

Nuxalk Nation
Consolidated Financial Statements
For the Year Ended March 31, 2020

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Consolidated Financial Statements
For the Year Ended March 31, 2020

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Management's Responsibility for Financial Reporting

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

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 Group'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 Group'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.



Councillor



Finance Officer



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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, 2020, and the consolidated statement of operations, the consolidated statement of net assets and the consolidated 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 financial position of Nuxalk Nation as at March 31, 2020 and the results of its operations and 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, 2020 and 2019, the related amortization expense, annual surplus for the year ended March 31, 2020 and 2019 and equity in tangible capital assets as at April 1 and March 31 for both the 2020 and 2019 years.

Certain Government Business Enterprises have been prepared using the alternative accounting framework rather than International Financial Reporting Standards (IFRS). We have not been engaged to audit the differences that arise using the alternative accounting framework ASPE vs IFRS. The effects of this departure have not been determined; therefore, we are unable to determine whether adjustments to Investment in Government Business Enterprises are appropriate as at March 31, 2020 and 2019, revenue and annual surplus (deficit) for the year ended March 31, 2020 and 2019, and accumulated surplus as at April 1 and March 31 for both the 2020 and 2019 years.

Our audit opinion on the consolidated financial statements for the year ended March 31, 2020 was modified for the above matters.



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 audit opinion.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 16 to the consolidated financial statements, which explains that certain comparative information presented for the year ended March 31, 2019 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 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.

Chartered Professional Accountants

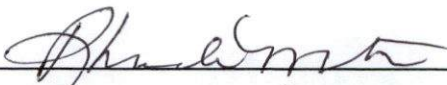
Kamloops, British Columbia
October 12, 2021

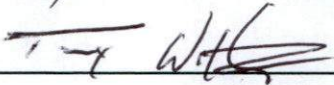
Nuxalk Nation

Exhibit A - Consolidated Statement of Financial Position

As at March 31	2020	2019
		(Restated)
Financial Assets		
Cash (Note 2)	\$ 3,665,553	\$ 4,167,373
Restricted cash (Note 3)	521,062	1,019,084
Accounts receivable (Note 4)	1,555,018	2,056,705
Investment in Government Business Enterprises (Note 10)	2,376,515	2,879,127
Due from related party	599,979	707,168
	<u>8,718,127</u>	<u>10,829,457</u>
Liabilities		
Accounts payable (Note 5)	929,227	828,801
Deferred revenue (Note 6)	1,638,214	2,283,360
Long term debt (Note 7)	823,361	893,594
	<u>3,390,802</u>	<u>4,005,755</u>
Net Financial Assets	<u>5,327,325</u>	<u>6,823,702</u>
Non-financial Assets		
Prepaid expense	335,686	320,745
Inventory	253,180	156,476
Tangible capital assets (Note 8)	25,088,967	26,115,645
	<u>25,677,833</u>	<u>26,592,866</u>
Accumulated Surplus (Note 9)	<u>\$ 31,005,158</u>	<u>\$ 33,416,568</u>

Approved on behalf of the Band Council:

 _____, Councillor

 _____, Councillor

Nuxalk Nation

Exhibit B - Consolidated Statement of Change in Net Assets

For the year ended March 31	2020	2019
		(Restated)
Surplus (deficit) - Exhibit C	\$ (2,411,410)	\$ 3,045,204
Purchases of tangible capital assets (Note 8)	(945,347)	(1,695,570)
Amortization of tangible capital assets (Note 8)	1,967,922	1,360,378
Disposal of capital assets (Note 8)	4,103	-
Change in tangible capital assets	1,026,678	(335,192)
Change in prepaid expense	(14,942)	6,057
Change in inventory	(96,703)	(73,341)
	(111,645)	(67,284)
Increase in net financial assets	(1,496,377)	2,642,728
Net financial assets, beginning of year	6,823,702	4,180,974
Net financial assets, end of year	\$ 5,327,325	\$ 6,823,702

Nuxalk Nation
Exhibit C - Consolidated Statement of Operations

For the year ended March 31	2020	2019
		(Restated)
Revenue		
Indigenous Services Canada	\$ 15,272,245	\$ 13,971,441
First Nations Health Authority	3,681,518	3,369,794
Province of British Columbia	1,710,043	1,403,358
Mid Coast First Nations Training Society	190,886	185,016
Fisheries and Oceans	627,577	160,987
Coast Opportunity Funds	269,586	709,901
Interest	33,007	32,419
Rental revenue	436,367	448,334
First Nations Education Steering Committee	1,419,888	1,530,422
Canada Mortgage and Housing Corporation	88,758	113,979
Other contracts and government funding income	3,385,384	2,211,036
Income (loss) from Government Business Enterprises	(502,612)	1,751,107
Administration revenue	1,196	8,147
	<u>26,613,843</u>	<u>25,895,941</u>
Expenses		
Administration	4,000,050	2,548,885
Community welfare	3,474,840	3,004,767
Operations & maintenance	558,153	462,270
Education	13,818,269	10,904,605
Economic development	787,231	794,713
Health services	3,647,983	3,683,389
Social housing	390,384	312,659
Natural resource management	147,323	160,830
Capital	2,201,020	978,619
	<u>\$ 29,025,253</u>	<u>\$ 22,850,737</u>
Surplus (deficit) for the year	<u>(2,411,410)</u>	<u>3,045,204</u>
Accumulated surplus, opening	<u>\$ 63,671,784</u>	<u>\$ 30,371,366</u>
Prior period adjustment (2018)	-	(92,297)
Accumulated surplus, opening - restated	<u>63,671,784</u>	<u>30,279,069</u>
Surplus for the year	(2,411,410)	1,464,526
Prior period adjustment	-	1,580,678
Surplus for the year - restated	<u>(2,411,410)</u>	<u>3,045,204</u>
Accumulated surplus, ending	<u>61,260,374</u>	<u>31,835,892</u>
Prior period adjustment	\$ -	\$ 31,835,892
Accumulated surplus, ending - restated	<u>\$ 61,260,374</u>	<u>\$ 63,671,784</u>

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

Nuxalk Nation

Exhibit D - Consolidated Statement of Cash Flows

For the year ended March 31	2020	2019
		(Restated)
Operating activities		
Cash receipts from various sources	\$ 26,470,383	\$ 25,902,740
Cash paid to employees and suppliers	(26,796,946)	(22,223,443)
Interest paid	(53,121)	(32,584)
Cash flows from operating activities	<u>(379,684)</u>	<u>3,646,713</u>
Investing activities		
Purchase of capital assets	(945,347)	(1,695,570)
Change in investments	502,612	(1,761,098)
Cash flows from investing activities	<u>(442,735)</u>	<u>(3,456,668)</u>
Financing activities		
Repayment of long term debt	(70,233)	(68,583)
Increase (decrease) in related party balances	(107,189)	36,092
Cash flows from financing activities	<u>(177,422)</u>	<u>(32,491)</u>
Net increase (decrease) in cash and cash equivalents	(999,841)	157,554
Cash and cash equivalents, beginning of year	<u>5,186,456</u>	<u>5,028,902</u>
Cash and cash equivalents, end of year	<u>\$ 4,186,615</u>	<u>\$ 5,186,456</u>
Represented by:		
Cash	\$ 3,665,553	\$ 4,167,372
Restricted cash	<u>521,062</u>	<u>1,019,084</u>
	<u>\$ 4,186,615</u>	<u>\$ 5,186,456</u>

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

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Notes to Consolidated Financial Statements

March 31, 2020

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 ("the Group") 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.

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

- Nuxalk Acwslcmalslayc Academy of Learning Society
- Nuxalk Nation Property Management
- Nuxalk Nation Transition House Society

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.

Business entities, which are owned or controlled by the Nuxalk Nation and which are not dependent on the Group 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 Group 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 bank overdrafts with maturities of three months or less.

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Notes to Consolidated Financial Statements

March 31, 2020

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.

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Notes to Consolidated Financial Statements

March 31, 2020

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 revenue is 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>
Rents Receivable	<p>CMHC does not allow or recognize bad debts recorded in the financial statements of Social Housing and will not subsidize rental arrears.</p>
Ottawa Trust Fund	<p>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.</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 Group'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 Group considers that no circumstances exist that would require such an evaluation.</p>

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Notes to Consolidated Financial Statements

March 31, 2020

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.

2. Cash

	2020	2019
Operating	\$ 1,041,788	\$ 1,774,362
Nuxalk Acwslcmalslayc Academy of Learning Society	2,186,267	1,969,675
Nuxalk Nation Transition House Society	34,005	71,127
Pre - Social Housing	71,360	25,000
Post - Social Housing	332,133	327,209
	<u>\$ 3,665,553</u>	<u>\$ 4,167,373</u>

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

The Nation holds a line of credit at the Royal Bank of Canada with a revolving limit of \$5,000.

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Notes to Consolidated Financial Statements

March 31, 2020

3. Restricted Cash

	2020	2019
Ottawa Trust revenue	\$ 401,595	\$ 391,221
Ottawa Trust capital	10,079	10,079
Social Housing replacement reserve	109,388	617,784
	<u>\$ 521,062</u>	<u>\$ 1,019,084</u>

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, 2020, the replacement reserve and operating reserve was overfunded by \$477,648 (2019 - overfunded by \$426,824).

4. Accounts Receivable

Accounts receivable by program area is summarized as follows:

	2020	2019
Operating		
Trade	\$ 1,309,118	\$ 1,509,691
Pre - Social Housing	79,216	46,160
Post - Social Housing	3,960	-
	<u>1,392,294</u>	<u>1,555,851</u>
Nuxalk Acwslcmalslayc Academy of Learning Society	89,563	500,854
Nuxalk Nation Transition House Society	73,161	-
	<u>\$ 1,555,018</u>	<u>\$ 2,056,705</u>

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Notes to Consolidated Financial Statements

March 31, 2020

5. Accounts Payable

	2020	2019
Operating	\$ 590,988	\$ 572,508
Nuxalk Acwsalcmalslayc Academy of Learning Society	279,480	189,542
Nuxalk Nation Transition House Society	53,004	60,446
	5,755	6,305
	<u>\$ 929,227</u>	<u>\$ 828,801</u>

6. Deferred Revenue

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

	2020	2019
Operating - ISC		
Strategic planning	\$ -	\$ 52,083
Basic needs	138,887	-
Special needs	68,757	-
	<u>207,644</u>	52,083
Operating Fund - Other		
Coast Funds	73,538	223,490
Province of BC	579,919	500,000
Miscellaneous	22,364	31,546
	<u>675,821</u>	755,036
Nuxalk Acwsalcmalslayc Academy of Learning Society	434,518	243,650
Capital Fund - ISC		
ARCS	109,869	80,893
Liquid waste disposal	125,563	126,563
Elders Complex	66,801	-
10 Apartment Renovation - ICMS#9-00126955	17,998	1,025,135
	<u>320,231</u>	1,232,591
	<u>\$ 1,638,214</u>	<u>\$ 2,283,360</u>

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Notes to Consolidated Financial Statements

March 31, 2020

7. Long Term Debt

	2020	2019
<u>Social Housing</u>		
Mortgage repayable in monthly installments of \$1,387.39, including interest at 4.250% per annum maturing September 2024	\$ 54,271	\$ 68,359
Mortgage repayable in monthly installments of \$2,851.75, including interest at 4.250% per annum maturing September 2024	111,545	140,506
All Nations Trust Company, mortgage, repayable in monthly instalments of \$ 2,904 including interest at 1.14% per annum, maturing June 2021	657,545	684,729
	<u>823,361</u>	<u>893,594</u>

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

2021	\$ 73,383
2022	676,087
2023	48,670
2024	<u>25,221</u>
	<u>\$ 823,361</u>

Nuxalk Nation

Notes to Consolidated Financial Statements

March 31, 2020

8. Tangible Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Artwork	\$ 134,000	\$ -	\$ 134,000	\$ -
Assets under construction	116,800	-	-	-
Equipment				
Automotive equipment	5,743,513	5,394,957	5,217,663	4,653,424
Transition House equipment	228,284	180,366	212,996	163,750
NAALS equipment	622,849	197,464	335,440	100,571
NAALS automotive	652,629	387,474	652,629	321,185
Buildings				
Community buildings	27,774,511	10,470,969	27,774,511	9,744,247
Band owned houses	310,668	41,305	310,668	30,082
Land improvements infrastructure	11,064,604	6,214,786	11,064,604	5,976,373
	46,647,858	22,887,321	45,702,511	20,989,632
Pre - Social Housing	2,528,991	2,080,237	2,528,991	2,037,188
Post - Social Housing	980,119	100,443	984,223	73,260
	<u>\$ 50,156,968</u>	<u>\$ 25,068,001</u>	<u>\$ 49,215,725</u>	<u>\$ 23,100,080</u>
Net book value		<u>\$ 25,088,967</u>		<u>\$ 26,115,645</u>

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Notes to Consolidated Financial Statements

March 31, 2020

8. Tangible Capital Assets (continued)

	2020					
	Artwork	Equipment	Buildings	Land improvements	Assets under construction	Total
Cost, beginning of year	\$ 134,000	\$ 6,385,780	\$ 31,598,390	\$ 11,097,555	\$ -	\$ 49,215,725
Additions	-	828,547	-	-	116,800	945,347
Disposals	-	-	(4,103)	-	-	(4,103)
Cost, end of year	\$ 134,000	\$ 7,214,327	\$ 31,594,287	\$ 11,097,555	\$ 116,800	\$ 50,156,969
Accumulated amortization, beginning of year	\$ -	\$ 5,206,245	\$ 11,886,005	\$ 6,007,830	\$ -	\$ 23,100,080
Amortization	-	932,554	796,955	238,413	-	1,967,922
Disposals	-	-	-	-	-	-
Accumulated amortization, end of year	\$ -	\$ 6,138,799	\$ 12,682,960	\$ 6,246,243	\$ -	\$ 25,068,002
Net carrying amount, end of year	\$ 134,000	\$ 1,075,528	\$ 18,911,327	\$ 4,851,312	\$ 116,800	\$ 25,088,967

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Notes to Consolidated Financial Statements

March 31, 2020

8. Tangible Capital Assets (continued)

	2019					
	Artwork	Equipment	Buildings	Land improvements	Assets under construction	Total
Cost, beginning of year	\$ 134,000	\$ 6,119,779	\$ 30,168,821	\$ 11,097,555	\$ -	\$ 47,520,155
Additions	-	266,001	1,429,569	-	-	1,695,570
Cost, end of year	\$ 134,000	\$ 6,385,780	\$ 31,598,390	\$ 11,097,555	\$ -	\$ 49,215,725
Accumulated amortization, beginning of year	\$ -	\$ 4,939,232	\$ 11,043,601	\$ 5,756,869	\$ -	\$ 21,739,702
Amortization	-	267,013	842,404	250,961	-	1,360,378
Accumulated amortization, end of year	\$ -	\$ 5,206,245	\$ 11,886,005	\$ 6,007,830	\$ -	\$ 23,100,080
Net carrying amount, end of year	\$ 134,000	\$ 1,179,535	\$ 19,712,385	\$ 5,089,725	\$ -	\$ 26,115,645

Nuxalk Nation

Notes to Consolidated Financial Statements

March 31, 2020

9. Accumulated Surplus

	2020	2019
Operating surplus	\$ 3,941,198	\$ 5,324,226
Equity in capital assets	22,740,091	23,804,110
Equity in capital NAALS	966,636	881,062
Equity in capital NNTHS	71,614	71,603
Equity in Ottawa trust	411,674	401,299
Contributed surplus	159,448	184,321
Nuxalk Forestry	2,365,923	2,365,923
Equity in replacement reserve	348,574	384,024
	\$ 31,005,158	\$ 33,416,568

10. Investments in Government Business Enterprises

The Nation has investments in the following entities:

	2020	2019
Nuxalk Business Trust - 100%	\$ 524,074	\$ 524,074
Nuxalk Development Limited Partnership - 99.9%	1,848,133	2,355,053
Nuxalk Motel (0820770 B.C. Ltd.) - 100%	4,308	-
	\$ 2,376,515	\$ 2,879,127

Nuxalk Nation

Notes to Consolidated Financial Statements

March 31, 2020

10. Investment in Government Business Enterprises (continued)

For partnerships, equity is comprised of partnership advances, less drawings, plus the partner's proportional share of net income (loss). Nuxalk Development Limited Partnership is treated as a Government Business Enterprise as it is under common control by Nuxalk Nation. For Government Business Enterprises under 100% control of Nuxalk Nation equity is comprised of retained earnings plus net income (loss). For the purpose of outlining below NDLP has been labeled as a limited partnership and the remaining two as GBE's even though they are treated the same. Nuxalk Nation has investments in the following entities:

						2020	2019
	Assets	Liabilities	Capital/Retained Earnings	Revenue	Expenses	Total Earnings (Loss)	Total Earnings (Loss)
<u>Limited Partnerships</u>							
Nuxalk Development Limited Partnership (99.9%)	2,264,426	350,843	1,913,583	(256,295)	251,132	(507,427)	1,283,936
<u>Government Business Enterprises</u>							
Nuxalk Motel (0820770 B.C. Ltd.) (100%)	376,228	285,635	90,593	194,796	190,488	4,308	(50,199)
Nuxalk Business Trust (100%)	-	-	524,074	-	-	-	-

Nuxalk Nation

Notes to Consolidated Financial Statements

March 31, 2020

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, 2020 was \$21,160.64 (2019 - \$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:

2021	\$	18,804
2022		18,804
2023		18,804
2024		18,804
2025 and subsequent		<u>87,457</u>
	\$	<u>162,673</u>

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Notes to Consolidated Financial Statements

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14. Expenses by Object

	2020	2019
Amortization	\$ 1,967,922	\$ 1,360,378
Automotive	76,925	75,575
Bad debts	10,295	47,300
Bank charges	53,121	32,584
Contract services	2,951,125	1,897,513
Donations	79,635	50,768
Equipment rental	39,127	30,564
Honoraria	195,358	93,755
Insurance	547,080	412,668
Materials and supplies	1,368,987	1,053,078
Office and miscellaneous	207,510	168,853
Professional fees	348,353	293,201
Program expenses	8,764,204	7,053,709
Repairs and maintenance	360,716	262,670
Replacement reserve	17,134	17,134
Resource partnership	333,593	8,889
Salaries and benefits	9,380,553	7,867,000
Student allowance and transportation	549,832	611,382
Telephone	143,148	162,601
Travel and accommodation	463,772	417,731
Training	536,746	314,717
Utilities	630,117	618,667
	\$ 29,025,253	\$ 22,850,737

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, 2020

15. Segment Disclosure
(continued)

2020

	Administration	Community Welfare	Operations & Maintenance	Education	Economic Development	Health Services	Social Housing	Natural Resource Management	Capital	Total
Revenue										
ISC	\$ 805,100	\$ 3,676,306	\$ 455,299	\$ 9,387,471	\$ -	\$ -	\$ -	\$ -	\$ 948,069	\$ 15,272,245
Other	108,650	475,777	45,050	3,887,566	1,388,238	4,305,142	258,173	315,617	557,385	11,341,598
	913,750	4,152,083	500,349	13,275,037	1,388,238	4,305,142	258,173	315,617	1,505,454	26,613,843
Expenses										
Payroll	722,509	730,650	120,413	5,594,210	555,517	1,056,844	1,833	108,023	493,169	9,383,168
Other	1,570,873	2,727,574	437,740	8,049,654	231,714	2,591,139	318,318	39,300	1,707,851	17,674,163
Amortization	1,706,668	16,616	-	174,405	-	-	70,233	-	-	1,967,922
	4,000,050	3,474,840	558,153	13,818,269	787,231	3,647,983	390,384	147,323	2,201,020	29,025,253
Surplus (deficit)	\$ (3,086,300)	\$ 677,243	\$ (57,804)	\$ (543,232)	\$ 601,007	\$ 657,159	\$ (132,211)	\$ 168,294	\$ (695,566)	\$ (2,411,410)

2019

	Administration	Community Welfare	Operations & Maintenance	Education	Economic Development	Health Services	Social Housing	Natural Resource Management	Capital	Total
Revenue										
ISC	\$ 714,326	\$ 3,232,486	\$ 481,697	\$ 8,630,352	\$ -	\$ -	\$ -	\$ -	\$ 912,580	\$ 13,971,441
Other	2,012,205	523,381	31,686	2,897,169	1,042,536	3,794,982	252,777	108,000	1,261,764	11,924,500
	2,726,531	3,755,867	513,383	11,527,521	1,042,536	3,794,982	252,777	108,000	2,174,344	25,895,941
Expenses										
Payroll	570,401	758,186	80,208	4,800,360	581,757	862,991	701	107,986	104,410	7,867,000
Other	821,712	2,231,354	382,062	5,981,608	212,956	2,820,398	246,216	52,844	874,209	13,623,359
Amortization	1,156,772	15,227	-	122,637	-	-	65,742	-	-	1,360,378
	2,548,885	3,004,767	462,270	10,904,605	794,713	3,683,389	312,659	160,830	978,619	22,850,737
Surplus (deficit)	\$ 177,646	\$ (751,100)	\$ 51,113	\$ 622,916	\$ 247,823	\$ 111,593	\$ (59,882)	\$ (52,830)	\$ 1,195,725	\$ 3,045,204

Nuxalk Nation

Notes to Consolidated Financial Statements

March 31, 2020

16. Prior Period Adjustment

During the year, it was determined that the investment in Nuxalk Development Limited Partnership had been understated during the prior year. This has an effect of understating Investments in Government Business Enterprises, net assets, Investment income from Government Business Enterprises and annual surplus. As a result, adjustments were required to restate these areas. The impact of these restatements are outlined as follows:

Increase in comparative figures:

Investments in Government Business Enterprises \$1,078,663.49

Net assets \$1,078,663.49

Income from Investments in Government Business Enterprises \$1,078,663.49

Surplus for the year \$1,078,663.49

17. COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the internal community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

As the impacts of COVID-19 continue, there could be further impact on the Group, its funders and its business entities. The Group has continued to deliver services during this pandemic through a variety of means, whether face-to-face or utilizing technology as the Group was deemed an essential service. Management is actively monitoring the effect on its financial condition, liquidity, operations and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group is not able to fully estimate the effects of the COVID-19 outbreak on its result of operations, financial condition, or liquidity at this time.