

Nuxalk Nation
Consolidated Financial Statements
For the year ended March 31, 2019

Nuxalk Nation
Consolidated Financial Statements
For the year ended March 31, 2019

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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

Qualified Opinion

We have audited the consolidated financial statements of Nuxalk Nation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of operations, the consolidated statement of change in net assets and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nuxalk Nation as at March 31, 2019 and its consolidated results of operations, its consolidated change in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 as at March 31, 2019 and 2018, the related amortization expense and annual surplus for the year ended March 31, 2019 and 2018, and equity in tangible capital assets as at April 1 and March 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified for the above matters.

As described in Note 10, Nuxalk Nation holds investments in Nation business entities, which are government business partnerships. The financial statements for these entities should have been prepared using the International Financial Reporting Standards rather than Canadian Accepted Accounting Standards for Private Enterprises. This constitutes a departure from Canadian public sector accounting standards. The investments are recorded in these consolidated financial statements using the modified equity method. In addition, because Nuxalk Nation does not have audited financial information of Nuxalk Business Trust and 0820770 B.C. Ltd., we were unable to determine whether any adjustments might be necessary to income from National business entities and annual surplus for the years ended March 31, 2019 and 2018, investment in Nation business entities as at March 31, 2019 and 2018, and accumulated surplus as at April 1 and March 31 for both the 2019 and 2018 years.



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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 Group 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

A handwritten signature in black ink, appearing to read 'BDO Canada LLP', written over a horizontal line.

Chartered Professional Accountants

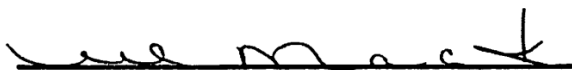
Kamloops, British Columbia
August 16, 2019

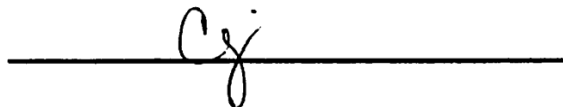
Nuxalk Nation

Exhibit A - Consolidated Statement of Financial Position

As at March 31	2019	2018
Financial Assets		
Cash (Note 2)	\$ 4,167,373	\$ 3,986,134
Restricted cash (Note 3)	1,019,084	1,042,768
Accounts receivable (Note 4)	1,536,105	1,163,918
Investment in Nation business entities (Note 10)	2,365,923	1,693,479
Due from related party	95,626	95,626
	<u>9,184,111</u>	<u>7,981,925</u>
Liabilities		
Accounts payable (Note 5)	815,536	1,454,999
Deferred revenue (Note 6)	2,283,361	1,383,773
Long term debt (Note 7)	893,594	962,177
	<u>3,992,491</u>	<u>3,800,949</u>
Net Financial Assets	<u>5,191,620</u>	<u>4,180,976</u>
Non-financial Assets		
Prepaid expense	307,283	326,801
Inventory held for resale	156,476	83,136
Tangible capital assets (Note 8)	26,088,216	25,780,453
	<u>26,551,975</u>	<u>26,190,390</u>
Accumulated Surplus (Note 9)	<u>\$ 31,743,595</u>	<u>\$ 30,371,366</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	2019	2018
Surplus - Exhibit C	\$ 1,464,526	\$ 44,676
Purchases of tangible capital assets	(1,668,141)	(2,606,390)
Amortization of tangible capital assets	1,360,378	1,386,388
	(307,763)	(1,220,002)
Change in prepaid expense	19,519	(36,270)
Change in inventory for resale	(73,340)	-
Change in Ottawa Trust Funds	12,849	12,357
Equity change in business entities	672,444	-
Change in restricted equities	(777,591)	9,326
	(146,119)	(14,587)
Increase in net financial assets	1,010,644	(1,189,913)
Net financial assets, beginning of year	4,180,976	5,370,889
Net financial assets, end of year	\$ 5,191,620	\$ 4,180,976

Nuxalk Nation

Exhibit C - Consolidated Statement of Operations

For the year ended March 31

2019

2018

Revenue

Indigenous Services Canada	\$ 13,971,441	\$ 13,048,464
First Nations Health Authority	3,341,619	2,509,540
Province of British Columbia	1,403,358	1,270,019
Mid Coast First Nations Training Society	105,016	150,721
Fisheries and Oceans	160,987	163,937
Coast Opportunity Funds	709,901	559,179
Interest	36,535	14,507
Rental revenue	448,334	405,007
First Nations Education Steering Committee	1,117,997	1,183,176
Canada Mortgage and Housing Corporation	114,363	394,169
Other contracts and government funding income	2,281,036	1,932,754
Income from Nation Business entities	672,444	-
Administration	8,147	8,759
	24,371,178	21,640,232

Expenses

Band Administration	1,948,216	2,045,039
Chief & Council	200,278	247,893
Band Employees Benefits	36,389	36,767
Employment	55,060	53,208
Stewardship	413,515	518,477
Carbon Credit	6,379	18,157
Marine Use	51,932	54,341
Fisheries and Ooligan Study	139,775	116,478
Capital Management	194,343	127,163
Service Delivery	84,706	69,064
Family Violence	-	13,899
Indian Registry Administration	42,054	41,393
Sputc	325	88,187
Nuxalk Bear Study	13,889	12,337
Bear Safety	20,975	28,386
Clean Energy	180,218	17,864
Community Engagement	734	4,471
LEA Tuition	2,597,961	2,617,362
First Nations Health Authority	1,133,168	888,946
Patient Travel	1,810,206	1,545,665
Miscellaneous Health Program	-	10
Healthy Beginnings	538,525	300,612
Hope Help Healing	(944)	921
Housing Rents	319,034	418,553
Culture Center Program	4,532	23,558
Restorative Justice	43,760	33,990
National Child Benefit	154,041	162,331
Social Development	1,541,106	1,491,288
Family Support	35,814	46,805
Fire Protection	41,875	110,651
Municipal Services	383,224	460,211
Safe Water Operators Program	40,530	30,650
Training Education Support Initiative	-	84,440
Social Housing Fund	286,334	206,930
Nuxalk Nation Transition House Society	624,691	611,971
Nuxalk Acwslcmalslayc Academy of Learning Society	8,306,561	7,338,148
Capital Fund Repairs and Maintenance	947,838	1,041,760

Subtotal Expenses	\$ 22,197,044	\$ 20,907,926
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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	2019	2018
Revenue carried forward	\$ 24,371,178	\$ 21,640,232
Expenses carried forward	22,197,044	20,907,926
P&ID	-	15,777
Patient Travel - MT Support	148,419	146,606
Traditional Governance	128,400	118,336
Welcome Newborns	106,963	21,089
Lands	24,105	76,232
Gravel Pit	6,318	-
Skills Link Program	28,301	122,664
VCH Projects	17,542	2,123
Apartments	126,552	112,437
Services to Strengthen Families	34,534	68,566
Lands- Strategic Planning	37,167	-
MCFD Projects	1,000	3,800
Nuxalk Bear Stand	19,377	-
Nation Rebuilding	15,000	-
Community Wellbeing Initiatives	15,930	-
	22,906,652	21,595,556
Surplus for the year	\$ 1,464,526	\$ 44,676

Nuxalk Nation

Exhibit D - Consolidated Statement of Cash Flows

For the year ended March 31	2019	2018
Operating activities		
Cash receipts from various sources	\$ 24,226,135	\$ 21,066,041
Cash paid to employees and suppliers	<u>(22,344,705)</u>	<u>(20,107,180)</u>
Cash flows from operating activities	<u>1,881,430</u>	<u>958,861</u>
Capital activity		
Purchase of capital assets	<u>(1,668,141)</u>	<u>(2,606,390)</u>
Investing activities		
Change in Ottawa Trust Funds	<u>12,849</u>	<u>12,357</u>
Cash flows from investing activities	<u>(1,655,292)</u>	<u>(2,594,033)</u>
Financing activities		
Repayment of long term debt	<u>(68,583)</u>	<u>(65,757)</u>
Increase (decrease) in related party balances	<u>-</u>	<u>567,250</u>
Cash flows from financing activities	<u>(68,583)</u>	<u>501,493</u>
Net increase (decrease) in cash and cash equivalents	<u>157,555</u>	<u>(1,133,679)</u>
Cash and cash equivalents, beginning of year	<u>5,028,902</u>	<u>6,162,581</u>
Cash and cash equivalents, end of year	<u>\$ 5,186,457</u>	<u>\$ 5,028,902</u>
Represented by:		
Cash	\$ 4,167,373	\$ 3,986,134
Restricted cash	<u>1,019,084</u>	<u>1,042,768</u>
	<u>\$ 5,186,457</u>	<u>\$ 5,028,902</u>

Nuxalk Nation

Notes to Consolidated Financial Statements

March 31, 2019

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

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.

All controlled entities are consolidated in the Nuxalk Nation financial statements according to the Nuxalk Nation's percentage ownership except for entities that the definition of a government business enterprise or government business partnership, which are included in the financial statements on a modified equity basis. Accounting policies of consolidated and proportionately consolidated entities are conformed to those of the Nuxalk Nation and inter-organizational balances and transactions are eliminated upon consolidation.

The financial statements consolidate the assets, liabilities and results of operations for the following incorporated entities:

- Nuxalk Awasilmslayc Academy of Learning Society
- Nuxalk Nation Transition House Society

Entities and government partnerships, 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:

- 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 measure 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

Nuxalk Nation
Notes to Consolidated Financial Statements

March 31, 2019

bank overdrafts with maturities of three months or less.

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Notes to Consolidated Financial Statements

March 31, 2019

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 acquired or developed are recorded 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 purchases 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.

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Notes to Consolidated Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies - (continued)

Revenue Recognition	<p>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.</p> <p>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.</p> <p>All other contract and government funding income are recognized in the period in which the events that give rise to the revenue occurs.</p>
Government Transfers	<p>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.</p>
Ottawa Trust Fund	<p>Trust monies are recognized in the revenue of the Nation upon withdrawal from the Ottawa Trust Fund.</p>
Deferred Revenue	<p>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.</p>
Impairment of Long-lived Assets	<p>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.</p>

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Notes to Consolidated Financial Statements

March 31, 2019

2. Cash

	2019	2018
Operating	\$ 1,774,362	\$ 1,369,797
Nuxalk Acwscmayslayc Academy of Learning Society	1,969,675	2,158,566
Nuxalk Nation Transition House Society	71,127	67,380
Pre - Social Housing	25,000	54,223
Post - Social Housing	327,209	336,168
	\$ 4,167,373	\$ 3,986,134

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

	2019	2018
Ottawa Trust revenue	\$ 391,221	\$ 378,372
Ottawa Trust capital	10,079	10,079
Social Housing replacement reserve	617,784	654,317
	\$ 1,019,084	\$ 1,042,768

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 Trust 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 Services 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, 2019, the replacement reserve and operating reserve was overfunded by \$477,648 (2018 - overfunded by \$426,824).

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Notes to Consolidated Financial Statements

March 31, 2019

4. Accounts Receivable

Accounts receivable by program area is summarized as follows:

	<u>2019</u>	<u>2018</u>
Operating		
Trade	\$ 1,481,516	\$ 930,145
Pre - Social Housing	46,160	41,401
Post - Social Housing	-	750
	<u>1,527,676</u>	<u>972,296</u>
Nuxalk Acwsalcmalslayc Academy of Learning Society	<u>8,429</u>	<u>191,622</u>
	<u>\$ 1,536,105</u>	<u>\$ 1,163,918</u>

5. Accounts Payable

	<u>2019</u>	<u>2018</u>
Operating	\$ 572,508	\$ 831,146
Nuxalk Acwsalcmalslayc Academy of Learning Society	176,277	524,132
Nuxalk Nation Transition House Society	60,446	58,038
Social Housing	6,305	41,683
	<u>\$ 815,536</u>	<u>\$ 1,454,999</u>

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Notes to Consolidated Financial Statements

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6. Deferred Revenue

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

	<u>2019</u>	<u>2018</u>
Operating - ISC		
Strategic Planning	\$ 52,083	\$ -
	52,083	-
Operating Fund - Other		
Coast Funds	223,490	232,600
Province of BC	500,000	500,000
First Nations Health Authority	31,546	-
	243,650	156,858
	1,050,769	889,458
Capital Fund - ISC		
ACRS	80,893	127,502
Liquid waste disposal	126,563	129,850
Apartment Renovation - ICMS#9-0012639	-	7,521
10 Apartment Renovation - ICMS#9-00126955	1,025,136	229,442
	\$ 2,283,361	\$ 1,383,773

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Notes to Consolidated Financial Statements

March 31, 2019

7. Long Term Debt

	<u>2019</u>	<u>2018</u>
<u>Social Housing</u>		
Mortgage repayable in monthly installments of \$1,387, including interest at 4.250% per annum maturing September 2024	\$ 68,359	\$ 82,001
Mortgage repayable in monthly installments of \$2,851, including interest at 4.250% per annum maturing September 2024	140,506	168,554
All Nations Trust Company, mortgage, repayable in monthly instalments of \$ 2,904 including interest at 1.14% per annum, maturing June 2021	684,729	711,622
	<u>893,594</u>	<u>962,177</u>

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

2020	\$ 70,624
2021	74,129
2022	48,466
2023	48,768
2024 and subsequent	<u>651,607</u>
	<u>\$ 893,594</u>

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Notes to Consolidated Financial Statements

March 31, 2019

8. Tangible Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Artwork	\$ 134,000	\$ -	\$ 134,000	\$ -
Equipment				
Automotive equipment	5,217,663	4,653,424	5,157,941	4,512,584
Transition House equipment	212,996	163,750	185,566	148,523
NAALS equipment	308,010	171,857	156,590	143,773
NAALS automotive	652,629	249,899	652,629	167,037
Buildings				
Community buildings	27,774,511	9,744,247	26,344,942	8,979,276
Band owned houses	310,668	30,082	310,668	18,391
Land improvements				
Infrastructure	11,064,604	5,976,373	11,064,604	5,725,412
	45,675,081	20,989,632	44,006,940	19,694,996
Pre - Social Housing	2,528,991	2,037,188	2,528,991	1,998,339
Post - Social Housing	984,223	73,259	984,223	46,366
	\$ 49,188,295	\$ 23,100,079	\$ 47,520,154	\$ 21,739,701
Net book value		\$ 26,088,216		\$ 25,780,453

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Notes to Consolidated Financial Statements

March 31, 2019

8. Tangible Capital Assets (continued)

						2019
	Artwork	Equipment	Buildings	Land Improvements		Total
Cost, beginning of year	\$ 134,000	\$ 6,119,778	\$ 30,168,821	\$ 11,097,555	\$	47,520,154
Additions	-	238,572	1,429,569	-		1,668,141
Cost, end of year	\$ 134,000	\$ 6,358,350	\$ 31,598,390	\$ 11,097,555	\$	49,188,295
Accumulated amortization, beginning of year	\$ -	\$ 4,939,231	\$ 11,043,601	\$ 5,756,869	\$	21,739,701
Amortization	-	267,013	842,404	250,961		1,360,378
Disposals	-	-	-	-		-
Accumulated amortization, end of year	\$ -	\$ 5,206,244	\$ 11,886,005	\$ 6,007,830	\$	23,100,079
Net carrying amount, end of year	\$ 134,000	\$ 1,152,106	\$ 19,712,385	\$ 5,089,725	\$	26,088,216

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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	\$ 134,000	\$ 6,119,778	\$ 30,168,821	\$ 11,097,555	\$ 47,520,154	
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	
Accumulated amortization, end of year	\$ -	\$ 4,939,231	\$ 11,043,601	\$ 5,756,869	\$ 21,739,701	
Net carrying amount, end of year	\$ 134,000	\$ 1,180,547	\$ 19,125,220	\$ 5,340,686	\$ 25,780,453	

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Notes to Consolidated Financial Statements

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9. Accumulated Surplus

	2019	2018
Operating surplus	\$ 3,636,715	\$ 3,298,106
Equity in capital assets	23,804,108	23,471,590
Equity in capital NAALS	819,469	797,419
Equity in capital NNTHS	49,246	37,042
Equity in Ottawa trust	401,300	388,451
Contributed surplus	500,728	500,728
Government Business Entities	2,365,923	1,693,479
Equity in replacement reserve	166,106	184,551
	\$ 31,743,595	\$ 30,371,366

The replacement reserve has been retroactively been reclassified from debt to equity. The replacement reserve is required under the terms of the agreement with CMHC and the funds in the account may only be used as approved by CMHC. However, the replacement reserve funds belong to the Nation and will not be clawed back by CMHC. Thus, it is appropriate to classify the replacement reserve as equity.

10. Investments in Nation Business Entities

The Nation has investments in the following entities:

	2019	2018
Nuxalk Business Trust - 100%	\$ 524,072	\$ 524,072
Nuxalk Development LP - 99.9%	1,276,390	603,946
Nuxalk Development Corporation (advance)	565,461	565,461
	\$ 2,365,923	\$ 1,693,479

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10. Investment in Nation business entities (continued)

Investments in partnerships are recorded on a modified equity basis. 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:

						2019	2018
	Assets	Liabilities	Capital	Revenue	Expenses	Total Earnings (Loss)	Total Earnings (Loss)
<u>Limited Partnerships</u>							
Nuxalk Development LP	2,955,070	1,107,027	1,848,053	6,537,528	5,873,011	664,517	(511,092)

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, 2018 - March 31, 2019
Nuxalk Development Limited Partnership	April 1, 2018 - March 31, 2019
0820770 B.C. Ltd.	April 1, 2018 - March 31, 2019

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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, 2019 was \$21,160 (2018 - \$86,839). 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:

2020	\$ 15,923
2021	<u>23,186</u>
	<u>\$ 39,109</u>

14. Employee Benefits

The Group has a defined contribution plan providing pension benefits to certain of its employees. The pension cost charge represents contributions payable by the Group to the plans and amount to \$274,844 (2018 - \$236,505)

15. Fiscal Plan

Canadian public sector accounting standards requires that the Band's budget be presented in the financial statements. As the band currently does not prepare a budget, no budgeted figures have been presented as otherwise required.

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16. Financial Instrument Risk

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Nuxalk Nation is exposed to credit risk resulting from the possibility that a counterparty to a financial instrument defaults on their financial obligations and from concentration of transactions carried out with the same counterparty.

Default of Credit Risk

The Nuxalk Nation's exposure to credit risk is represented by certain accounts receivable. The credit risk relating to accounts receivable is managed by having formal policies in place to assess the credit worthiness of customers and ensure timely collection of outstanding balances.

Concentration of Credit Risk

Management believes that related party receivables and notes are not subject to default credit risk due to the tightly held nature of the group. There have been no changes from the previous year of policies, procedures and methods to measure this risk.

Liquidity Risk

Liquidity risk is the risk that the Nuxalk Nation encounters difficulty meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Nuxalk Nation will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities, long term debt and commitments. Management has determined that the Nuxalk Nation is not significantly exposed to liquidity risk given its strong operating cash flows and secured funding sources. There have been no changes from the previous year of policies, procedures and methods to measure the risk.

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Notes to Consolidated Financial Statements

March 31, 2019

17. Expenses by Object

	2019	2018
Amortization	\$ 1,360,378	\$ 1,386,388
Automotive	75,575	58,929
Bad debts	3,058	3,058
Bank charges	32,584	38,379
Contract services	1,866,357	1,897,629
Donations	50,768	49,736
Equipment rental	30,564	35,280
Honoraria	93,755	93,618
Insurance	524,943	483,468
Materials and supplies	1,053,078	979,618
Office and miscellaneous	168,859	84,762
Professional fees	293,201	228,264
Program expenses	7,053,624	6,517,847
Repairs and maintenance	262,670	244,755
Replacement reserve	21,480	30,779
Resource partnership	8,889	-
Salaries and benefits	7,867,000	7,484,884
Student allowance and transportation	611,382	447,360
Telephone	162,601	165,118
Travel and accommodation	417,731	403,939
Training	329,491	277,944
Utilities	618,664	683,801
	\$ 22,906,652	\$ 21,595,556

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Notes to Consolidated Financial Statements

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18. 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, 2019

**15. Segment Disclosure
(continued)**

2019

	Administratio n	Community Welfare	Operations & Maintenance	Education	Economic Development	Health Services	Social Housing	Natural Resource Management
Revenue								
ISC	\$ 714,326	\$ 3,232,486	\$ 481,697	\$ 8,630,352	\$ -	\$ -	\$ -	\$ -
Other	933,541	523,381	31,686	2,404,744	1,042,536	3,766,808	327,277	108,000
	1,647,867	3,755,867	513,383	11,035,096	1,042,536	3,766,808	327,277	108,000
Expenses								
Payroll	570,401	758,186	80,208	4,800,360	581,757	862,991	701	107,986
Other	777,473	2,218,697	382,062	5,981,523	212,956	2,820,398	362,837	52,844
Amortization	1,156,772	15,227	-	122,637	-	-	65,742	-
	2,504,646	2,992,110	462,270	10,904,520	794,713	3,683,389	429,280	160,830
Surplus (deficit)	\$ (856,779)	\$ (763,757)	\$ 51,113	\$ 130,576	\$ 247,823	\$ 83,419	\$ (102,003)	\$ (52,830)

2018

	Administratic n	Community Welfare	Operations & Maintenance	Education	Economic Development	Health Services	Social Housing	Natural Resource Management
Revenue								
ISC	\$ 739,737	\$ 2,487,329	\$ 447,937	\$ 8,199,581	\$ -	\$ -	\$ -	\$ -
Other	509,333	342,667	22,483	2,582,720	1,125,865	3,069,046	420,811	179,153
	1,249,070	2,829,996	470,420	10,782,301	1,125,865	3,069,046	420,811	179,153
Expenses								
Payroll	656,216	651,452	47,332	4,490,435	582,272	803,828	819	140,325
Other	758,388	2,095,478	523,530	5,426,586	439,592	2,152,499	282,563	52,383
Amortization	1,181,825	15,878	-	122,928	-	-	65,757	-
	2,596,429	2,762,808	570,862	10,039,949	1,021,864	2,956,327	349,139	192,708
Surplus (deficit)	\$ (1,347,359)	\$ (67,188)	\$ (100,442)	\$ 742,352	\$ 104,001	\$ 112,719	\$ 71,672	\$ (13,555)