

**N'Quatqua First 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

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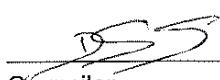
The accompanying consolidated financial statements of the N'Quatqua First Nation are the responsibility of management and have been approved by the Chief and Council.

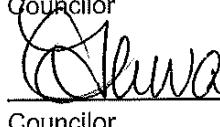
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen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

The N'Quatqua First 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.

The N'Quatqua First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. Council carries out this responsibility principally through the Chief and Council.

The Chief and Council review the Nation's consolidated financial statements and recommends their approval. The Chief and Council meet periodically with management, 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 external auditors.

 Darryn Silvers-Smith  
Councilor

 Chantel Thevarge  
Councilor

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## Independent Auditor's Report

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**To the Chief and Council of N'Quatqua First Nation**

**Qualified Opinion**

We have audited the consolidated financial statements of N'Quatqua First Nation Band (the "Nation") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at March 31, 2020, the consolidated statement of changes in net financial assets, the consolidated statement of operations, 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 section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, 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**

The Group's tangible capital assets listing is incomplete, and it may contain assets that are no longer in use by the Group, as well as assets that are impaired. As a result, we were unable to determine whether any adjustments may be necessary to amortization expense, loss on disposal of tangible capital assets, and annual surplus for the year ended March 31, 2020, net book value of tangible capital assets as at March 31, 2020, and accumulated surplus as at April 1, 2019 and March 31, 2020.

As noted in Note 6, the Group has accounts receivable of \$402,457 due from band members, of which \$399,204 is significantly overdue. The Group has specifically identified \$83,428 which have been determined to be uncollectible and have recorded an allowance for bad debts. The Group is actively following up on the remaining outstanding accounts and believes that the remaining accounts due from band members are fully collectible, however, is unable to support this assertion. As a result, the impairment provision is not in accordance with Public Sector Accounting Standards and we were unable to determine the amount of the adjustments necessary to bad debt expense and annual surplus for the year ended March 31, 2020, accounts receivable as at March 31, 2020, and accumulated surplus as at April 1, 2019 and March 31, 2020.

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.

**Other Matter**

The consolidated financial statements for the year ended March 31, 2019 were audited by another firm who expressed an unmodified opinion on those financial statements on July 25, 2019.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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*

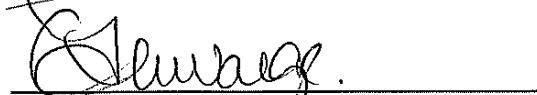
Chartered Professional Accountants

Whistler, British Columbia  
April 26, 2021

**N'Quatqua First Nation**  
**Exhibit A - Consolidated Statement of Financial Position**

<b>As at March 31</b>	<b>2020</b>	<b>2019</b>
<b>Financial Assets</b>		
Cash (Note 3)	\$ 204,568	\$ 100,610
Restricted cash (Note 4)	444,854	344,173
Accounts receivable (Note 5)	604,395	624,355
Inventory (Note 6)	42,246	45,806
St'at'imc (PC) 2011 Trust (Note 7)	1,699,482	1,484,995
Ottawa Trust funds (Note 8)	318,235	590,961
	<hr/>	<hr/>
	3,313,780	3,190,900
<b>Liabilities</b>		
Bank indebtedness (Note 9)	97,462	194,309
Accounts payable and accrued liabilities (Note 10)	254,797	416,026
Deferred revenue (Note 11)	549,036	298,187
Long term debt (Note 13)	264,728	321,801
	<hr/>	<hr/>
	1,166,023	1,230,323
<b>Net Financial Assets</b>	<hr/>	<hr/>
	2,147,757	1,960,577
<b>Non-financial Assets</b>		
Prepaid expenses	16,467	36,546
Tangible capital assets (Note 14)	3,681,838	3,727,358
	<hr/>	<hr/>
	3,698,305	3,763,904
<b>Accumulated surplus</b>	<hr/>	<hr/>
	\$ 5,846,062	\$ 5,724,481

Approved on behalf of Council:

Councilor - Dennis Silver-Smith

Councilor Chantel Thevarge.

**N'Quatqua First Nation**  
**Exhibit B - Consolidated Statement of Change in Net Financial Assets**

<b>For the year ended March 31</b>	<b>2020</b>	<b>2019</b>
<b>Annual surplus</b>	<b>\$ 121,581</b>	<b>\$ 438,311</b>
Acquisition of tangible capital assets	(388,753)	(517,207)
Amortization of tangible capital assets	232,471	207,943
Impairment of tangible capital assets (Note 14)	201,802	-
Change in prepaid expenses	20,079	56,641
Other	-	31,541
<b>Change in net financial assets</b>	<b>187,180</b>	<b>217,229</b>
<b>Net financial assets, beginning of year</b>	<b>1,960,577</b>	<b>1,743,348</b>
<b>Net financial assets, end of year</b>	<b>\$ 2,147,757</b>	<b>\$ 1,960,577</b>

**N'Quatqua First Nation**  
**Exhibit C - Consolidated Statement of Operations**

<b>For the year ended March 31</b>	<b>2020</b>	<b>2019</b>
<b>Revenue</b>		
Indigenous Services Canada	\$ 1,230,142	\$ 1,331,651
First Nations Health Authority	451,259	169,503
Government of Canada	216,384	76,250
Province of British Columbia	668,443	936,049
St'at'imc Trust	214,487	232,835
BC Hydro	5,393	5,393
CMHC	57,242	58,515
SASETS	-	104,383
FNESC	50,339	83,568
Tribal Councils/Associations	132,597	135,641
New Relationship Trust	32,900	5,000
Rental income	100,860	127,940
Interest income	10,699	792
Other revenue	281,151	292,420
NEEDCO sales	635,340	679,969
	<hr/> <b>4,087,236</b>	<hr/> 4,239,909
<b>Expenses (Note 18)</b>		
Administration	781,193	940,170
Operations & Maintenance	379,827	186,229
Education	461,747	619,719
Economic Development	814,331	700,992
Health Services	1,245,337	854,277
Natural Resource Management	97,707	-
Capital	-	259,720
Social Housing	<b>185,513</b>	240,491
	<hr/> <b>3,965,655</b>	<hr/> 3,801,598
<b>Annual surplus</b>	<b>121,581</b>	438,311
<b>Other adjustments</b>		
Ottawa Trust funds	-	14,053
Social Housing 2 mortgage payout	<hr/> -	<hr/> (39,321)
	<hr/> -	<hr/> (25,268)
<b>Accumulated surplus, beginning of year</b>	<b>5,724,481</b>	5,311,438
<b>Accumulated surplus, end of year</b>	<b>\$ 5,846,062</b>	\$ 5,724,481

**N'Quatqua First Nation**  
**Exhibit D - Consolidated Statement of Cash Flows**

<b>For the year ended March 31</b>	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Annual surplus	\$ 121,581	\$ 438,311
Items not utilizing cash		
Amortization of tangible capital assets	232,471	207,943
Impairment of tangible capital assets	201,802	-
St'at'imc (PC) Trust 2011	(214,487)	(232,835)
	<hr/>	<hr/>
	341,367	413,419
Changes in working capital accounts		
Accounts receivable	19,960	(141,171)
Deferred revenue	250,849	(9,772)
Accounts payable and accrued liabilities	(161,229)	84,924
Prepaid expenses	20,079	56,641
Inventory	3,560	(8,779)
	<hr/>	<hr/>
	474,586	395,262
<b>Capital activities</b>		
Purchase of tangible capital assets	<hr/>	<hr/>
	(388,753)	(517,207)
<b>Investing activities</b>		
Proceeds from Ottawa Trust funds	279,000	-
Reinvestment of Ottawa Trust funds interest	(6,274)	-
	<hr/>	<hr/>
	272,726	-
<b>Financing activities</b>		
Repayment of long term debt	(57,073)	(90,616)
Repayment of long term debt by Member	-	19,364
	<hr/>	<hr/>
	(57,073)	(71,252)
<b>Net increase (decrease) in cash and cash equivalents</b>	<hr/>	<hr/>
	301,486	(193,197)
<b>Cash and cash equivalents, beginning of year</b>	<hr/>	<hr/>
	250,474	443,671
<b>Cash and cash equivalents, end of year</b>	<hr/>	<hr/>
	<b>\$ 551,960</b>	<b>\$ 250,474</b>
<b>Represented by:</b>		
Cash	\$ 204,568	\$ 100,610
Restricted cash	444,854	344,173
Bank indebtedness	(97,462)	(194,309)
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	<b>\$ 551,960</b>	<b>\$ 250,474</b>

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## N'Quatqua First Nation Notes to Consolidated Financial Statements

**March 31, 2020**

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### **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 by Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The Nation segments its operations for financial reporting purposes based upon a group of activities and services. Information on the Nation's reporting segments is provided in Note 19 of these financial statements.

#### *Reporting Entity and Principles of Consolidation*

These financial statements consolidate the accounts of all operating segments of the Nation and all Other Government Organizations ("OGO") controlled by the Nation. The Nation's OGOs are fully consolidated on a line-by-line basis, with inter-organizational balances and transactions being eliminated. The Nation's OGOs included in these financial statements through consolidation are:

- N'Quatqua Logging Co. Ltd.
- N'Quatqua Fisheries Inc.
- N'Quatqua Employment & Economic Development Corporation

Entities owned by the Nation and meet the definition of a Government Business Enterprise, are included in the financial statements using the modified equity method. The Nation does not own any entities that meet the definition of a Government Business Enterprise.

#### *Asset Classification*

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets and prepaid expenses.

#### *Use of estimates*

The preparation of the 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 financial statements and the reported amounts of revenue and expenses during the reporting period. The significant areas requiring management estimates include the useful lives of tangible capital assets, valuation of accounts receivable, and estimating provisions for accrued liabilities. Actual results could differ from management's best estimates.

#### *Revenue Recognition*

Government grants and transfers are recognized as revenue when the transfer is authorized and eligibility criteria have been met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Should transfer stipulations give rise to an obligation that meets the definition of a liability, transfers are initially recognized as deferred revenue and recognized as revenue in the statement of operations as the stipulation liabilities are settled.

Rental revenue is recognized as it becomes receivable under the terms of the rental agreement. Trust income, NEEDCO sales, and other revenue is recognized on an accrual basis of accounting and is recognized when the amounts can be reasonably estimated and collection reasonably assured.

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## N'Quatqua First Nation Notes to Consolidated Financial Statements

**March 31, 2020**

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### **1. Summary of Significant Accounting Policies (continued)**

#### Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the period when the related expenses are incurred, services performed and stipulation liabilities have been settled.

#### Cash and equivalents

Cash consists of cash on hand, cash in transit, and cash on deposit. Cash equivalents are short-term investments with an original maturity of three months or less, made to obtain a return on a temporary basis, and are carried at cost.

Cash and equivalents that are segregated from the Nation's operating bank accounts and restricted in their use for specific purposes are presented as restricted cash in the statement of financial position.

#### Investments

The Nation accounts for its investments at cost plus accrued interest. Investments are written down to net realizable value when there has been a decline in value that is other than temporary.

#### Tangible Capital Assets

Tangible capital assets are stated at cost less accumulated amortization and are 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 through interfund transfers and matched with the applicable revenue source in the year of expenditure. Tangible capital asset acquisitions are also recorded as an addition to assets of the Capital Fund with a corresponding increase in equity in tangible capital assets.

Amortization is recorded on a declining balance basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Vehicles	20%
Fire truck	20%
Buildings	4%
Machinery and equipment	10%
Sawmill	10%
Logging machinery	20%
Fencing	10%
Office furniture and equipment	20%

Tangible capital assets are impaired when conditions indicate that they no longer contribute to the Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. Impairments of tangible capital assets are accounted for as expenses in the statement of operations. Refer to note 14 for information on impairment of tangible capital assets recognized in the period.

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## N'Quatqua First Nation Notes to Consolidated Financial Statements

**March 31, 2020**

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### **1. Summary of Significant Accounting Policies (continued)**

#### Budgeted financial results

Canadian public sector accounting standards requires the Nation to present a comparison of the results for the period with those originally planned. The Nation, did not officially adopt a financial plan for the year ended March 31, 2020, and therefore no budgeted financial have been presented in these financial statements.

#### Contaminated Sites

The Nation recognizes a liability for the costs to remediate a contaminated site when an environmental standard exists, contamination exceeds the standard, the Nation has responsibility for remediation, future economic benefits will be given up, and a reasonable estimate of the liability can be made. Refer to note 10 for details of liabilities for contaminated sites recognized in the period.

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### **2. Economic Dependence**

The Nation receives a significant portion of its revenue pursuant to a funding arrangement with Indigenous Services Canada ("ISC").

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### **3. Cash**

	<b>2020</b>	<b>2019</b>
Operations	\$ 103,306	\$ 106
Social Housing	68,297	39,616
N'Quatqua Logging Co. Ltd.	22,819	634
N'Quatqua Fisheries Inc.	2,597	3,562
N'Quatqua Employment & Economic Development Corp.	<u>7,549</u>	<u>56,692</u>
	<hr/>	<hr/>
	\$ 204,568	\$ 100,610

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**N'Quatqua First Nation**  
**Notes to Consolidated Financial Statements**

**March 31, 2020**

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**4. Restricted Cash**

	<b>2020</b>	2019
Housing replacement reserve fund (Note 12)	<b>243,354</b>	\$ 125,699
Minor's Trust bank account	<b>201,500</b>	218,474
	<b>\$ 444,854</b>	\$ 344,173

The Housing restricted cash is derived under the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC"), the account is to be credited annually. These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation.

Minor's Trust represents a previous settlement where Chief and Council made the decision to set aside monies to distribute to all members at that point in time. The Nation holds the remaining funds in trust for minors who have yet to turn 18. As members turn 18 the funds are paid out and the obligation is extinguished.

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**5. Accounts Receivable**

Accounts receivable by program area is summarized as follows:

	<b>2020</b>	2019
Due from Funding Agencies:		
Indigenous Services Canada	\$ 34,563	\$ -
CMHC subsidies	<b>3,938</b>	3,938
	<b>38,501</b>	3,938
Due from Band Members:		
Housing, rent receivable SH 1 & 2	<b>140,553</b>	141,629
Housing, rents receivable, CMHC matured units	<b>240,036</b>	235,762
Member receivables	<b>21,868</b>	20,614
Allowance for bad debts	<b>(83,428)</b>	(84,003)
	<b>319,029</b>	314,002
Band Sundry and other receivables	<b>165,628</b>	278,702
Goods and service tax receivable	<b>34,560</b>	27,713
Fuel and carbon tax receivable	<b>46,677</b>	-
	<b>246,865</b>	306,415
	<b>\$ 604,395</b>	\$ 624,355

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## N'Quatqua First Nation Notes to Consolidated Financial Statements

**March 31, 2020**

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### **6. Inventory**

	<b>2020</b>	2019
Hatchery	\$ 10,000	\$ 10,000
N'Quatqua Employment & Economic Development Corp.	<u>32,246</u>	<u>35,806</u>
	<b>\$ 42,246</b>	<b>\$ 45,806</b>

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### **7. St'at'imc (PC) 2011 Trust**

	<b>2020</b>	2019
St'at'imc Trust bank account	\$ 717,762	\$ 522,121
St'at'imc Trust investments	<u>981,720</u>	<u>962,875</u>
	<b>\$ 1,699,482</b>	<b>\$ 1,484,996</b>

The St'at'imc Authority reached a comprehensive settlement with the Province of British Columbia and BC Hydro on May 10, 2011. The Settlement Agreement provides compensation for impacts to St'at'imc lands and people in respect of past, present, and future hydro development in the St'at'imc territory; as a result, the St'at'imc (PC) 2011 Trust was established to receive settlement funds.

N'Quatqua is a beneficiary of the Trust and in accordance with the Settlement Agreement and Trust Indenture, the Nation is entitled to receive certain sums of monies from the Trust each year to be used for specific purposes as outlined in a Participating Community Resolution. The Nation's assets recorded in these financial statements represent the Nation's share of settlement funds being held in trust for the Nation.

Available Trust Revenues shall consist of funding received in a fiscal year and unused funding received in previous fiscal years. Expenditures shall consist only of expenses incurred for the purposes stated in the Participating Council Resolution which shall be consistent with the purposes specified in the Indenture. The Nation is permitted to expend Trust monies on a basis consistent with the purposes specified in the Indenture. These funds are invested in various investments managed and held by the trustees.

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## N'Quatqua First Nation Notes to Consolidated Financial Statements

**March 31, 2020**

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### **8. Ottawa Trust**

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 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 expenditure of capital funds are transferred on the authorization of the Minister of Indigenous Services Canada, with the consent of the Nation's Chief and Council. Capital funds generally must be for projects of a capital nature.

	March 31, 2019	Additions	Withdrawals	<b>March 31, 2020</b>
Revenue	\$ 311,937	\$ 6,274	\$ -	<b>\$ 318,211</b>
Capital	279,024	-	(279,000)	<b>24</b>
<b>Total</b>	<b>\$ 590,961</b>	<b>\$ 6,274</b>	<b>\$ (279,000)</b>	<b>\$ 318,235</b>

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### **9. Bank Indebtedness**

	<b>2020</b>	<b>2019</b>
Cheques issued in excess of funds on deposit	<b>\$ 97,462</b>	<b>\$ 194,309</b>

The Nation has secured a line of credit with a limit of \$50,000 which accrues interest at 3% per annum (2019 - 3%).

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### **10. Accounts Payable**

	<b>2020</b>	<b>2019</b>
Accounts payable and accrued liabilities	<b>\$ 254,797</b>	<b>\$ 416,024</b>

The Nation has accrued \$149,076 related to the hazardous materials abatement and demolition of the former community building, which occurred subsequent to year end.

At March 31, 2020, \$13,437 (2019 - \$16,569) of government remittances payable was included in accounts payable.

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**N'Quatqua First Nation**  
**Notes to Consolidated Financial Statements**

**March 31, 2020**

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**11. Deferred Revenue**

	<b>2020</b>	<b>2019</b>
Indigenous Services Canada	\$ 461,088	\$ 151,933
St'at'imc Minor Trust	<u>87,948</u>	<u>146,254</u>
	<b>\$ 549,036</b>	<b>\$ 298,187</b>

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**12. Replacement and Operating Reserve Funds**

In accordance with the terms and conditions of the Operating Agreements with CMHC, the Social Housing Program must set aside funds annually for the non-annual expenditures of the Program for the repair and replacement of certain assets. These funds are held in a separate interest-bearing bank account or term deposit with the interest earned to be credited as revenue to the Replacement Reserve Fund (Note 4).

	<b>2020</b>	<b>2019</b>
Replacement Reserve Fund:		
Balance, end of year	\$ 125,066	\$ 119,398
Restricted cash balance	<u>222,932</u>	<u>122,705</u>
Total amount overfunded	<b>\$ 97,866</b>	<b>\$ 3,307</b>
Operating Reserve Fund:		
Balance, end of year	\$ 117,221	\$ 108,310
Restricted cash balance	<u>20,422</u>	<u>2,994</u>
Total amount underfunded	<b>\$ 96,799</b>	<b>\$ 105,316</b>

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**N'Quatqua First Nation**  
**Notes to Consolidated Financial Statements**

**March 31, 2020**

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**13. Mortgages and Loans**

	<b>2020</b>	<b>2019</b>
<b><u>Mortgages on Social Housing Units:</u></b>		
All Nations Trust Company loan with payments of \$598 per month including interest at 2.50% with a term of five years renewable on June 1, 2023. The loan is secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada.	\$ 80,107	\$ 85,220
All Nations Trust Company, loan with payments of \$741 per month including annual interest at 1.86% with a term of five years renewable on April 1, 2024. The loan is secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada.	34,955	43,117
All Nations Trust Company, loan with payments of \$1,681 per month including annual interest at 1.14% with a term of five years maturing on May 1, 2021. The loan is secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada.	23,362	43,142
All Nations Trust Company, loan with payments of \$760 per month including annual interest at 2.50%. The loan is maturing on April 1, 2023 and is secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada.	27,054	35,390
All Nations Trust Company, loan with payments of \$1,406 per month including annual interest at 1.11% with a term of five years renewable on April 1, 2026. The loan is secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada.	99,250	114,932
	<b><u>264,728</u></b>	<b><u>321,801</u></b>

Principal payments due in each of the next five years are approximately:

2021	\$ 141,648
2022	25,942
2023	23,124
2024	73,324
2025	690
	<b><u>\$ 264,728</u></b>

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**N'Quatqua First Nation**  
**Notes to Consolidated Financial Statements**

**March 31, 2020**

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**14. Tangible Capital Assets**

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Automotive equipment	\$ 764,438	\$ 633,393	\$ 666,371	\$ 598,245
Land	123,077	-	123,077	-
Buildings	3,186,654	1,027,972	3,733,138	1,602,464
Equipment	652,898	525,890	651,911	494,139
Infrastructure	245,347	-	245,347	-
Computer equipment	221,961	205,069	221,961	197,829
	<b>5,194,375</b>	<b>2,392,324</b>	5,641,805	2,892,677
 Social Housing				
Buildings	1,679,037	811,177	1,679,037	708,428
N'Quatqua Fisheries Inc.	6,286	5,931	6,286	5,843
N'Quatqua Employment & Economic Development Corp.	79,241	67,669	69,541	62,363
	<b>1,764,564</b>	<b>884,777</b>	1,754,864	776,634
	<b>\$ 6,958,939</b>	<b>\$ 3,277,101</b>	\$ 7,396,669	\$ 3,669,311
Net book value		<b>\$ 3,681,838</b>		<b>\$ 3,727,358</b>

During the year, the Nation's former community building was removed from productive use and scheduled for hazardous material abatement and demolition, which occurred subsequent to year end. As a result, the Nation recognized an impairment of \$201,802 to the buildings asset group.

**N'Quatqua First Nation**  
**Notes to Consolidated Financial Statements**

**March 31, 2020**

**14. Tangible Capital Assets (continued)**

	<b>2020</b>						
	Automotive equipment	Buildings	Infrastructure	Equipment	Land	Computer Equipment	Total
Cost, beginning of year	\$ 666,371	\$ 5,412,174	\$ 245,347	\$ 709,191	\$ 123,077	\$ 240,509	\$ 7,396,669
Additions	98,067	280,000	-	10,686	-	-	388,753
Disposals	-	(826,483)	-	-	-	-	(826,483)
Cost, end of year	<u>764,438</u>	<u>4,865,691</u>	<u>245,347</u>	<u>719,877</u>	<u>123,077</u>	<u>240,509</u>	<u>6,958,939</u>
Accumulated amortization, beginning of year	598,245	2,311,151	-	545,421	-	214,494	3,669,311
Amortization	35,148	152,937	-	35,687	-	8,699	232,471
Disposals	-	(624,681)	-	-	-	-	(624,681)
Accumulated amortization, end of year	<u>633,393</u>	<u>1,839,407</u>	<u>-</u>	<u>581,108</u>	<u>-</u>	<u>223,193</u>	<u>3,277,101</u>
Net carrying amount, end of year	<u>\$ 131,045</u>	<u>\$ 3,026,284</u>	<u>\$ 245,347</u>	<u>\$ 138,769</u>	<u>\$ 123,077</u>	<u>\$ 17,316</u>	<u>\$ 3,681,838</u>

**N'Quatqua First Nation**  
**Notes to Consolidated Financial Statements**

**March 31, 2020**

**14. Tangible Capital Assets (continued)**

	2019						
	Automotive equipment	Building and improvements	Infrastructure	Equipment	Land	Computer Equipment	Total
Cost, beginning of year	\$ 666,371	\$ 5,011,681	\$ 245,347	\$ 1,002,696	\$ 123,077	\$ 237,371	\$ 7,286,543
Additions	- 499,260	- 15,095	- 15,095	- 15,095	- 15,095	- 15,095	- 15,095
Disposals	- (98,767)	- (308,600)	- (308,600)	- (308,600)	- (308,600)	- (308,600)	- (308,600)
Cost, end of year	<u>666,371</u>	<u>5,412,174</u>	<u>245,347</u>	<u>1,002,696</u>	<u>123,077</u>	<u>237,371</u>	<u>7,286,543</u>
Accumulated amortization, beginning of year	579,327	2,196,583	- 830,005	- 830,005	- 830,005	- 830,005	- 830,005
Amortization	18,918	114,568	- 65,688	- 65,688	- 65,688	- 65,688	- 65,688
Disposals	- -	- (350,272)	- (350,272)	- (350,272)	- (350,272)	- (350,272)	- (350,272)
Accumulated amortization, end of year	<u>598,245</u>	<u>2,311,151</u>	<u>- 545,421</u>	<u>- 545,421</u>	<u>- 545,421</u>	<u>- 545,421</u>	<u>- 545,421</u>
Net carrying amount, end of year	<u>\$ 68,126</u>	<u>\$ 3,101,023</u>	<u>\$ 245,347</u>	<u>\$ 163,770</u>	<u>\$ 123,077</u>	<u>\$ 26,015</u>	<u>\$ 3,727,358</u>

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## **N'Quatqua First Nation** **Notes to Consolidated Financial Statements**

**March 31, 2020**

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### **15. Canada Mortgage and Housing Corporation Subsidy**

The Social Housing Program 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 enable the program to provide housing to low-income individuals. The amount of assistance received in 2020 was \$56,940 (2019 - \$66,767).

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### **16. 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 international community as the virus spreads globally beyond its point of origin. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization.

As the impacts of COVID-19 continue, there could be further effects on the Nation, its funders and its business entities. The Nation has continued to deliver services during this pandemic through a variety of means, whether face-to-face or utilizing technology as the Nation 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 Nation is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

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### **17. Comparative Figures**

Certain comparative figures have been reclassified to conform with the current year's presentation.

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**N'Quatqua First Nation**  
**Notes to Consolidated Financial Statements**

**March 31, 2020**

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**18. Expenses by Object**

	<b>2020</b>	<b>2019</b>
Administration	\$ 62,169	\$ 71,575
Advertising	3,493	738
Amortization	232,471	207,943
Bank charges and interest	20,720	28,096
Catering	97,684	91,064
Computers	4,195	28,476
Contracts	418,764	243,875
Education services	84,555	84,988
Equipment	-	17,252
Freight	1,412	8,426
Fuel	585	431
Impairment of tangible capital assets (Note 14)	201,802	-
Insurance	95,904	89,995
Honorarium	51,649	61,601
Lease payments	10,965	17,068
Licenses, dues and fees	9,895	3,450
Materials and supplies	144,805	178,802
Office supplies	10,609	14,450
Other	214,845	284,541
Payroll	914,211	1,045,584
Professional fees	451,998	342,835
Program	590,642	591,397
Registration	11,240	7,926
Rentals	24,168	32,973
Repairs and maintenance	21,889	40,505
Special events	13,708	26,741
Telephone	52,853	32,457
Training	4,768	20,860
Travel	144,494	160,431
Tuition	24,042	23,757
Utilities	45,120	43,361
	<hr/>	<hr/>
	<b>\$ 3,965,655</b>	<b>\$ 3,801,598</b>

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## **N'Quatqua First Nation**

### **Notes to Consolidated Financial Statements**

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**March 31, 2020**

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#### **19. Segment Disclosure**

The N'Quatqua First Nation is a diversified First Nation 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 service area provides administrative services needed to support the Nation's operations and consists of revenue and expenses that relate to the operations of the 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 the Nation's assets, infrastructure and common property.

##### **Education**

This service area provides educational services through elementary, secondary and post secondary education support and the operations of various other educational programs. The goal of this segment is to enhance the educational opportunities of the 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.

##### **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.

##### **Social Housing**

This service area provides for social housing to the members.

**N'Quatqua First Nation**  
**Notes to Consolidated Financial Statements**

**March 31, 2020**

**20. Segment Disclosure - continued**

	<b>2020</b>		<b>2019</b>	
	Administration	Community Welfare	Operations & Maintenance	Education
	Revenue	Wages and benefits	Economic Development	Health Services
<b>Revenue</b>				
Indigenous Services Canada	\$ 284,632	\$ 168,251	\$ 152,181	\$ 625,078
Other	762,956	22,298	178,066	827,381
<b>Total</b>	<b>1,047,588</b>	<b>190,549</b>	<b>330,247</b>	<b>861,605</b>
<b>Expenses</b>				
Wages and benefits	165,343	66,039	65,024	85,567
Purchases	289,720	313,788	744,001	927,507
Impairment of tangible capital assets	201,802	-	-	12,052
Amortization	124,328	-	-	-
<b>Total</b>	<b>781,193</b>	<b>-</b>	<b>379,827</b>	<b>814,331</b>
<b>Surplus (deficit)</b>	<b>\$ 266,395</b>	<b>\$ (189,278)</b>	<b>\$ (131,500)</b>	<b>\$ 47,274</b>
	Administration	Community Welfare	Operations & Maintenance	Education
	Revenue	Wages and benefits	Economic Development	Health Services
<b>Revenue</b>				
Indigenous Services Canada	\$ 242,600	\$ 366,290	\$ 374,219	\$ 20,132
Other	815,654	(216,801)	228,806	636,381
<b>Total</b>	<b>1,058,254</b>	<b>149,489</b>	<b>603,025</b>	<b>656,513</b>
<b>Expenses</b>				
Wages and benefits	351,263	71,172	202,794	75,553
Purchases	472,613	115,057	416,925	621,406
Amortization	113,294	-	-	4,033
<b>Total</b>	<b>940,170</b>	<b>-</b>	<b>186,229</b>	<b>619,719</b>
<b>Surplus (deficit)</b>	<b>\$ 118,084</b>	<b>\$ (36,740)</b>	<b>\$ (16,694)</b>	<b>\$ (44,479)</b>
	Administration	Community Welfare	Operations & Maintenance	Education
	Revenue	Wages and benefits	Economic Development	Health Services
<b>Revenue</b>				
Natural Resource Management				
Capital				
Social Housing				
<b>Total</b>				