

Nuxalk Nation
Consolidated Financial Statements
For the Year Ended March 31, 2021

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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

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, 2021, 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, 2021 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, 2021 and 2020, the related amortization expense, annual surplus for the year ended March 31, 2021 and 2020 and equity in tangible capital assets as at April 1 and March 31 for both the 2021 and 2020 years.

The Group has investments in a variety of government business enterprises for which financial information is not available for the March 31, 2021 year end. Since financial information for these entities is not available, we were unable to determine whether any adjustments might be necessary to investment in government business enterprises, revenue and annual surplus (deficit) and cashflows for the years ended March 31, 2021 and 2020, and accumulated surplus as at April 1 and March 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended March 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

Our audit opinion on the consolidated financial statements for the year ended March 31, 2021 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 17 to the consolidated financial statements, which explains that certain comparative information presented for the year ended March 31, 2020 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.

BDO Canada LLP

Chartered Professional Accountants

Kamloops, British Columbia
May 5, 2022

Nuxalk Nation

Exhibit A - Consolidated Statement of Financial Position

As at March 31	2021	2020
		(Restated)
Financial Assets		
Cash (Note 2)	\$ 8,819,005	\$ 3,665,553
Restricted cash (Note 3)	529,954	521,062
Accounts receivable (Note 4)	1,660,982	1,555,018
Investment in Government Business Enterprises (Note 11)	2,376,106	2,376,515
Due from related party	605,729	599,979
	<u>13,991,776</u>	<u>8,718,127</u>
Liabilities		
Accounts payable (Note 5)	2,510,380	929,227
Deferred revenue (Note 6)	2,643,554	1,638,214
Long term debt (Note 7)	750,913	823,361
Obligations under capital lease (Note 9)	383,649	-
	<u>6,288,496</u>	<u>3,390,802</u>
Net Financial Assets	<u>7,703,280</u>	<u>5,327,325</u>
Non-financial Assets		
Prepaid expense	382,877	335,686
Inventory	263,606	253,180
Tangible capital assets (Note 8)	27,033,132	26,214,686
	<u>27,679,615</u>	<u>26,803,552</u>
Accumulated Surplus (Note 10)	<u>\$35,382,895</u>	<u>\$ 32,130,877</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	2021	2020
		(Restated)
Surplus (deficit) - Exhibit C	\$ 3,252,018	\$ (1,285,691)
Purchases of tangible capital assets (Note 8)	(2,601,612)	(1,552,700)
Amortization of tangible capital assets (Note 8)	1,711,166	1,449,556
Disposal of capital assets (Note 8)	72,000	4,103
Change in tangible capital assets	(818,446)	(99,041)
Change in prepaid expense	(47,191)	(14,942)
Change in inventory	(10,426)	(96,703)
	(57,617)	(111,645)
Increase (decrease) in net financial assets	2,375,955	(1,496,377)
Net financial assets, beginning of year	5,327,325	6,823,702
Net financial assets, end of year	\$ 7,703,280	\$ 5,327,325

Nuxalk Nation
Exhibit C - Consolidated Statement of Operations

For the year ended March 31	2021	2020
		(Restated)
Revenue		
Indigenous Services Canada	\$17,920,240	\$ 15,272,245
First Nations Health Authority	3,573,309	3,681,518
Province of British Columbia	2,596,319	1,710,043
Mid Coast First Nations Training Society	208,560	190,886
Fisheries and Oceans	149,457	627,577
Coast Opportunity Funds	284,220	269,586
Interest	20,671	33,007
Rental revenue	340,114	436,367
First Nations Education Steering Committee	1,734,778	1,419,888
Canada Mortgage and Housing Corporation	68,544	88,758
Other contracts and government funding income	3,091,327	3,385,384
Income (loss) from Government Business Enterprises	(409)	(502,612)
Administration revenue	723	1,196
	<u>29,987,853</u>	<u>26,613,843</u>
Expenses		
Administration	2,867,548	3,481,684
Community welfare	4,684,747	3,475,015
Operations & maintenance	1,521,896	557,978
Education	12,134,855	13,818,269
Economic development	1,013,889	787,231
Health services	2,606,546	3,647,983
Social housing	440,391	390,384
Natural resource management	178,580	147,323
Capital	1,287,383	1,593,667
	<u>\$26,735,835</u>	<u>\$ 27,899,534</u>
Surplus (deficit) for the year	<u>3,252,018</u>	<u>(1,285,691)</u>
Accumulated surplus, opening	<u>\$32,130,877</u>	<u>\$ 33,416,568</u>
Surplus (deficit) - as previously stated	<u>3,252,018</u>	<u>(2,411,410)</u>
Prior period adjustment (Note 17)	<u>-</u>	<u>1,125,719</u>
Surplus (deficit) - restated	<u>3,252,018</u>	<u>(1,285,691)</u>
Accumulated surplus, ending - as previously stated	<u>35,382,895</u>	<u>31,005,158</u>
Prior period adjustment (Note 17)	<u>-</u>	<u>1,125,719</u>
Accumulated surplus, ending - restated	<u>\$35,382,895</u>	<u>\$ 32,130,877</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	2021	2020
		(Restated)
Operating activities		
Cash receipts from various sources	\$ 30,887,229	\$ 26,470,383
Cash paid to employees and suppliers	(23,025,292)	(26,189,594)
Interest paid	(31,692)	(53,121)
Cash flows from operating activities	<u>7,830,245</u>	<u>227,668</u>
Investing activities		
Purchase of capital assets	(2,601,612)	(1,552,700)
Change in investments	409	502,612
Cash flows from investing activities	<u>(2,601,203)</u>	<u>(1,050,088)</u>
Financing activities		
Repayment of long term debt	(72,448)	(70,233)
Increase (decrease) in related party balances	5,750	(107,189)
Cash flows from financing activities	<u>(66,698)</u>	<u>(177,422)</u>
Net increase (decrease) in cash and cash equivalents	5,162,344	(999,842)
Cash and cash equivalents, beginning of year	<u>4,186,615</u>	<u>5,186,457</u>
Cash and cash equivalents, end of year	<u>\$ 9,348,959</u>	<u>\$ 4,186,615</u>
Represented by:		
Cash	\$ 8,819,005	\$ 3,665,553
Restricted cash	<u>529,954</u>	<u>521,062</u>
	<u>\$ 9,348,959</u>	<u>\$ 4,186,615</u>

Nuxalk Nation

Notes to Consolidated Financial Statements

March 31, 2021

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 Acwalscmalslayc 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, 2021

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, 2021

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 assets'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, 2021

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

	2021	2020
Operating	\$ 2,324,276	\$ 1,041,788
Nuxalk Acwscmayslayc Academy of Learning Society	5,671,226	2,186,267
Nuxalk Nation Transition House Society	377,744	34,005
Pre - Social Housing	82,023	71,360
Post - Social Housing	363,736	332,133
	<u>\$ 8,819,005</u>	<u>\$ 3,665,553</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, 2021

3. Restricted Cash

	2021	2020
Ottawa Trust revenue	\$ 410,302	\$ 401,595
Ottawa Trust capital	10,079	10,079
Social Housing replacement reserve	109,573	109,388
	<u>\$ 529,954</u>	<u>\$ 521,062</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, 2021, the replacement reserve and operating reserve was overfunded by \$471,455 (2020 - overfunded by \$477,648).

4. Accounts Receivable

Accounts receivable by program area is summarized as follows:

	2021	2020
Operating		
Trade	\$ 1,139,501	\$ 1,309,118
Pre - Social Housing	40,388	79,216
Post - Social Housing	3,509	3,960
	<u>1,183,398</u>	<u>1,392,294</u>
Nuxalk Acwsalcmalslayc Academy of Learning Society	420,898	89,563
Nuxalk Nation Transition House Society	56,686	73,161
	<u>\$ 1,660,982</u>	<u>\$ 1,555,018</u>

Nuxalk Nation

Notes to Consolidated Financial Statements

March 31, 2021

5. Accounts Payable

	2021	2020
Operating	\$ 1,902,796	\$ 590,988
Nuxalk Acwscmlslayc Academy of Learning Society	591,308	279,480
Nuxalk Nation Transition House Society	5,193	53,004
Pre & Post Social Housing	11,083	5,755
	<u>\$ 2,510,380</u>	<u>\$ 929,227</u>

6. Deferred Revenue

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

	2021	2020
Operating - ISC		
Basic needs	138,887	138,887
Special needs	-	68,757
	<u>138,887</u>	207,644
Operating Fund - Other		
Coast Funds	-	73,538
Province of BC	500,000	579,919
Miscellaneous	-	22,364
	<u>500,000</u>	675,821
Nuxalk Acwscmlslayc Academy of Learning Society	1,582,343	434,518
Capital Fund - ISC		
ARCS	109,869	109,869
Liquid waste disposal	28,479	125,563
Elders Complex	265,978	66,801
10 Apartment Renovation - ICMS#9-00126955	17,998	17,998
	<u>422,324</u>	320,231
	<u>\$ 2,643,554</u>	<u>\$ 1,638,214</u>

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Notes to Consolidated Financial Statements

March 31, 2021

7. Long Term Debt

	2021	2020
<u>Social Housing</u>		
Mortgage repayable in monthly installments of \$1,387.39, including interest at 4.250% per annum maturing September 2024	\$ 39,568	\$ 54,271
Mortgage repayable in monthly installments of \$2,851.75, including interest at 4.250% per annum maturing September 2024	81,329	111,545
All Nations Trust Company, mortgage, repayable in monthly instalments of \$ 2,904 including interest at 1.14% per annum, maturing June 2021	630,016	657,545
	750,913	823,361
Less: current portion	676,664	72,167
	<u>\$ 74,249</u>	<u>\$ 751,194</u>

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

2022	\$ 74,459
2023	76,800
2024	53,673
2025	28,778
2026	29,138
Thereafter	488,065
	<u>\$ 750,913</u>

The All Nations Trust Company mortgage owing \$630,016 was renewed on June 1, 2021.

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Notes to Consolidated Financial Statements

March 31, 2021

8. Tangible Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Artwork	\$ 134,000	\$ -	\$ 134,000	\$ -
Assets under construction	4,210,389	-	724,153	-
Equipment				
Automotive equipment	6,560,266	5,223,938	5,743,512	4,876,591
Transition House equipment	313,749	216,665	228,284	180,366
NAALS equipment	964,097	343,607	622,849	197,464
NAALS automotive	969,016	503,784	652,629	387,474
Buildings				
Community buildings	25,578,005	11,226,322	27,774,511	10,470,969
Band owned houses	310,668	52,080	310,668	41,305
Land improvements infrastructure	10,744,633	6,441,278	11,064,604	6,214,786
	49,784,823	24,007,674	47,255,210	22,368,955
Pre - Social Housing	2,528,991	2,125,156	2,528,991	2,080,237
Post - Social Housing	980,120	127,972	980,120	100,443
	<u>\$53,293,934</u>	<u>\$26,260,802</u>	<u>\$ 50,764,321</u>	<u>\$ 24,549,635</u>
Net book value		<u>\$27,033,132</u>		<u>\$ 26,214,686</u>

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Notes to Consolidated Financial Statements

March 31, 2021

8. Tangible Capital Assets (continued)

	2021						
	Artwork	Equipment	Buildings	Land improvements	Assets under construction	Asset held under capital lease	Total
Cost, beginning of year	\$ 134,000	\$ 7,214,327	\$ 31,594,287	\$ 11,097,555	\$ 724,153	\$ -	\$ 50,764,322
Additions	-	1,067,866	5,706	-	1,036,053	491,987	2,601,612
Disposals	-	-	(72,000)	-	-	-	(72,000)
Reallocation	-	-	(2,130,212)	(319,971)	2,450,183	-	-
Cost, end of year	\$ 134,000	\$ 8,282,193	\$ 29,397,781	\$ 10,777,584	\$ 4,210,389	\$ 491,987	\$ 53,293,934
Accumulated amortization, beginning of year	\$ -	\$ 5,620,433	\$ 12,682,960	\$ 6,246,243	\$ -	\$ -	\$ 24,549,636
Amortization	-	547,492	838,576	226,701	-	98,397	1,711,166
Disposals	-	-	-	-	-	-	-
Accumulated amortization, end of year	\$ -	\$ 6,167,925	\$ 13,521,536	\$ 6,472,944	\$ -	\$ 98,397	\$ 26,260,802
Net carrying amount, end of year	\$ 134,000	\$ 2,114,268	\$ 15,876,245	\$ 4,304,640	\$ 4,210,389	\$ 393,590	\$ 27,033,132

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Notes to Consolidated Financial Statements

March 31, 2021

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	\$ -
Additions	-	828,547	-	-	724,153
Disposals	-	-	(4,103)	-	-
Cost, end of year	\$ 134,000	\$ 7,214,327	\$ 31,594,287	\$ 11,097,555	\$ 724,153
Accumulated amortization, beginning of year	-	\$ 5,206,245	\$ 11,886,005	\$ 6,007,830	\$ -
Amortization	-	414,188	796,955	238,413	-
Accumulated amortization, end of year	-	\$ 5,620,433	\$ 12,682,960	\$ 6,246,243	\$ -
Net carrying amount, end of year	\$ 134,000	\$ 1,593,894	\$ 18,911,327	\$ 4,851,312	\$ 724,153
					\$ 24,549,636
					\$ 26,214,686

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Notes to Consolidated Financial Statements

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9. Obligations Under Capital Leases

	2021	2020
Obligation under a capital lease for a 2020 Rosenbaud Coyote Pumper, blended monthly payments of \$20,197, with interest at the rate of 5.95%, maturing on November 2022, secured by the leased equipment.	<u>\$ 383,649</u>	<u>\$ -</u>

Interest expense for the year related to obligations under capital leases is \$6,247 (2020 - \$Nil).

Future minimum lease payments under the capital leases for subsequent years are as follows:

2022	\$ 242,361
2023	161,574
	<u>403,935</u>
Less: amounts representing interest	<u>(20,286)</u>
	<u>\$ 383,649</u>

10. Accumulated Surplus

	2021	2020
Operating surplus	\$ 6,254,496	\$ 3,941,197
Equity in capital assets	24,266,617	23,865,811
Equity in capital NAALS	1,407,557	966,636
Equity in capital NNTHS	147,646	71,614
Equity in Ottawa trust	422,048	411,674
Contributed surplus	163,637	159,448
Nuxalk Forestry	2,365,923	2,365,923
Equity in replacement reserve	354,971	348,574
	<u>\$35,382,895</u>	<u>\$ 32,130,877</u>

11. Investments in Government Business Enterprises

The Nation has investments in the following entities:

	2021	2020
Nuxalk Business Trust - 100%	\$ 524,074	\$ 524,074
Nuxalk Development Limited Partnership - 99.9%	1,848,133	1,848,133
Bella Coola Hotel (0820770 B.C. Ltd.) - 100%	3,899	4,308
	<u>\$ 2,376,106</u>	<u>\$ 2,376,515</u>

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11. 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 labelled 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:

	2021		2020	
	Assets	Liabilities	Capital/Retained Earnings	Total Earnings (Loss)
<u>Limited Partnerships</u>				
Nuxalk Development Limited Partnership (99.9%)	-	-	-	(507,427)
<u>Government Business Enterprises</u>				
Bella Coola Hotel (0820770 B.C. Ltd.) (100%)	392,963	302,779	90,184	149,759
				150,168
				(409)
Nuxalk Business Trust (100%)	-	-	524,074	-
				-

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12. Comparative Figures

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

13. 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, 2021 was \$17,670 (2020 - \$21,161). This assistance will continue, providing the Nation is not in default of the agreement.

14. Commitments

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

2022	\$	18,804
2023		18,804
2024		18,804
2025		<u>6,120</u>
	\$	<u>62,532</u>

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15. Expenses by Object

	2021	2020
Amortization	\$ 1,711,166	\$ 1,449,556
Automotive	62,036	76,925
Bad debts	2,318	10,295
Bank charges	31,692	53,121
Contract services	1,926,019	2,677,365
Donations	53,925	79,635
Equipment rental	23,612	39,127
Purchase of investments	1,472	-
Honoraria	158,016	195,358
Insurance	581,719	547,080
Materials and supplies	1,974,215	1,368,987
Office and miscellaneous	128,055	207,510
Professional fees	257,960	348,353
Program expenses	7,241,214	8,764,204
Repairs and maintenance	422,713	360,716
Replacement reserve	17,134	17,134
Salaries and benefits	10,435,178	9,380,553
Student allowance and transportation	560,040	549,832
Telephone	169,186	143,148
Travel and accommodation	76,796	463,772
Training	336,614	536,746
Utilities	564,755	630,117
	<u>\$26,735,835</u>	<u>\$ 27,899,534</u>

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16. 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

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16. Segment Disclosure
(continued)

2021

	Administrative	Community Welfare	Operations & Maintenance	Education	Economic Development	Health Services	Social Housing	Natural Resource Management	Capital	Total
Revenue										
ISC	\$ 543,423	\$ 4,624,478	\$ 801,310	\$ 10,642,195	\$ -	\$ 35,229	\$ -	\$ -	\$ 1,273,604	\$ 17,920,239
Other	255,698	701,085	36,928	4,495,561	1,345,511	4,222,921	223,136	180,600	606,173	12,067,613
	799,121	5,325,563	838,238	15,137,756	1,345,511	4,258,150	223,136	180,600	1,879,777	29,987,852
Expenses										
Payroll	910,868	950,546	637,246	5,463,062	656,557	1,026,578	2,268	94,625	693,139	10,434,889
Other	627,488	3,697,902	884,650	6,398,565	357,332	1,579,968	365,675	83,955	594,244	14,589,779
Amortization	1,329,192	36,299	-	273,228	-	-	72,448	-	-	1,711,167
	2,867,548	4,684,747	1,521,896	12,134,855	1,013,889	2,606,546	440,391	178,580	1,287,383	26,735,835
Surplus (deficit)	\$ (2,068,427)	\$ 640,816	\$ (683,658)	\$ 3,002,901	\$ 331,622	\$ 1,651,604	\$ (217,255)	\$ 2,020	\$ 592,394	\$ 3,252,017

2020

	Administrative	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	2,727,749	437,565	8,049,654	231,714	2,591,139	318,318	39,300	1,100,498	17,066,810
Amortization	1,188,302	16,616	-	174,405	-	-	70,233	-	-	1,449,556
	3,481,684	3,475,015	557,978	13,818,269	787,231	3,647,983	390,384	147,323	1,593,667	27,899,534
Surplus (deficit)	\$ (2,567,934)	\$ 677,068	\$ (57,629)	\$ (543,232)	\$ 601,007	\$ 657,159	\$ (132,211)	\$ 168,294	\$ (88,213)	\$ (1,285,691)

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17. Prior Period Adjustments

During the year, it was determined that amortization in the prior year was overstated by \$518,366 as a result of an incorrect amortization rate being applied. Additionally, there was \$607,353 in expenses that were previously reported as non capital expenses and were determined to be related to a capital project included in tangible capital assets. This has an effect of understating tangible capital assets, accumulated surplus, annual surplus and equity in tangible capital assets. As a result, adjustments were required to restate these areas. The impact of these restatements are outlined as follows:

	2020 Reported	Prior Period Adjustment	Restated
Tangible capital assets	\$ 25,088,967	\$ 1,125,719	\$ 26,214,686
Accumulated surplus	31,005,158	1,125,719	32,130,877
Surplus for the year	(2,411,410)	1,125,719	(1,285,691)
Equity in capital assets	22,740,091	1,125,719	23,865,810

18. Impacts on Nuxalk Nation

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.