

**Kwadacha Nation**  
**Consolidated Financial Statements**  
*March 31, 2021*

# Kwadacha Nation

## Contents

For the year ended March 31, 2021

### Page

#### Management's Responsibility

#### Independent Auditor's Report

#### Consolidated Financial Statements

Consolidated Statement of Financial Position .....	1
Consolidated Statement of Operations and Accumulated Surplus .....	2
Consolidated Statement of Remeasurement Gains and Losses .....	3
Consolidated Statement of Changes in Net Financial Assets (Net Debt) .....	4
Consolidated Statement of Cash Flows .....	5

Notes to the Consolidated Financial Statements .....	6
--	---

#### Schedules

Schedule 1 - Consolidated Schedule of Tangible Capital Assets .....	22
Schedule 2 - Consolidated Schedule of Expenses by Object .....	24
Schedule 3 - Schedule of Revenue and Expenses and Accumulated Surplus - Administration .....	25
Schedule 4 - Schedule of Revenue and Expenses and Accumulated Surplus - Education and Training .....	26
Schedule 5 - Schedule of Revenue and Expenses and Accumulated Surplus (Deficit) - Income Assistance .....	27
Schedule 6 - Schedule of Revenue and Expenses and Accumulated Deficit - Operations and Maintenance .....	28
Schedule 7 - Schedule of Revenue and Expenses and Accumulated Surplus - Capital .....	29
Schedule 8 - Schedule of Revenue and Expenses and Accumulated Surplus - Own Source .....	30
Schedule 9 - Schedule of Revenue and Expenses and Accumulated Surplus - Health and Wellness .....	31
Schedule 10 - Schedule of Revenue and Expenses and Accumulated Surplus - Settlement Negotiations .....	32
Schedule 11 - Schedule of Revenue and Expenses and Accumulated Surplus - Nation Member Trust .....	33



## **Management's Responsibility**

---

To the Members of Kwadacha Nation:

The accompanying consolidated financial statements of Kwadacha Nation are the responsibility of management and have been approved by Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

Chief and Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditor. Chief and Council is also responsible for recommending the appointment of the Nation's external auditor.

MNP LLP is appointed by Chief and Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditor has full and free access to, and meet periodically with both the Council and management to discuss their audit findings.

August 16, 2021

**E-SIGNED by Dennis Sterritt**

---

Executive Director

## Independent Auditor's Report

---

To the Members of Kwadacha Nation:

### Opinion

We have audited the consolidated financial statements of Kwadacha Nation (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, changes in net financial assets (net debt), cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and related schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Nation as at March 31, 2021, and the results of its consolidated operations, its consolidated remeasurement gains and losses, its consolidated changes in net financial assets (net debt) and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

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 Nation 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 opinion.

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

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

Those charged with governance are responsible for overseeing the Nation'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 Nation'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 Nation'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 Nation 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 Nation 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.

Prince George, British Columbia

August 16, 2021

*MNP LLP*

Chartered Professional Accountants

**Kwadacha Nation**  
**Consolidated Statement of Financial Position**  
*As at March 31, 2021*

	2021	2020 <i>Restated (Note 25)</i>
<b>Financial assets</b>		
Cash and cash equivalents (Note 3)	1,747,245	4,479,713
Trade and other receivables (Note 4)	1,153,955	1,009,830
Portfolio investments (Note 5)	92,592	92,592
Restricted cash and reserves (Note 6)	7,589,041	4,762,924
Advances to Nation entity (Note 7)	299,726	274,542
Inventories (Note 8)	364,406	320,025
Investment in Nation partnerships and business entities (Note 9)	3,661,869	2,160,949
Funds held in trust (Note 10)	135,006	132,187
<b>Total financial assets</b>	<b>15,043,840</b>	<b>13,232,762</b>
<b>Liabilities</b>		
Accounts payable and accruals	3,693,094	2,819,939
Deferred revenue (Note 11)	243,281	933,862
Debt (Note 12)	3,800,647	4,233,172
Promissory note payable (Note 13)	2,261,047	2,362,726
Advances from related Nation entities (Note 14)	4,684,908	4,613,593
<b>Total financial liabilities</b>	<b>14,682,977</b>	<b>14,963,292</b>
<b>Net financial assets (net debt)</b>	<b>360,863</b>	<b>(1,730,530)</b>
<b>Contingent liabilities (Note 15)</b>		
<b>Significant event (Note 16)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	49,694,434	46,832,452
Prepaid expenses	36,801	72,360
<b>Total non-financial assets</b>	<b>49,731,235</b>	<b>46,904,812</b>
<b>Accumulated surplus (Note 17)</b>	<b>50,092,098</b>	<b>45,174,282</b>
<b>Accumulated surplus is comprised of:</b>		
Accumulated surplus	47,756,423	45,689,221
Accumulated remeasurement gains (losses)	2,335,675	(514,939)
	<b>50,092,098</b>	<b>45,174,282</b>
<b>Approved on behalf of Chief and Council:</b>	<b>e-Signed by John McCook</b>	
E-SIGNED by Darryl McCook _____ <b>Chief</b>	2021-10-06 21:28:28 GMT	_____ <b>Councillor</b>
E-SIGNED by Bradley Seymour _____ <b>Councillor</b>		

The accompanying notes are an integral part of these financial statements

**Kwadacha Nation**  
**Consolidated Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2021*

	<i>Schedules</i>	<b>2021 Budget (Note 21)</b>	<b>2021</b>	<b>2020 Restated (Note 25)</b>
<b>Revenue</b>				
Indigenous Services Canada (Note 20)		4,952,182	9,235,613	11,130,886
Other revenue		2,068,789	2,284,523	3,119,280
Kwadacha Community Store		2,536,000	3,575,236	2,958,341
Interest and investment income		1,955,517	1,033,357	1,118,836
BC Hydro Trust Funds Contribution		-	155,175	2,115,066
First Nations Health Authority		1,723,163	2,582,397	1,791,107
Province of British Columbia		330,988	929,827	1,158,624
Rental income		632,000	961,775	824,627
Earnings from investment in Nation partnerships and business entities (Note 9)		-	524,958	143,495
Government of Canada		151,306	577,358	101,929
Nation members Trust		-	25,806	17,834
Loss on disposal of tangible capital assets		-	(76,639)	(6,217)
Hydro Briefs Funding Allocation		3,275,619	-	-
		<b>17,625,564</b>	<b>21,809,386</b>	<b>24,473,808</b>
<b>Program expenses (Schedule 2)</b>				
Administration	3	1,328,497	2,250,166	1,437,672
Education and Training	4	3,154,592	3,770,413	3,562,178
Income Assistance	5	555,270	977,912	722,090
Operations and Maintenance	6	1,307,752	1,341,226	1,420,939
Capital	7	1,353,663	2,326,078	2,228,624
Own Source	8	4,563,373	6,121,066	6,847,364
Health and Wellness	9	2,254,723	1,895,955	2,353,893
Settlement Negotiations	10	3,560,951	1,045,641	1,272,496
Nation Member Trust	11	-	13,727	14,940
		<b>18,078,821</b>	<b>19,742,184</b>	<b>19,860,196</b>
<b>Annual surplus (deficit)</b>		<b>(453,257)</b>	<b>2,067,202</b>	<b>4,613,612</b>
<b>Accumulated surplus, beginning of year, as previously stated</b>		<b>47,366,177</b>	<b>47,366,177</b>	<b>41,312,262</b>
Correction of an error (Note 25)		(1,676,956)	(1,676,956)	(236,653)
<b>Accumulated surplus, beginning of year, as restated</b>		<b>45,689,221</b>	<b>45,689,221</b>	<b>41,075,609</b>
<b>Accumulated surplus, end of year</b>		<b>45,235,964</b>	<b>47,756,423</b>	<b>45,689,221</b>

The accompanying notes are an integral part of these financial statements

**Kwadacha Nation**  
**Consolidated Statement of Remeasurement Gains and Losses**  
*For the year ended March 31, 2021*

	<b>2021</b>	<i>2020 Restated (Note 25)</i>
<b>Accumulated remeasurement gains (losses), beginning of year, as previously stated</b>	<b>(2,191,895)</b>	1,260,735
Correction of an error <i>(Note 25)</i>	<b>1,676,956</b>	236,653
<b>Accumulated remeasurement gains (losses), beginning of year, as restated</b>	<b>(514,939)</b>	1,497,388
<b>Unrealized gains (losses) attributable to:</b>		
Fair value of financial instruments in restricted cash and reserves	<b>2,850,614</b>	(2,012,327)
<b>Accumulated remeasurement gains (losses), end of year</b>	<b>2,335,675</b>	(514,939)

*The accompanying notes are an integral part of these financial statements*



**Kwadacha Nation**

**Consolidated Statement of Changes in Net Financial Assets (Net Debt)**

*For the year ended March 31, 2021*

	<b>2021 Budget (Note 21)</b>	<b>2021</b>	<b>2020 Restated (Note 25)</b>
<b>Annual surplus</b>	<b>(453,257)</b>	<b>2,067,202</b>	4,613,612
Purchases of tangible capital assets	-	<b>(5,286,852)</b>	(7,902,780)
Amortization of tangible capital assets	<b>1,105,000</b>	<b>2,198,041</b>	2,046,214
Loss on disposal of tangible capital assets	-	<b>76,639</b>	6,217
Proceeds on disposal of tangible capital assets	-	<b>150,190</b>	387,059
Use (acquisition) of prepaid expenses	-	<b>35,559</b>	(24,342)
Change in remeasurement gains (losses) for the year	-	<b>2,850,614</b>	(2,012,327)
<b>Increase (decrease) in net financial assets</b>	<b>651,743</b>	<b>2,091,393</b>	(2,886,347)
<b>Net financial assets (debt), beginning of year</b>	<b>(1,730,530)</b>	<b>(1,730,530)</b>	1,155,817
<b>Net financial assets (debt), end of year</b>	<b>(1,078,787)</b>	<b>360,863</b>	(1,730,530)

*The accompanying notes are an integral part of these financial statements*

**Kwadacha Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2021*

	2021	2020 <i>Restated (Note 25)</i>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual surplus	2,067,202	4,613,612
Non-cash items		
Amortization	2,198,041	2,046,214
Loss on disposal of tangible capital assets	76,639	6,217
Change in remeasurement gains (losses) for the year	2,850,614	(2,012,327)
Bad debt	60,014	162,679
	7,252,510	4,816,395
Changes in working capital accounts		
Trade and other receivables	(144,125)	(237,457)
Inventories	(44,381)	81,405
Restricted cash and reserves	(2,826,117)	2,697,063
Funds held in trust	(2,819)	(4,756)
Accounts payable and accruals	873,155	179,871
Deferred revenue	(690,581)	835,183
Portfolio investment	-	(110)
Prepaid expenses	35,559	(24,342)
	4,453,201	8,343,252
<b>Financing activities</b>		
Repayment of debt	(432,525)	(429,941)
Net advances from related Nation entities	-	353,927
Net repayment of advances from related Nation entities	(13,883)	-
Advances of promissory note	-	500,000
Repayment of promissory note	(101,679)	(87,638)
	(548,087)	336,348
<b>Capital activities</b>		
Purchases of tangible capital assets	(5,286,852)	(7,902,780)
Proceeds on disposal of tangible capital assets	150,190	387,059
	(5,136,662)	(7,515,721)
<b>Investing activities</b>		
Net investment in Nation partnerships and business entities	(1,500,920)	133,313
<b>Increase (decrease) in cash</b>	(2,732,468)	1,297,192
<b>Cash, beginning of year</b>	4,479,713	3,182,521
<b>Cash, end of year</b>	1,747,245	4,479,713

The accompanying notes are an integral part of these financial statements

**1. Operations**

The Kwadacha Nation (the "Nation") is located in the province of British Columbia, and provides various services to its members. Kwadacha Nation includes the Nation's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

**2. Significant accounting policies**

The consolidated financial statements of Kwadacha Nation (the "Nation") are the representations of management, and are prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada and are consistent with accounting policies set out by Indigenous Services Canada ("ISC"). Significant aspects of the accounting policies adopted by the Nation are as follows:

***Reporting entities***

The financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity, except for Nation business entities. Trusts administered on behalf of third parties by Kwadacha Nation are excluded from the Nation reporting entities.

The Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- 0936269 B.C. Ltd.
- Kwadacha Settlement Negotiations Agreement
- Kwadacha Community Store
- Kwadacha Land Corp.
- Kwadacha Community Restaurant

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Kwadacha Nation business entities, owned or controlled by the Nation's Chief and Council but not dependent on the Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. Nation business partnerships, jointly owned and controlled by the Nation's Chief and Council that are not dependent on the Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method.

Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the Nation. Thus, the Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received.

Government business entities accounted for by the modified equity basis include:

- Kwadacha Natural Resources GP Ltd. (100%)
- Obo Forest Management GP Ltd. (100%)

Government business partnerships accounted for by the modified equity basis include:

- Kwadacha Natural Resources Limited Partnership (99.99%)
- Tse Keh Nay Limited Liability Partnership (33.33%)
- Claw Mountain Outfitters LLP (50%)
- Three Feathers Limited Partnership (33.33%)
- KNGV Freight Services Joint Venture (50%)

**2. Significant accounting policies** *(Continued from previous page)*

Entities which are not controlled or jointly controlled are accounted for at cost. These include:

- Chee Ventures Ltd. (30.76%)
- Kaska ITA Land Corporation (33.33%)
- Kaska Oil & Gas Services Limited Partnership (20%)
- Kaska Energy Corporation (20%)
- Kaska Drilling Limited Partnership (20%)
- Three Feathers GP Ltd. (33.33%)
- British Columbia First Nations Gaming Revenue Sharing Limited Partnership
- British Columbia First Nations Gaming Revenue Sharing General Partnership Ltd.

***Basis of presentation***

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

***Funds held in Ottawa Trust Fund***

Funds held in trust on behalf of Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on land or other Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

***Net financial assets (debt)***

The Nation's consolidated financial statements are presented so as to highlight net financial assets (debt) as the measurement of financial position. The financial net assets (debt) of the Nation are determined by its financial assets less its liabilities. Net financial assets (debt) combined with non-financial assets comprise a second indicator of consolidated financial position, accumulated surplus.

***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 normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

***Cash and cash equivalents***

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

***Inventories***

Inventories are recorded at the lower of cost or net realizable value. Cost for retail inventory is valued using the FIFO method; cost for gravel is valued using the weighted average cost method.

**2. Significant accounting policies** *(Continued from previous page)*

***Tangible capital assets***

Capital expenditures are any significant expenditure incurred to acquire or improve land, buildings, engineering structures, machinery or equipment. The benefits last beyond one year and result in the acquisition of an asset or are an extension of the life of an asset. Tangible capital assets are initially recorded at cost less accumulated amortization. Contributed tangible assets are recorded at their fair value at the date of contribution.

Assets under construction are not amortized until the asset is available for productive use.

All intangible assets and items inherited by the right of the Nation, such as reserve lands, forests, water resources and mineral resources, are not recognized in the Nation's consolidated financial statements.

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using quoted market prices.

***Amortization***

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	<b><i>Method</i></b>	<b><i>Rate</i></b>
Buildings	declining balance	4 %
Buildings - renovations	straight-line	10 years
Automotive	declining balance	30 %
Equipment	declining balance	20-30 %
Infrastructure	declining balance	4 %

**2. Significant accounting policies** *(Continued from previous page)*

**Revenue recognition**

*i) Government Transfers*

The Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

*ii) Nation Capital and Revenue Trust Funds*

The Nation recognizes revenue of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

*iii) Investment Income*

Investment income is recognized by the Nation when the investment income is earned.

*iv) Other Revenue*

Revenue earned from the sale of fuel, tobacco and confectionary items is recognized when the goods are delivered to the customer, persuasive evidence of an arrangement exists, and collection is reasonably assured.

Interest income, rental income, and other revenue are recognized when earned and/or when the service is provided and collection is reasonably assured.

**Measurement uncertainty (use of estimates)**

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are based on the best information available regarding potentially contaminated sites that the Nation is responsible for.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

**Segments**

The Nation conducts its business through a number of reportable segments as described in Note 22. These operating segments are established by senior management to facilitate the achievement of the Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

**2. Significant accounting policies** *(Continued from previous page)*

***Liability for contaminated site***

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2021.

At each financial reporting date, the Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at March 31, 2021, no liability for contaminated sites exists.

***Financial instruments***

The Nation recognizes its financial instruments when the Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

The Nation has designated endowment and trustee funds to be subsequently measured at their fair value. Fair value is determined by quoted prices in active markets.

The Nation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the consolidated statement of remeasurement gains and losses. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Any impairment, which is not considered temporary, is recorded in the consolidated statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the consolidated statement of remeasurement gains and losses.

**3. Cash and cash equivalents**

Included in the cash and cash equivalents is restricted funds of \$503,158 (2020 - \$587,659) provided by BC First Nations Gaming Revenue Sharing Limited Partnership. Under the terms of agreement, the funds must be expended on or held for the purpose of the following areas:

- Health and wellness;
- Infrastructure, safety, transportation and housing;
- Economic and business development;
- Education, language, culture and training;
- Community development and environmental protection;
- Capacity building, fiscal management and governance.

**Kwadacha Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

**4. Trade and other receivables**

	2021	2020
Accounts receivable	671,769	524,697
Government receivables	402,599	240,269
Member rent receivable	244,472	279,652
Allowance for member rent receivable	(244,472)	(279,652)
Other receivables	400	158,489
Employee advances and member loan receivables	44,310	76,696
GST receivable	34,877	9,679
	<b>1,153,955</b>	<b>1,009,830</b>

**5. Portfolio investments**

	2021	2020
Measured at cost:		
Chee Ventures Ltd.	67,457	67,457
Kaska Energy Corp.	25,000	25,000
Three Feathers GP Ltd.	25	25
BC First Nations Gaming Revenue Sharing LP	100	100
BC First Nations Gaming Revenue Sharing GP Ltd.	10	10
	<b>92,592</b>	<b>92,592</b>

**6. Restricted cash and reserves**

	2021	2020
<b>Reserves</b>		
Capital Reserve	693,253	707,551
Debt Reserve - First Nations Finance Authority	139,622	138,417
Secured Revenue Trust Account - First Nations Finance Authority	282,402	66,361
Minister of Finance Security Deposit	2,500	2,500
	<b>1,117,777</b>	<b>914,829</b>
<b>Victoria Foundation</b>		
Endowment Fund	6,420,704	3,068,116
Trustee Payments	50,560	779,979
	<b>6,471,264</b>	<b>3,848,095</b>
	<b>7,589,041</b>	<b>4,762,924</b>



**Kwadacha Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

---

**6. Restricted cash and reserves** *(Continued from previous page)*

**Capital Asset Reserve**

The Capital Asset Reserve consists of internally restricted funds designated for the future acquisition of tangible capital assets in accordance with the Nation's capital plan.

**Debt Reserve**

Under the terms of a Borrowing Agreement with First Nation Finance Authority, five percent of the loan amount is withheld in the event that FNFA lacks sufficient funds to meet its obligations due to default in payment by the Nation. Upon extinguishment of the loan, the Debt Reserve, \$102,650 plus daily interest at 0.85%, will be repaid to the Nation.

**Secured Revenue Trust Account**

Under the terms of a Secured Revenue Trust Account Management Agreement with First Nations Finance Authority, a minimum debt service coverage ratio must be maintained with interest calculated monthly at 0.7%. Scheduled principal and interest payments are withdrawn in accordance with the Borrowing Agreement.

**Victoria Foundation**

Trust funds held on behalf of the Nation in an Endowment Fund created under the Endowment Fund Public Deed of Trust and a Payment Trustee Agreement between Kwadacha Nation, the Victoria Foundation and British Columbia Power Authority dated November 28, 2009. The initial capital contribution is disclosed in Note 18.

**7. Advances to related Nation entity**

Amounts due from Nation entity are unsecured, non-interest bearing with no specific terms of repayment.

	<b>2021</b>	<b>2020</b>
Due from KNGV Freight Services Joint Venture	<b>299,726</b>	274,542

**8. Inventories**

	<b>2021</b>	<b>2020</b>
Retail	<b>313,470</b>	258,380
Jet fuel, seacan and materials	<b>42,700</b>	53,409
Gravel	<b>8,236</b>	8,236
	<b>364,406</b>	320,025

## For the year ended March 31, 2021

## 9. Investments in Nation partnerships and business entities

The Nation has investments in the following entities:

				2021
	Balance, beginning of year	Loans / advances	Share of earnings (loss)	Total investment
<b>Wholly-owned Businesses:</b>				
Kwadacha Natural Resources GP Ltd.	(13,401)	(100)	(3,037)	(16,538)
Obo Forest Management GP Ltd.	(10,097)	(100)	(1,016)	(11,213)
	(23,498)	(200)	(4,053)	(27,751)
<b>First Nation Business Partnerships – Modified Equity:</b>				
Kwadacha Natural Resources LP - 99.99%	1,571,210	1,231,296	378,823	3,181,329
Three Feathers LP - 33.33%	287,199	(300,000)	51,883	39,082
Claw Mountain LP - 50%	349,718	124,287	28,112	502,117
Tse Keh Nay LLP - 33.33%	88,354	(79,421)	65,161	74,094
KNGV Freight Services - 50%	(112,034)	-	5,032	(107,002)
	2,184,447	976,162	529,011	3,689,620
	2,160,949	975,962	524,958	3,661,869
				2020
	Balance, beginning of year	Loans / advances	Share of earnings (loss)	Total investment
<b>Wholly-owned Businesses:</b>				
Kwadacha Natural Resources GP Ltd.	(13,401)	-	-	(13,401)
Obo Forest Management GP Ltd.	(10,097)	-	-	(10,097)
	(23,498)	-	-	(23,498)
<b>First Nation Business Partnerships – Modified Equity:</b>				
Kwadacha Natural Resources LP - 99.99%	1,475,772	393,610	(298,172)	1,571,210
Three Feathers LP - 33.33%	255,670	(300,000)	331,529	287,199
Claw Mountain LP - 50%	411,510	-	(61,792)	349,718
Tse Keh Nay LLP - 33.33%	263,365	(370,418)	195,407	88,354
KNGV Freight Services - 50%	(88,557)	-	(23,477)	(112,034)
	2,317,760	(276,808)	143,495	2,184,447
	2,294,262	(276,808)	143,495	2,160,949

**Kwadacha Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

**9. Investments in Nation partnerships and business entities** *(Continued from previous page)*

Summary financial information for each Nation business entity, accounted for using the modified equity method, for their respective year-ends is provided below.

The Nation's investees have a different year-end than March 31, 2021, as described below. The Nation uses the investees' year-end financial statements to account for its investment in these investees. For most investments, there have been no significant events or transactions in the interim period.

Kwadacha Natural Resources LP has changed its year from April to December. As a result, the financial information of this entity disclosed below represents transactions for 8 months.

All entities listed are unaudited.

As at the audit report date, financial statements were unavailable for Kwadacha Natural Resources GP Ltd, and Obo Forest Management GP Ltd., and as such financial information for these entities has not been included in the summary below.

	<i>Three Feathers LP As at April 30, 2021 (unaudited)</i>	<i>Tse Keh Nay LLP As at March 31, 2021 (unaudited)</i>	<i>Claw Mountain Outfitters LLP As at December 31, 2020 (unaudited)</i>	<i>Kwadacha Natural Resources LP As at December 31, 2020 (unaudited) (8 months)</i>
<b>Assets</b>				
Cash	1,272,027	199,336	218,712	294,042
Accounts receivable	394,025	27,342	143,464	624,327
Inventory	13,200	-	-	7,407
Due from related parties	3,225	-	-	205,192
Investments	-	-	-	2,300,489
Property, plant, equipment	-	-	99,437	2,514,348
Intangibles	-	-	547,660	-
Inventory	-	-	7,300	-
<b>Total assets</b>	<b>1,682,477</b>	<b>226,678</b>	<b>1,016,573</b>	<b>5,945,805</b>
<b>Liabilities</b>				
Accounts payable and accruals	19,546	4,399	11,626	547,488
Accrued silviculture liability	1,545,481	-	-	-
Due to related party	-	-	-	5,003,674
Long-term debt and leases	-	-	-	198,465
<b>Total liabilities</b>	<b>1,565,027</b>	<b>4,399</b>	<b>11,626</b>	<b>5,749,627</b>
<b>Shareholders' Equity/Partners' Capital</b>	<b>117,450</b>	<b>222,279</b>	<b>1,004,947</b>	<b>196,178</b>
<b>Total revenue</b>	<b>1,160,440</b>	<b>237,813</b>	<b>228,348</b>	<b>3,374,838</b>
<b>Total expenses</b>	<b>1,029,023</b>	<b>40,594</b>	<b>172,126</b>	<b>2,579,157</b>
<b>Net income (loss)</b>	<b>131,417</b>	<b>197,219</b>	<b>56,222</b>	<b>795,681</b>

**Kwadacha Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

---

**9. Investments in Nation partnerships and business entities** *(Continued from previous page)*

*KNGV Freight  
Services (A  
Partnership)  
As at April 30,  
2021  
(unaudited)*

<b>Assets</b>	
Cash	65,277
Accounts receivable	32,964
Inventory	-
Due from related parties	-
Investments	-
Property, plant, equipment	-
Intangibles	-
Inventory	-
<b>Total assets</b>	<b>98,241</b>
<b>Liabilities</b>	
Accounts payable and accruals	25,664
Accrued silviculture liability	-
Due to related party	-
Long-term debt and leases	-
<b>Total liabilities</b>	<b>25,664</b>
<b>Shareholders' Equity/Partners'</b>	
<b>Capital</b>	<b>72,577</b>
<b>Total revenue</b>	<b>344,875</b>
<b>Total expenses</b>	<b>343,272</b>
<b>Net income (loss)</b>	<b>1,603</b>

**Kwadacha Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

**10. Funds held in trust**

Capital and revenue trust monies are transferred to the Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the Nation's Council.

	2021	2020
<b>Capital Trust</b>		
Balance, beginning and end of year	1	1
<b>Revenue Trust</b>		
Balance, beginning of year	132,186	127,430
BC special	1,268	1,257
Interest	1,551	3,499
Balance, end of year	135,005	132,186
	<b>135,006</b>	132,187

Ottawa Trust Funds

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. The management of these funds is primarily governed by Sections 63 to 69 of the *Indian Act*.

**11. Deferred revenue**

		2021	2020
ICMS #9-00123010 Flood and Erosion Mitigation	Indigenous Services Canada	242,824	84,166
ICMS #9-00128367 Housing Renovations	Indigenous Services Canada	457	849,696
		<b>243,281</b>	933,862

**12. Debt**

	2021	2020
Royal Bank of Canada demand loan, repayable in monthly instalments of \$4,894 including interest at 3.00% per annum, secured by a Government of Canada ministerial guarantee, matures November 2039	840,610	873,643
Royal Bank of Canada demand loan, repayable in monthly instalments of \$5,184 including interest at 3.59% per annum, secured by a Government of Canada ministerial guarantee, matures August 2038	805,481	838,211
Royal Bank of Canada term loan, repayable in monthly instalments of \$10,433 including interest at RBC prime plus 1.75%, secured by a Government of Canada ministerial guarantee, matures December 2027	737,763	829,695
Royal Bank of Canada demand loan, repayable in monthly instalments of \$2,917 including interest at 2.47% per annum, secured by a Government of Canada ministerial guarantee, matures March 2035	421,694	446,649