	(36,270)	(26,949)
Change in Ottawa Trust Funds	12,357	10,984
Change in restricted equities	9,326	(504)
	(14,587)	(16,469)
Effect of prior period adjustment	-	(3,058)
	-	(3,058)
Increase in net financial assets	(1,189,913)	1,199,097
Net financial assets, beginning of year	5,269,474	4,070,377
Net financial assets, end of year	\$ 4,079,561	\$ 5,269,474

Nuxalk Nation
Exhibit C - Consolidated Statement of Operations

For the year ended March 31

	2018	2017
Revenue		(Restated)
Indigenous and Northern Affairs Canada	\$ 13,048,464	\$ 11,872,698
First Nations Health Authority	2,509,540	2,294,695
Province of British Columbia	1,270,019	1,303,408
Mid Coast First Nations Training Society	150,721	131,975
Fisheries and Oceans	163,937	172,506
Coast Opportunity Funds	559,179	1,057,796
Interest	14,507	12,457
Rental revenue	405,007	358,332
First Nations Education Steering Committee	1,183,176	896,756
Canada Mortgage and Housing Corporation	394,169	179,102
Other income	1,932,754	3,104,463
Administration	8,759	16,596
	21,640,232	21,400,784
Expenses		
Band Administration	2,045,039	2,036,658
Chief & Council	247,893	240,126
Band Employees Benefits	36,767	34,254
Employment	53,208	35,172
Stewardship	518,477	330,327
Carbon Credit	18,157	9,226
Marine Use	54,341	54,168
Fisheries and Ooligan Study	116,478	93,484
Capital Management	127,163	64,063
Service Delivery	69,064	80,413
Family Violence	13,899	(1,093)
Indian Registry Administration	41,393	41,220
Sputc	88,187	25,550
Nuxalk Bear Study	12,337	16,786
Bear Safety	28,386	31,699
Clean Energy	17,864	-
Community Engagement	4,471	5,024
LEA Tuition	2,617,362	2,385,618
First Nations Health Authority	888,946	816,604
Patient Travel	1,545,665	1,430,972
Miscellaneous Health Program	10	38,387
Healthy Beginnings	300,612	348,664
Hope Help Healing	921	15,722
Housing Rents	418,553	461,312
Culture Center Program	23,558	22,978
Restorative Justice	33,990	36,988
National Child Benefit	162,331	167,948
Social Development	1,491,288	1,298,086
Family Support	46,805	67,220
Fire Protection	110,651	50,085
Municipal Services	460,211	358,059
Safe Water Operators Program	30,650	-
Training Education Support Initiative	84,440	79,614
Social Housing Fund	206,930	143,427
Nuxalk Nation Transition House Society	611,971	601,934
Nuxalk Acwsalcimalslayc Academy of Learning Society	7,338,148	6,840,592
Capital Fund Repairs and Maintenance	1,041,760	595,221
 Subtotal Expenses	 \$ 20,907,926	 \$ 18,856,508

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

Nuxalk Nation
Exhibit C - Consolidated Statement of Operations - continued

For the year ended March 31	2018	2017
Revenue carried forward	\$ 21,640,232	\$ 21,400,784
Expenses carried forward	20,907,926	18,856,508
P&ID	15,777	26,203
FNIF CCP	-	67,958
Patient Travel - MT Support	146,606	-
Traditional Governance	118,336	92,060
Welcome Newborns	21,089	9,422
Lands	76,232	95,606
Gravel Pit	-	20
Skills Link Program	122,664	74,096
VCH Projects	2,123	11,295
Apartments	112,437	74,856
Services to Strengthen Families	68,566	-
MCFD Projects	3,800	-
	21,595,556	19,308,024
Surplus for the year	\$ 44,676	\$ 2,092,760

Nuxalk Nation
Exhibit D - Consolidated Statement of Cash Flows

<u>For the year ended March 31</u>	<u>2018</u>	<u>2017</u>
Operating activities		
Cash receipts from various sources	\$ 21,585,628	\$ 22,603,155
Cash paid to employees and suppliers	<u>(20,138,842)</u>	<u>(17,704,139)</u>
Cash flows from operating activities	1,446,786	4,899,016
Investing activities		
Purchase of capital assets	(2,606,390)	(2,890,499)
Disposal of capital assets	-	847,501
Change in Ottawa Trust Funds	12,357	10,984
Change in investments	<u>28,565</u>	<u>-</u>
Cash flows from investing activities	(2,565,468)	(2,032,014)
Financing activities		
Repayment of long term debt	(65,757)	36,762
Increase (decrease) in related party balances	<u>567,250</u>	<u>(246,780)</u>
Cash flows from financing activities	501,493	(210,018)
Net increase (decrease) in cash and cash equivalents	(617,189)	2,656,984
Cash and cash equivalents, beginning of year	6,162,581	3,505,597
Cash and cash equivalents, end of year	\$ 5,545,392	\$ 6,162,581
Represented by:		
Cash	\$ 4,502,624	\$ 5,193,557
Restricted cash	<u>1,042,768</u>	<u>969,024</u>
	\$ 5,545,392	\$ 6,162,581

Nuxalk Nation

Notes to Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies

Basis of Presentation	These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards, as defined in the CPA Canadian Public Sector Accounting Handbook which encompasses the following principles.
Reporting Entity and Principles	<p>Nuxalk Nation reporting entity includes Nuxalk Nation government and all related entities which are accountable to Nuxalk Nation and are either owned or controlled by the Nuxalk Nation.</p> <p>The financial statements consolidate the assets, liabilities and results of operations for the following incorporated entities:</p> <ul style="list-style-type: none">- Nuxalk Acwsalcimalslayc Academy of Learning Society- Nuxalk Nation Property Management- Nuxalk Nation Transition House Society <p>All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific entity, transactions amongst entities have not been necessarily eliminated on the individual schedules.</p> <p>Business entities, which are owned or controlled by the Nuxalk Nation and which are not dependent on the Nation for their continuing operations, are included in the summary financial statements using the modified equity method. These include:</p> <ul style="list-style-type: none">- Nuxalk Business Trust- Nuxalk Development LP- 0820770 B.C. Ltd.
Financial Instruments	The Nation recognizes and measures financial assets and financial liabilities on the consolidated statement of financial position when it becomes a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a trade date or settlement date basis. All financial instruments are measured at fair value on the initial recognition. Financial instruments are subsequently measured at amortized cost as the Nation has not entered into any derivative contracts and it does not hold any investments in equity instruments quoted on the active market. Since no financial instruments are measured at fair value after the initial recognition, a Statement of Remeasurement Gains and Losses has not been presented in these consolidated financial statements.
Cash and Cash Equivalents	Cash and cash equivalents consist of cash on hand, bank balances and bank overdrafts with maturities of three months or less.

Nuxalk Nation

Notes to Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies - (continued)

Use of Estimates The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates included in these consolidated financial statements include the valuation of accounts receivable, accuracy of accounts payable and accrued liabilities, and calculation of deferred revenue.

Tangible Capital Assets Property, equipment and infrastructure expenses are valued at acquisition cost and recorded in the Capital Fund. The acquisition costs of tangible capital assets and payments on capital debt, which are not funded from capital financing sources, are charged to operations and matched with the applicable revenue source in the year of expenditure. These expenses are also recorded as an addition to the assets of the Capital Fund with a corresponding increase in equity in tangible capital assets.

Amortization Tangible capital assets recorded are amortized annually with a corresponding reduction in equity in tangible capital assets. Tangible capital assets are amortized over their expected useful lives on a declining balance basis at the following rates:

Automotive equipment	20%
Buildings	5%
Computer software	100%
Infrastructure	5%
Nation owned houses	5%
Office and furniture equipment	30%

In the year of acquisition, 50% of the normal amortization is recorded.

Social housing assets acquired under Canada Mortgage and Housing Corporation (CMHC) subsidized housing programs are amortized at a rate equivalent to the annual principal reduction in the related long term debt, as required for CMHC reporting purposes.

Nuxalk Nation

Notes to Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies - (continued)

Revenue Recognition	Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under the funding arrangements, which relates to a subsequent fiscal period, is reflected as deferred revenue in the year of receipt and classified as such on the consolidated statement of financial position. Rental revenue is recognized when a tenant commences occupancy and rent is due. Nuxalk Nation retains all benefits and risks of ownership of its property and, therefore, accounts for leases with its tenants as operating leases. All other revenue is recognized in the period in which the events that give rise to the revenue occurs.
Government Transfers	Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period which events give rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.
Rents Receivable	CMHC does not allow or recognize bad debts recorded in the financial statements of Social Housing and will not subsidize rental arrears.
Ottawa Trust Fund	Nuxalk Nation uses the accrual method of accounting for Ottawa Trust Fund revenues earned in the Fund. Trust monies are recognized in the revenue of the Nation upon withdrawal from the Ottawa Trust Fund.
Deferred Revenue	Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of financial activity in the year in which it is used for the specified purpose.
Impairment of Long-lived Assets	In the event that facts and circumstances indicate that the Nation's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. The Nation considers that no circumstances exist that would require such an evaluation.

Nuxalk Nation

Notes to Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies - (continued)

Leased Assets	Leases entered into that transfer substantially all of the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset, and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the Nation, and the obligation, including interest thereon, is reduced over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.
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2. Cash

	2018	2017
Operating	\$ 1,369,797	\$ 3,265,197
Nuxalk Acwsalcmlaslayc Academy of Learning Society	2,158,566	1,513,253
Nuxalk Nation Transition House Society	67,380	39,283
Pre - Social Housing	54,223	66,966
Post - Social Housing	<u>336,168</u>	<u>308,858</u>
	<hr/> \$ 3,986,134	<hr/> \$ 5,193,557

Cash is held in Canadian Chartered Banks and a Credit Union, both earn interest at the current prevailing rates for business operating accounts.

3. Restricted Cash

	2018	2017
Ottawa Trust revenue	\$ 378,372	\$ 366,015
Ottawa Trust capital	10,079	10,079
Social Housing replacement reserve	<u>654,317</u>	<u>592,930</u>
	<hr/> \$ 1,042,768	<hr/> \$ 969,024

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. These funds are restricted in their use. The Nation is permitted to use its revenue for any purpose that will promote the general progress and welfare of the Nation and Nation members. The expenditures of capital funds requires the consent of Indigenous and Northern Affairs Canada and generally must be for projects of a capital nature. Withdrawals of revenue or capital funds are recorded as revenue in the applicable fund where the monies are expended.

In order to provide for replacement of major capital items, the terms of the operating agreements between Nuxalk Nation and CMHC provide that a replacement reserve fund be established by annual charges to operations in the amount prescribed by the agreements. Under these agreements, Nuxalk Nation is required to segregate annual transfers to reserve funds and interest earned on these funds from other cash. As at March 31, 2018, the replacement reserve and operating reserve was overfunded by \$426,824 (2017 - overfunded by \$426,824).

Nuxalk Nation

Notes to Consolidated Financial Statements

March 31, 2018

4. Accounts Receivable

Accounts receivable by program area is summarized as follows:

	2018	2017
Operating		
Trade	\$ 930,145	\$ 602,222
Pre - Social Housing	41,401	40,787
Post - Social Housing	750	-
	<hr/>	<hr/>
	972,296	643,009
Nuxalk Acwsalcmaſlacyc Academy of Learning Society	<hr/>	<hr/>
	191,622	11,852
	<hr/>	<hr/>
	\$ 1,163,918	\$ 654,861
	<hr/>	<hr/>

5. Accounts Payable

	2018	2017
Operating		
Nuxalk Acwsalcmaſlacyc Academy of Learning Society	\$ 831,146	\$ 1,306,503
Nuxalk Nation Transition House Society	524,132	(4,349)
Social Housing	58,038	43,653
	<hr/>	<hr/>
	41,683	3,986
	<hr/>	<hr/>
	\$ 1,454,999	\$ 1,349,793
	<hr/>	<hr/>

Nuxalk Nation

Notes to Consolidated Financial Statements

March 31, 2018

6. Deferred Revenue

Deferred revenue represents funding received for programs/projects that were not completed during the year.

	2018	2017
Operating - INAC		
Nation Child Benefit	\$ -	\$ 6,955
In-Home Care	-	7,916
Comprehensive Education Support Services	-	15,912
Service Delivery	-	19,021
	<hr/>	<hr/>
	-	49,804
Operating Fund - Other		
Coast Funds	232,600	-
Province of BC	500,000	-
	<hr/>	<hr/>
Nuxalk Acwsalcalslayc Academy of Learning Society	156,858	101,408
	<hr/>	<hr/>
Capital Fund - INAC	889,458	151,212
ARCS	127,502	127,502
Liquid waste disposal	129,850	178,666
Construction of multi-units ICMS#3-00126158	-	813,075
Apartment Renovation - ICMS#9-0012639	7,521	207,017
10 Apartment Renovation - ICMS#9-00126955	229,442	-
	<hr/>	<hr/>
	\$ 1,383,773	\$ 1,477,472

Nuxalk Nation

Notes to Consolidated Financial Statements

March 31, 2018

7. Long Term Debt

	2018	2017
<u>Social Housing</u>		
Mortgage repayable in monthly installments of \$1,381, including interest at 3.95% per annum maturing September 2018	\$ 82,001	\$ 94,819
Mortgage repayable in monthly installments of \$2,839, including interest at 3.95% per annum maturing September 2018	168,554	194,903
All Nations Trust Company, mortgage, repayable in monthly instalments of \$ 2,904 including interest at 1.14% per annum, maturing June 2021	<u>711,622</u>	<u>738,212</u>
	<u>962,177</u>	1,027,934
Less current portion	<u>278,092</u>	67,780
	<u><u>\$ 684,085</u></u>	<u><u>\$ 960,154</u></u>

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

2019	\$ 278,092
2020	27,191
2021	27,503
2022	<u>629,391</u>
	<u><u>\$ 962,177</u></u>

Nuxalk Nation
Notes to Consolidated Financial Statements

March 31, 2018

8. Tangible Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Artwork	\$ 134,000	\$ -	\$ 134,000	\$ -
Equipment				
Automotive equipment	5,157,941	4,512,584	4,890,854	4,377,369
Transition House equipment	185,566	148,523	80,735	63,837
Transition House automotive	-	-	71,882	37,891
NAALS equipment	156,590	143,773	146,239	52,755
NAALS automotive	652,629	167,037	552,152	147,305
Buildings				
Community buildings	26,344,942	8,979,276	24,151,746	8,196,835
Band owned houses	310,668	18,391	310,668	6,213
Land improvements				
Infrastructure	11,064,604	5,725,412	11,029,325	5,461,243
NNTHS House Improvements	-	-	32,949	30,918
	44,006,940	19,694,996	41,400,550	18,374,366
Pre - Social Housing	2,528,991	1,998,339	2,528,991	1,959,172
Post - Social Housing	984,223	46,366	984,223	19,776
	\$ 47,520,154	\$ 21,739,701	\$ 44,913,764	\$ 20,353,314
Net book value		\$ 25,780,453		\$ 24,560,450

Nuxalk Nation
Notes to Consolidated Financial Statements

March 31, 2018

8. Tangible Capital Assets (continued)

	2018				
	Artwork	Equipment	Buildings	Land Improvements	Total
Cost, beginning of year	\$ 134,000	\$ 5,741,862	\$ 27,975,626	\$ 11,062,276	\$ 44,913,764
Additions	-	377,916	2,193,195	35,279	2,606,390
Cost, end of year	<u>\$ 134,000</u>	<u>\$ 6,119,778</u>	<u>\$ 30,168,821</u>	<u>\$ 11,097,555</u>	<u>\$ 47,520,154</u>
Accumulated amortization, beginning of year	\$ -	\$ 4,677,997	\$ 10,183,226	\$ 5,492,091	\$ 20,353,314
Amortization	-	261,234	860,375	264,778	1,386,387
Disposals	-	-	-	-	-
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 4,939,231</u>	<u>\$ 11,043,601</u>	<u>\$ 5,756,869</u>	<u>\$ 21,739,701</u>
Net carrying amount, end of year	<u>\$ 134,000</u>	<u>\$ 1,180,547</u>	<u>\$ 19,125,220</u>	<u>\$ 5,340,686</u>	<u>\$ 25,780,453</u>

Nuxalk Nation
Notes to Consolidated Financial Statements

March 31, 2018

8. Tangible Capital Assets (continued)

	2017				
	Artwork	Equipment	Buildings	Land Improvements	Total
Cost, beginning of year	\$ 134,000	\$ 5,281,368	\$ 26,359,960	\$ 10,884,995	\$ 42,660,323
Additions	-	472,183	2,463,167	177,281	3,112,631
Disposals	-	(11,689)	(847,501)	-	(859,190)
Cost, end of year	\$ 134,000	\$ 5,741,862	\$ 27,975,626	\$ 11,062,276	\$ 44,913,764
Accumulated amortization, beginning of year	\$ -	\$ 4,455,561	\$ 9,343,233	\$ 5,211,973	\$ 19,010,767
Amortization	-	227,392	839,993	280,118	1,347,503
Disposals	-	(4,956)	-	-	(4,956)
Accumulated amortization, end of year	\$ -	\$ 4,677,997	\$ 10,183,226	\$ 5,492,091	\$ 20,353,314
Net carrying amount, end of year	\$ 134,000	\$ 1,063,865	\$ 17,792,400	\$ 5,570,185	\$ 24,560,450

Nuxalk Nation

Notes to Consolidated Financial Statements

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9. Accumulated Surplus

	2018	2017
Operating surplus	\$ 3,456,444	\$ 4,687,985
Equity in capital assets	23,471,590	22,157,853
Equity in capital NAALS	797,419	809,518
Equity in capital NNTHS	37,042	52,920
Equity in Ottawa trust	388,451	376,094
Contributed surplus	500,728	500,728
Nuxalk Forestry	1,535,346	1,535,346
Equity in replacement reserve	(205)	12
	\$ 30,186,815	\$ 30,120,456

10. Investments in Nation Business Entities

The Nation has investments in the following entities:

	2018	2017
Nuxalk Business Trust - 100%	\$ 524,072	\$ 524,072
Nuxalk Development LP - 99.9%	603,946	1,192,993
Nuxalk Development Corporation (advance)	565,461	672,091
0820770 B.C. Ltd. - 100%	-	18,101
	\$ 1,693,479	\$ 2,407,257

Nuxalk Nation

Notes to Consolidated Financial Statements

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10. Investment in Nation business entities (continued)

For partnerships, equity is comprised of partnership advances, less drawings, plus the partner's proportional share of net income. Nuxalk Nation has investments in the following entities:

	Assets	Liabilities	Capital	Revenue	Expenses	2018 Total Earnings (Loss)	2017 Total Earnings (Loss)
<u>Limited Partnerships</u>							
Nuxalk Development LP	1,523,828	386,755	1,137,073	78,929	209,681	(130,752)	940,131

The following period of financial information was used to determine the amount of the investment in Nation's business activities:

Limited Partnerships

Nuxalk Business Trust	April 1, 2017 - March 31, 2018
Nuxalk Development Limited Partnership	April 1, 2017 - March 31, 2018
0820770 B.C. Ltd.	April 1, 2017 - March 31, 2018

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11. Comparative Figures

Certain comparative amounts presented in the consolidated financial statements have been restated to conform to current year's presentation.

12. Federal Assistance Payments

The Social Housing Fund has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56-1 of the *National Housing Act* to reduce mortgage interest expense to 2% to enable the project to provide housing to low income individuals. The amount of the assistance received through March 31, 2018 was \$86,839 (2017 - \$89,138). This assistance will continue, providing the Nation is not in default of the agreement.

13. Commitments

Nuxalk Nation is required to make the following future minimum lease payments on operating lease obligations over the next two years:

2019	\$ 23,186
2020	<u>15,923</u>
<hr/>	
\$	<u>39,109</u>

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Notes to Consolidated Financial Statements

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14. Expenses by Object

	2018	2017
Amortization	\$ 1,386,388	\$ 1,347,502
Automotive	58,929	52,288
Bad debts	3,058	24,667
Bank charges	38,379	31,176
Contract services	1,897,629	1,002,267
Donations	49,736	44,112
Equipment rental	35,280	14,955
Honoraria	93,618	121,473
Insurance	483,468	422,354
Materials and supplies	979,618	795,663
Office and miscellaneous	84,762	88,997
Professional fees	228,264	173,342
Program expenses	6,517,847	6,349,395
Repairs and maintenance	244,755	250,702
Replacement reserve	30,779	2,236
Salaries and benefits	7,484,884	6,644,076
Student allowance and transportation	447,360	414,271
Telephone	165,118	172,281
Travel and accommodation	403,939	405,588
Training	277,944	306,231
Utilities	683,801	644,722
	<hr/> \$ 21,595,556	<hr/> \$ 19,308,298

Nuxalk Nation

Notes to Consolidated Financial Statements

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15. Segment Disclosure

Nuxalk Nation is a diversified First Nations organization that provides a wide range of services to its members. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Administration

This item relates to the revenues and expenses that relate to the operations of Nuxalk Nation itself and cannot be directly attributed to a specific segment.

Community Welfare

This service area provides services to help the Members by providing a variety of programs, community services and social assistance.

Operations and Maintenance

This service area provides services relating to the development, maintenance and service of Nuxalk Nation's assets, infrastructure and common property.

Education

This service area provides educational services through the operations of an on-reserve school, post secondary education support and the operations of various other educational programs. The goal of this segment is to enhance the educational opportunities of Nuxalk Nation's Members.

Economic Development

This service area provides for the development of economic opportunities to the Members.

Health Services

This service area provides for health-related services and programs to the Members.

Social Housing

This service area provides for social housing to the Members.

Natural Resource Management

This service area includes exploration of natural resources and development of natural resource revenues.

Capital

This service area provides for the development of new capital projects and infrastructure programs on the reserve.

Nuxalk Nation
Notes to Consolidated Financial Statements

March 31, 2018

**15. Segment Disclosure
(continued)**

2018		Administration	Community Welfare	Operations & Maintenance	Education	Economic Development	Health Services	Social Housing	Natural Resource Management	Capital	Total
Revenue											
INAC		\$ 739,737	\$ 2,487,329	\$ 447,937	\$ 8,199,581	\$ -	\$ -	\$ -	\$ 1,173,880	\$ 13,048,464	
Other		509,333	342,667	22,483	2,582,720	1,125,865	3,069,046	420,811	179,153	1,024,902	9,276,980
		1,249,070	2,829,996	470,420	10,782,301	1,125,865	3,069,046	420,811	179,153	2,198,782	22,325,444
Expenses											
Payroll		656,216	651,452	47,332	4,490,435	582,272	803,828	819	140,325	112,205	7,484,884
Other		758,388	2,095,478	523,530	5,426,586	439,592	2,152,499	282,563	52,383	899,782	12,630,801
Amortization		1,181,825	15,878	-	122,928	-	-	65,757	-	-	1,386,388
		2,596,429	2,762,808	570,862	10,039,949	1,021,864	2,956,327	349,139	192,708	1,011,987	21,502,073
Surplus (deficit)		\$ (1,347,359)	\$ (67,188)	\$ (100,442)	\$ 742,352	\$ 104,001	\$ 112,719	\$ 71,672	\$ (13,555)	\$ 1,186,795	\$ 823,371

2017		Administration	Community Welfare	Operations & Maintenance	Education	Economic Development	Health Services	Social Housing	Natural Resource Management	Capital	Total
Revenue											
INAC		\$ 806,787	\$ 2,165,780	\$ 457,209	\$ 7,506,963	\$ 114,497	\$ -	\$ -	\$ 821,462	\$ 11,872,698	
Other		373,648	288,562	9,638	2,050,153	1,561,255	2,804,262	287,662	194,349	1,292,102	8,861,631
		1,180,435	2,454,342	466,847	9,557,116	1,675,752	2,804,262	287,662	194,349	2,113,564	20,734,329
Expenses											
Payroll		707,072	655,764	100,136	3,577,697	645,053	710,719	1,230	131,230	115,176	6,644,077
Other		735,444	1,792,321	308,008	5,636,287	226,765	1,920,735	245,414	57,861	393,610	11,316,445
Amortization		1,177,239	20,333	-	91,835	-	-	58,095	-	-	1,347,502
		2,619,755	2,468,418	408,144	9,305,819	871,818	2,631,454	304,739	189,091	508,786	19,308,024
Surplus (deficit)		\$ (1,439,320)	\$ (14,076)	\$ 58,703	\$ 251,297	\$ 803,934	\$ 172,808	\$ (17,077)	\$ 5,258	\$ 1,604,778	\$ 1,426,305

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Notes to Consolidated Financial Statements

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16. Prior Period Adjustment

During the year, amounts in the prior year financial statements have been capitalized, which were previously classified as operating expenses. As a result, capital assets in the prior year have increased, operating expenses have decreased, and operating surplus has increased by \$1,011,093.

During the year, the previous year's investment balance has been adjusted to reflect the full equity pickup for the year. As a result, the opening equities have been adjusted to reflect this amount. Opening equities and investments have been increased by \$666,445.

During the year, in Social Housing, an expense which was recorded twice in error in 2015 was adjusted. As a result, opening equity in the prior year has decreased, and accounts payable has increased by \$3,508.

During the year, in Nuxalk Acwsalcma'slayc Academy of Learning Society, an expense which was recorded twice in the prior year in error, has been adjusted. As a result, operating expenses in the prior year have decreased and the cash balance has increased, by \$505,170. Current year opening equity and cash have increased by the same amount.