

WE WAI KAI NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

CAPE MUDGE BAND COUNCIL

690 Headstart Crescent
Campbell River, BC
V9H 1V1



Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of We Wai Kai 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 prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Chief and Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Allemekinders & Company, Chartered Professional Accountant, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of We Wai Kai Nation and meet when required.

On behalf of We Wai Kai Nation:



Chief Brian Assu
August 28, 2018

ALLEMEKINDERS & COMPANY

CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Members, We Wai Kai Nation

We have audited the accompanying financial statements of the We Wai Kai Nation, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the We Wai Kai Nation as at March 31, 2018, and of the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards for governments.



Chartered Professional Accountant

Campbell River, BC
August 28, 2018

WE WAI KAI NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31, 2018

	Notes	2018 \$	2017 \$
Financial Assets			
Cash and cash equivalents	3	8,415,586	4,950,283
Accounts receivable	5	1,138,528	709,153
Inventory	6	66,311	5,586
Restricted cash	4	330,116	411,143
Funds held in trust by government	7	113,360	113,257
Due from (to) related entities	8	1,389,034	1,401,743
Investment in business enterprises	9 & 10	<u>9,571,081</u>	<u>8,634,986</u>
		<u>21,024,016</u>	<u>16,226,151</u>
Liabilities			
Accounts payable and accrued liabilities	11	2,024,546	691,036
Employee benefit obligations	12	80,084	73,052
Deposits held in trust	13	9,000	1,500
Deferred revenues	14	2,380,215	261,392
Long-term debt	15	<u>5,126,684</u>	<u>4,950,714</u>
		<u>9,620,529</u>	<u>5,977,694</u>
Net Financial Assets		<u>11,403,487</u>	<u>10,248,457</u>
Non-Financial Assets			
Deferred expenditures	17	61,676	54,544
Tangible capital assets	16	<u>20,786,709</u>	<u>16,907,088</u>
Net Non-Financial Assets		<u>20,848,385</u>	<u>16,961,632</u>
Accumulated Surplus	18	<u>32,251,872</u>	<u>27,210,089</u>

Contingent Liabilities & Commitments (Notes 19)

APPROVED ON BEHALF OF COUNCIL

Ki Dens
Brian Dens

WE WAI KAI NATION
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2018

	2018		
	Budget \$	Actual \$	2017 \$
Revenues			
Indigenous and Northern Affairs Canada	5,201,989	5,329,490	4,255,687
Province of British Columbia	444,505	508,332	445,922
First Nations Health Authority	157,000	175,850	194,131
Canada Mortgage and Housing Corporation	0	169,327	19,211
North Vancouver Island Aboriginal Training Soc.	82,420	132,773	158,933
Western Economic Diversification Canada	0	93,294	67,905
Kwakiutl District Council	81,960	82,960	78,706
First Nations Education Steering Committee	48,196	45,722	46,011
BC Hydro	7,000	32,000	2,000
Laich-Kwil-Tach Environmental Assessments LP	0	0	75,000
Other sources:			
Net Income earned by business enterprises	0	1,591,628	215,500
Insurance recovery	0	1,248,026	0
Taxation income	773,598	773,063	73,659
Lease and rental income	79,900	375,211	344,362
Tobacco sales & fees	256,000	200,209	231,199
Travel and other expense recoveries	151,460	153,326	207,561
Right of way logging proceeds	0	116,190	0
Interest income	75,000	64,092	55,525
Miscellaneous	211,000	87,665	72,688
Corporate management fee	0	0	500,000
Gain on disposal of assets	0	0	250
	7,570,028	11,179,158	7,044,250
Expenses			
Core governmental programs	3,518,985	3,452,124	3,280,468
Health programs	550,260	645,943	618,934
Community development programs	138,800	384,148	323,259
Economic development programs	368,850	658,020	687,151
Housing	0	16,367	0
Capital projects	150,000	433,727	279,698
Trusts and reserves	0	0	5,162
Written down in investment in business enterprise	0	0	461,075
Amortization and loss on disposal of assets	0	547,046	512,458
	4,726,895	6,137,375	6,168,205
Annual Surplus	2,843,133	5,041,783	876,045
Surplus at Beginning of Year	27,210,089	27,210,089	26,334,044
Surplus at End of Year (Note 18)	30,053,222	32,251,872	27,210,089

Segment Disclosure (Note 21)

WE WAI KAI NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2018

	2018		
	Budget	Actual	2017
	\$	\$	\$
Annual Surplus	<u>2,653,233</u>	<u>5,041,783</u>	<u>876,045</u>
Tangible capital assets			
Eliminations from annual surplus			
Amortization of capital assets	0	547,046	512,458
Loss (Gain) on disposal of capital assets	0	0	0
Recognition of capital transactions			
Acquisition of capital assets	(2,004,572)	(4,426,667)	(1,435,540)
Proceeds on sale of capital assets	0	0	0
	<u>(2,004,572)</u>	<u>(3,879,621)</u>	<u>(923,082)</u>
Consumption/(acquisition) of deferred expenses	0	(7,132)	81,234
	<u>0</u>	<u>(7,132)</u>	<u>81,234</u>
Change in Net Financial Assets	648,661	1,155,030	34,197
Net Financial Assets at beginning of year	10,248,457	10,248,457	10,214,260
Net Financial Assets at end of year	<u>10,897,118</u>	<u>11,403,487</u>	<u>10,248,457</u>

WE WAI KAI NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2018

	2018	2017
	\$	\$
Operating Transactions		
Annual surplus (deficit) ¹	5,041,783	876,045
Non-cash items included in annual surplus	(1,049,648)	753,302
Changes in working capital accounts	<u>2,978,003</u>	<u>(1,345,761)</u>
	<u>6,970,138</u>	<u>283,586</u>
Capital Transactions		
Purchase of capital assets	(4,426,667)	(1,435,540)
Proceeds on disposal of capital assets	<u>0</u>	<u>0</u>
	<u>(4,426,667)</u>	<u>(1,435,540)</u>
Investing Transactions		
Investment in band controlled entities	(415,683)	(602,001)
Recovery of investment in band controlled entities	1,071,216	1,188,674
Transfer from funds in trust in Ottawa Trusts	<u>4,963</u>	<u>4,672</u>
	<u>660,496</u>	<u>591,345</u>
Financing Transactions		
Proceeds from debt	785,987	0
Deposit to FNFA debt reserve fund & SRTA account	85,366	(142,856)
Repayment of debt	(610,017)	(570,131)
Repayment of obligations under capital leases	<u>0</u>	<u>(7,976)</u>
	<u>261,336</u>	<u>(720,963)</u>
Increase (Decrease) in Cash and Equivalents	3,465,303	(1,281,572)
Cash and Equivalents at Beginning of Year	4,950,283	6,231,855
Cash and Equivalents at End of Year	<u>8,415,586</u>	<u>4,950,283</u>
Represented by:		
Cash and short term investments	8,415,586	4,950,283
Bank indebtedness	<u>0</u>	<u>0</u>
	<u>8,415,586</u>	<u>4,950,283</u>

¹ Interest received during the year was \$64,092 (2017 - \$55,525). Interest paid during the year was \$165,589 (2017 - \$175,002). Interest received is made up of the interest income from the Statement of Operations. Interest paid is made up of the interest expense from the Statement of Operations.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, which encompass the following principles:

a) Reporting Entity

The We Wai Kai Nation reporting entity includes the We Wai Kai Nation government and all related entities that are either owned or controlled by the Nation. The We Wai Kai Nation is referred to by Indigenous and Northern Affairs Canada as the Cape Mudge Indian Band. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend agreements.

b) Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise or partnership. These enterprises are included in the Consolidated Financial Statements on a modified equity basis.

Consolidation Method

This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. Inter-organizational balances and transactions are eliminated under this method. The method reports the organizations as if they were one organization. The organizations included through the consolidation method are:

- We Wai Kai Nation government administration
- WWK Holdings Society

Modified Equity Method

This method reports only a Government's investment in and the net income or loss of the organization. In addition, any amounts receivable or payable are consolidated in the financial statements after eliminating any intercompany transactions and balances. The organizations included through the modified equity method are:

- A'tlegay Fisheries Limited Partnership
- Laich-Kwil-Tach Environmental Assessment Partnership
- Quinsam LFRC Limited Partnership
- 1012577 BC Ltd.
- Cape Mudge Campsites Ltd.
- Cape Mudge Developments Ltd.
- Cape Mudge Forestry Ltd.
- Cape Mudge Resort Ltd.
- Kerdan Hotel Ltd.
- Laich Kwil Tach Wood Trucking Joint Venture
- Middle Point Harbour Limited Partnership
- Quinsam Liquor Store Ltd.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES - continued

- Quinsam Reserve Leasing Inc.
- Quinsam Properties BT Inc.
- Quinsam Service Station Partnership
- WWK Forestry (LPGP) Ltd.
- WWK Forestry Limited Partnership
- WWK Marine Terminals Limited Partnership
- We Wai Kai Seafood Corporation

c) 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 held for resale. Non-financial assets include capital assets and prepaid expenses.

d) Basis of presentation

Sources of financing and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become 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.

e) Cash

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

f) Portfolio investments

Long-term investments in entities that are not majority owned or controlled by the Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment and include:

- Leqwa Enterprises Ltd.
- MP Port Management (GP) Ltd.
- Quadra Links Limited
- Quinsam LFRC (GP) Ltd.
- WWK & P Holdings Ltd.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES - continued

g) Financial Instruments

The Nation's financial instruments consist of cash, accounts receivable, temporary and long-term investments, accounts payable, amounts due to (from) related parties and long-term debt. Unless otherwise noted, it is management's opinion that the Nation is not exposed to significant currency or credit risks arising from these financial instruments. The Nation is exposed to interest rate risk on its long term debt which is based on fluctuations in prime interest rates. The Nation does not use any hedges or contracts to manage the exposure to interest rate fluctuations. A 1% change in interest rates would not have impacted the cash flow but would have increased the interest cost and decreased the principal repayment by \$8,405 during the year.

h) Inventory

Inventory, which consists of goods available for resale, is recorded at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

i) Tangible Capital Assets

Property, equipment and infrastructure expenditures incurred after March 31, 1987 are valued at acquisition cost and recorded in the Capital Fund. Expenditures incurred previous to April 1, 1987 were charged to operations in the year of acquisition and are not reflected in the Capital Fund.

The acquisition cost 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 expenditures are also recorded as an addition to assets in the Capital Fund with a corresponding increase in Equity in Capital Assets.

Tangible capital assets are amortized annually with a corresponding reduction in Equity in Capital Assets over their expected useful life using the straight line method at the following rates:

Buildings and Improvements	4%
General and Other Equipment	20%
Infrastructure	4%

In the year of acquisition, 50% of the normal amortization is recorded. Planning and other consulting fees expended from capital financing, which relate to no particular project, are amortized 100% in the year of expenditure.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES - continued

j) Funds held in trust

Funds held in trust on behalf of Nation members by the Government of Canada are reported on the statement of financial position with an offsetting amount in members' equity. Trust monies consist of:

- Capital trust monies derived from non-renewable resource transactions on the sale of land or other Nation capital assets prior to the implementation of the Land Code in the 2009-10 fiscal year, and
- Revenue trust monies generated primarily through interest earned on deposits held in trust.

k) Net Financial Assets

The Nation's financial statements are presented so as to highlight net financial assets (or debt) as the measurement of financial position. The net financial assets of the Nation is determined by its financial assets less its liabilities.

l) Revenue Recognition

Revenue is recognized on an accrual basis whereby amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue.

Funding received under the terms of contribution agreements with the federal government is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the federal government for a stated purpose, such as a specific program or the purchase of capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

Annual levies for property taxation are recorded as taxation income when levied.

m) Comparative Figures

Prior year's comparative figures have been reclassified where necessary to conform with the current year's presentation.

n) Budget Amounts

Budget amounts have been derived initially from the official budget adopted by Council at the beginning of the current year, supplemented with additional information for any new programs adopted since the official budget, where information is available.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES - continued

o) Measurement Uncertainty

These financial statements have been prepared in accordance with accounting practices generally accepted in Canada. In preparing these financial statements, management has made estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

p) Fund Accounting

The We Wai Kai Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal contract, contractual or voluntary actions. The various funds have been amalgamated for purposes of presentation in the consolidated financial statements. Details of the financial position and operations of each fund are set out in the supplementary schedules. The We Wai Kai Nation maintains the following funds:

- The Operating Fund which reports the general activities of the We Wai Kai Nation Administration.
- The Capital Fund which reports the capital assets of the We Wai Kai Nation, together with the details on related financing.
- The Trusts and Reserve Fund which reports the activities of the Ottawa Trust Accounts, and the Lands and Natural Resources Trust which was established under the Land Code.
- The Enterprise Fund which represents the Nation's investment in controlled commercial entities which are self-supporting.

2. ECONOMIC DEPENDENCE

The Nation receives a significant portion of its operating revenue pursuant to a Federal Transfer Arrangement with Indigenous and Northern Affairs Canada. The current agreement is a five year agreement which expires March 31, 2020.

Funding is based on a master budget which is part of the agreement. The Nation is permitted to use any surpluses at its own discretion, provided the terms and conditions of the agreement are met, but must also take responsibility for any deficits.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

3. CASH AND CASH EQUIVALENTS

The general bank account has an overdraft facility in the amount of \$200,000 (2017 - \$200,000) with interest at prime plus 0.5% (2017 - prime plus 0.5%).

Cash and cash equivalents are comprised of the following:

	2018 \$	2017 \$
Internally restricted		
Impact benefits agreement account	5,290,413	5,233,390
Lands & Natural Resources trust funds	0	0
Forest & range contribution and revenue sharing	442,606	22,392
	5,733,019	5,255,782
Unrestricted		
Operating	2,682,567	0
Cheques issued in excess of deposits	0	(290,499)
Overdraft facility	0	(15,000)
	2,682,567	(305,499)
Total Cash and Cash Equivalents	8,415,586	4,950,283
Reported as:		
Cash and cash equivalents	8,415,586	4,950,283
Bank indebtedness	0	0
	8,415,586	4,950,283

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

4. RESTRICTED CASH

The Nation has borrowed funds and has issued a debt instrument through the First Nation Finance Authority (FNFA). As a condition of these borrowings, a portion of the borrowed monies and debenture proceeds are withheld by the FNFA as a debt reserve fund. Additionally, funds earned from a tobacco franchise fee are redirected at source to a secured revenues trust account to fund upcoming payments under the debt instrument.

	2018	2017
	\$	\$
First Nation Finance Authority		
Secured revenues trust account	137,776	223,142
Debt reserve fund	<u>192,340</u>	<u>188,001</u>
	<u>330,116</u>	<u>411,143</u>

5. ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
Due from members:		
First Nation Members		
• User Fees	217,992	204,934
• Loans	28,024	28,025
Allowance for doubtful accounts	<u>(246,016)</u>	<u>(232,959)</u>
	<u>0</u>	<u>0</u>
Due from others:		
Indigenous and Northern Affairs Canada	935,090	380,294
Fisheries and Oceans Canada	5,579	3,879
Canada Mortgage and Housing Corporation	6,271	0
Western Economic Diversification Canada	93,293	67,905
Province of British Columbia & Agencies	2,426	7,017
Kwakiutl District Council	11,820	11,820
North Vancouver Island Aboriginal Training Society	52,903	145,468
Nuyumbalees Society	107,524	88,912
Other First Nations and Agencies	7,103	17,794
Sales tax recoverable	3,372	9,496
General accounts	<u>32,490</u>	<u>77,300</u>
	<u>1,257,871</u>	<u>809,885</u>
Allowance for doubtful accounts	<u>(119,343)</u>	<u>(100,732)</u>
	<u>1,138,528</u>	<u>709,153</u>
Net accounts receivable	<u>1,138,528</u>	<u>709,153</u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

6. INVENTORY

	2018	2017
	\$	\$
Crushed rock	60,549	0
Tobacco Products for Resale	5,762	5,586
	66,311	5,586

7. FUNDS HELD IN TRUST BY GOVERNMENT

Trust fund accounts arise from moneys 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. The management of these funds is primarily governed by Section 63 to 69 of the Indian Act.

	2017	Additions	Withdrawals	2018
	\$	\$	\$	\$
Revenue accounts	1,177	5,066	(4,963)	1,280
Capital accounts	112,080	0	0	112,080
	113,257	5,066	(4,963)	113,360

8. DUE FROM (TO) RELATED ENTITIES

	2018	2017
	\$	\$
Current Operating Advances due from (to):		
1012577 BC Ltd.	192,869	191,869
Cape Mudge Campsites Ltd.	2,892	22,096
Cape Mudge Developments Ltd.	583	25,263
Cape Mudge Resort Ltd.	147,452	114,700
Kerdan Hotel Ltd.	610,974	491,500
Quinsam LFRC Limited Partnership	85,678	71,185
Quinsam Liquor Store Ltd	435	22,658
Quinsam Service Station Partnership	145,986	207,231
Quinsam Reserve Leasing Inc.	1,215	1,215
Quinsam Properties BT Inc.	461	461
WWK Forestry Limited Partnership	888	32,003
WWK Marine Terminals Limited Partnership	199,601	221,562
	1,389,034	1,401,743

Current operating advances to related entities have been funded from working capital and are unsecured, non-interest bearing and due on demand.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

9. INVESTMENT IN BUSINESS ENTERPRISES

The Nation's investments in non-controlling investments, government business enterprises and partnerships consist of the following:

	2018	2017
	\$	\$
Non-Controlling Interest Investments		
Leqwa Enterprises Inc.	1	1
Quadra Links Limited	25,000	25,000
WWK & P Holdings Ltd.	359,579	359,579
	384,580	384,580
Investments in Business Enterprises		
1012577 BC Ltd.	2,504,638	2,506,096
Cape Mudge Campsites Ltd.	136,778	96,772
Cape Mudge Developments Ltd.	238,836	199,768
Cape Mudge Forestry Ltd.	1	1
Cape Mudge Resort Ltd.	220,127	77,723
Kerdan Hotel Ltd.	0	0
Quinsam Liquor Store Ltd.	1,076,565	1,047,983
Quinsam Properties BT Inc.	1	1
Quinsam Reserve Leasing Ltd.	1	1
We Wai Kai Forestry (LPGP) Ltd.	18,076	18,050
We Wai Kai Seafood Corporation	0	0
	4,195,023	3,946,395
Investments & Earnings in Business Partnerships		
A-Tlegay Fisheries Limited Partnership	908,592	742,980
Laich Kwil Tach Wood Trucking Joint Venture	19,388	0
Laich-Kwil-Tach Environmental Assessment Limited Partnership	683,376	569,035
Quinsam LFRC Limited Partnership	22,513	19,457
Quinsam Service Station Partnership	3,198,046	2,960,888
WWK Forestry Limited Partnership	159,563	11,651
WWK Marine Terminals Limited Partnership	0	0
	4,991,478	4,304,011
Net Investment in Business Enterprises	9,571,081	8,634,986

a) Loans to Business Enterprises

Loans to Cape Mudge Developments Ltd., Cape Mudge Campsites Ltd., Cape Mudge Resort Ltd. and Kerdan Hotel Ltd. are non-interest bearing and have no specific terms of repayment.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

9. INVESTMENT IN BUSINESS ENTERPRISES (continued)

b) Shareholdings in Business Enterprises

100% of the issued shares in the following companies are held in trust for the We Wai Kai Nation:

1012577 BC Ltd.
Cape Mudge Campsites Ltd.
Cape Mudge Developments Ltd.
Cape Mudge Forestry Ltd.
Cape Mudge Resort Ltd.
Kerdan Hotel Ltd.
Quinsam Liquor Store Ltd.
Quinsam Properties BT Inc.
Quinsam Reserve Leasing Inc.
We Wai Kai Seafood Corporation
WWK Forestry (LPGP) Ltd.

The WWK Holdings Society is controlled by Chief & Council of the We Wai Kai Nation.

c) Interests in Business Partnerships

The interest in the A-Tlegay Fisheries Limited Partnership consists of a 27.5% interest as a limited partner.

The interest in the Laich Kwil Tach Wood Trucking Joint Venture consists of a 51.48% interest as a joint venturer.

The interest in the Laich-Kwil-Tach Environmental Assessment Limited Partnership consists of a 49.995% interest as a limited partner.

The interest in the Quinsam LFRC Limited Partnership consists of a 48% interest as a limited partner with Quinsam LFRC (GP) Ltd. holding a 1% interest as a general partner.

The interest in the Quinsam Service Station Partnership consists of a 99% interest in the partnership.

The interest in the Middle Point Harbour Limited Partnership consists of a 51% interest as a limited partner.

The interest in the WWK Forestry Limited Partnership consists of a 99% interest as a limited partner with WWK Forestry (LPGP) Ltd. holding a 1% interest as a general partner.

The interest in the WWK Marine Terminals Limited Partnership consists of a 99.9% interest as a limited partner with 1012577 BC Ltd. holding a 0.1% interest as a general partner.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

10. RESULTS OF OPERATIONS OF BUSINESS ENTERPRISES & PARTNERSHIPS

DESCRIPTION	Retail Goods & Services Businesses	Natural Resource Businesses	Industrial Businesses
	Mar 31/18	Mar 31/18	Mar 31/18
Fiscal Year Ends			
Assets			
Current	2,149,876	2,657,888	524,053
Capital & Other	3,935,708	2,586,985	2,854,813
	6,085,584	5,244,873	3,378,866
Liabilities			
Current	913,929	427,882	637,052
Long Term	4,197,501	3,132,120	2,794,327
Partner's Interest	(34,234)	0	18,187
	5,077,196	3,560,002	3,449,566
Net Assets (Liabilities)	1,008,388	1,684,871	(70,700)
 Total Revenues	23,086,594	3,277,751	1,794,412
Total Expenses	22,006,547	2,665,581	1,351,464
Net Income (Loss) for the Year	1,080,047	612,170	442,948

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018 \$	2017 \$
Trade payables	1,362,115	246,467
Accrued salaries and benefits payable	30,195	34,060
Sales taxes payable	42,352	2,840
Accrued interest on long term debt	1,556	0
Other accrued liabilities	588,328	407,669
	2,024,546	691,036

12. EMPLOYEE BENEFIT OBLIGATIONS

	2018 \$	2017 \$
Vacation and overtime	66,317	63,002
Pension plan contributions	13,767	10,050
	80,084	73,052

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

12. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

Pension plan

The Nation provides a defined contribution plan for eligible members of its staff. Members are required to contribute between 3% and 9% of their basic salary. The Nation contributes matching contributions which are directed to the member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. The Nation contributed during the year \$49,199 (2017- \$46,041) for retirement benefits. The Nation does not have any other obligations with regards to the pension plan as at March 31, 2018.

13. DEPOSITS HELD IN TRUST

	2018	2017
	\$	\$
Housing Application Deposits	9,000	1,500
	9,000	1,500

The housing application deposits are held on behalf of Band Members and are non-interest bearing.

14. DEFERRED REVENUES

Deferred revenues consist of the following:

	2017	Funding received (repaid)	Revenue Recognized	2018
	\$	\$	\$	\$
Sources:				
INAC - Sports Field	250,000	830,000	(63,809)	1,016,191
INAC - Archival building	0	608,750	0	608,750
INAC - Language & culture	0	8,365	(3,136)	5,229
INAC - Language & culture	0	300,000	(24,645)	275,355
INAC - Housing subsidy	0	24,672	0	24,672
Language program donation	0	20,000	0	20,000
MCFD - Daycare building	0	450,000	(31,209)	418,791
Property lease revenue	11,392	41,004	(41,169)	11,227
	261,392	2,282,791	(163,968)	2,380,215

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

15. LONG-TERM DEBT

	2018 \$	2017 \$
RBC Royal Bank		
Term Loan (Consolidated Loan)	820,515	1,220,447
Term Loan (Quinsam LRS)	210,891	269,022
First Nations Finance Authority (FNFA)		
Term Loan D1 (Land purchase)	912,782	952,177
Term Loan D2 (Corporate restructuring)	1,163,293	1,214,246
Term Loan D3 (Corporate restructuring)	1,244,135	1,294,822
All Nations Trust		
CMHC Subsidized housing loan	775,068	0
	5,126,684	4,950,714

a) RBC Royal Bank - Term Loan (Consolidated Loan)

The Nation has entered into a consolidation loan with RBC Royal Bank which is repayable in monthly blended payments of \$36,700, including interest based on 120 month amortization with an interest rate of prime plus 0.9% per annum.

b) RBC Royal Bank - Term Loan (Quinsam LRS)

The Nation has entered into a loan for the construction of the Liquor Retail Store on the Quinsam Reserve with RBC Royal Bank which is repayable in monthly blended payments of \$5,633, including interest based on 120 month amortization with an interest rate of prime plus 0.9% per annum. The net book value of the building at March 31, 2018 is \$769,466.

c) RBC Royal Bank - Term Loan's Security

The RBC Royal Bank Term Loans are secured by a General Security Agreement, an assignment of revenues under the Interim Forestry Agreement and guarantees from band controlled entities as follows:

WWK Holdings Society	\$1,095,000
Kerdan Hotel Ltd.	\$795,000
Quinsam Service Station Partnership	\$1,500,000
Quinsam Properties BT Inc.	\$1,500,000
Quinsam Reserve Leasing Inc.	\$1,500,000

d) First Nations Finance Authority (FNFA) - Term Loan D1 (Land purchase)

The Nation has entered into a loan for the acquisition of property with the FNFA which is repayable in monthly payments of \$6,272, including interest at 3.79% maturing June 2024. Loan is secured by assignment of cigarette franchise fees.

e) First Nations Finance Authority (FNFA) - Term Loan D2 (Corporate restructuring)

The Nation has entered into a loan for the acquisition of property with the FNFA which is repayable in monthly interest only payments, with interest at 2.6%. The loan is repayable on the earlier of the completion of the purpose of the borrowing and September 2019. Loan is secured by assignment of cigarette franchise fees.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

15. LONG-TERM DEBT (continued)

f) First Nations Finance Authority (FNFA) - Term Loan D3 (Corporate restructuring)

The Nation has entered into a loan for the acquisition of property with the FNFA which is repayable in monthly interest only payments, with interest at 2.9%. The loan is repayable on the earlier of the completion of the purpose of the borrowing and June 26, 2024. Loan is secured by assignment of cigarette franchise fees.

g) All Nations Trust Company - Term Loan (CMHC Phase 1)

The Nation has entered into a loan for the construction of 6 housing units referred to as CMHC Elders Homes Phase 1 with the All Nations Trust Company which is repayable in monthly blended payments of \$3,761, including interest based on 300 month amortization with an interest rate of 2.13% per annum. The loan is due for renewal on October 1, 2022. The net book value of the housing units at March 31, 2018 is \$1,102,130.

Future scheduled payments on long term debt is as follows:

Year ended March 31, 2019	\$1,942,635
Year ended March 31, 2020	\$665,686
Year ended March 31, 2021	\$259,300
Year ended March 31, 2022	\$212,752
Year ended March 31, 2023	\$847,228

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

16. TANGIBLE CAPITAL ASSETS

	Cost \$	Additions \$	Disposals \$	Accumulated amortization \$	2018 Net book value \$
Land held for development	2,696,426	0	0	0	2,696,426
Band Buildings	6,578,945	36,738	0	1,902,831	4,712,852
Infrastructures:					
• Subdivisions	9,693,479	153,739	0	2,446,782	7,400,436
• Roads	1,368,695	0	0	876,287	492,408
• Water Systems	725,280	3,024,973	0	109,465	3,640,788
• Sewer Systems	218,456	0	0	103,568	114,888
Automotive & vessels	349,153	117,393	0	264,328	202,218
General equipment	90,752	89,388	0	79,424	100,716
Office equipment	75,117	0	0	59,951	15,166
Computer equipment	29,598	17,295	0	30,702	16,191
Elders Housing	421,430	987,141	0	13,951	1,394,620
	22,247,331	4,426,667	0	5,887,289	20,786,709

	Cost \$	Additions \$	Disposals \$	Accumulated amortization \$	2017 Net book value \$
Land held for development	2,696,426	0	0	0	2,696,426
Band Buildings	6,363,496	215,449	0	1,725,678	4,853,267
Infrastructures:					
• Subdivisions	9,232,599	460,880	0	2,204,205	7,489,274
• Roads	1,208,141	160,554	0	821,539	547,156
• Water Systems	558,385	166,895	0	91,297	633,983
• Sewer Systems	218,456	0	0	98,107	120,349
Automotive & vessels	338,821	10,332	0	239,656	109,497
General equipment	90,752	0	0	75,827	14,925
Office equipment	75,117	0	0	56,736	18,381
Computer equipment	29,598	0	0	27,198	2,400
Elders Housing	0	421,430	0	0	421,430
	20,811,791	1,435,540	0	5,340,243	16,907,088

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

17. DEFERRED EXPENDITURES

Deferred expenditures represent payments made before March 31, 2018 which will be funded from future year's revenues.

	2018 \$	2017 \$
Social Assistance Payments	8,937	6,998
Prepaid Student Allowances	32,150	34,075
Miscellaneous	20,589	13,471
	61,676	54,544

18. ACCUMULATED SURPLUS

	2018 \$	2017 \$
Internally Restricted:		
Invested in tangible capital assets	20,747,924	16,907,088
Invested in business enterprises	9,571,081	8,634,986
Less long term debt	<u>(5,126,684)</u>	<u>(4,950,714)</u>
	25,192,321	20,591,360
Externally Restricted:		
Capital projects	0	66,945
Funds held in trust by government	113,360	113,257
Taxation Contingency Reserve	627,000	0
FNFA Debt Reserve Fund	192,340	188,001
CMHC Housing Program	12,557	0
Trust & Reserves balances	<u>977,538</u>	<u>846,674</u>
	1,922,795	1,214,877
Unrestricted surplus	5,136,756	5,403,852
Accumulated surplus at end of year	32,251,872	27,210,089

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

19. CONTINGENT LIABILITIES AND COMMITMENTS

The Nation has entered into contribution agreements with the Indigenous and Northern Affairs Canada, Health Canada and various federal and provincial government departments. Funding received under these contribution agreements is subject to repayment if the Nation fails to comply with the terms and conditions of the agreements.

In addition, in the normal course of its operations, the Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on Nation's financial statements.

Additional contingencies and commitments include the following:

a) Mortgage Guarantees

The Nation is contingently liable with respect to Ministerial guarantees for "On Reserve Housing Loans" to various financial institutions. The outstanding balances on these guaranteed loans is \$3,689,065 (2017 - \$3,831,528). The Nation recognizes a liability on default based on the amount demanded by the lender.

b) Commitment to Fund Controlled Entities and Repay Debt Related to Investment

The Nation's investment policy in related corporations includes a commitment to advance working capital for operating purposes as required. The amount of future working capital requirements is unknown at this time and will depend upon the results of ongoing entity operations.

c) British Columbia Treaty Commission Agreement

The We Wai Kai Nation, as a Kwakiutl First Nation, has authorized the Laich-Kwil-Tach Treaty Society (formerly Hamatla Treaty Society) to represent its interest in negotiations with Canada and British Columbia, as contemplated by the British Columbia Treaty Commission Agreement. The Society has received loans pursuant to a Negotiation Loan Management Agreement between the Society and the British Columbia Treaty Commissioners. The agreement states "Amounts payable to the Kwakiutl First Nations pursuant to a treaty may be set off against debts incurred pursuant to this Agreement with the Society".

Information supplied by the Society indicates that from any proceeds received under a treaty settlement, the We Wai Kai Nation is responsible for a loan amount of \$5,157,564 as of March 31, 2018 (2017 - \$4,757,092).

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

20. SCHEDULE OF EXPENDITURES BY OBJECT

The following is a summary of expenses by object:

	2018 \$	2017 \$
Wages and payroll costs	1,341,050	1,418,290
Social Program costs	702,650	612,943
Amortization	547,046	512,458
Direct member benefits	508,415	576,610
Residential construction costs	469,196	268,777
Consulting & professional fees	398,135	398,771
Contract & subcontract costs	308,182	216,582
Repairs and maintenance	300,853	200,259
Utilities	294,375	254,422
Tuition and books	252,230	251,046
Honoraria	201,652	194,682
Materials and supplies	178,037	154,634
Interest and bank charges	167,145	175,002
Travel	135,144	156,175
Miscellaneous	96,369	66,414
Medical travel	66,829	64,012
Equipment costs	43,861	26,324
Insurance	43,488	38,500
Donations and gifts	37,106	72,501
Telecommunications	33,895	31,662
Training	11,717	17,066
Net losses and writedowns of investments	0	461,075
	6,137,375	6,168,205

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

21. SEGMENT DISCLOSURE

The Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations. These activities can also be categorized into segments. The following segments have been identified and as such are separately disclosed:

General Administration

General Administration contains activities that are needed to manage and administer the Nation's organization.

Community Services

Community Services contains all activities that relate to the operations, maintenance, development, construction and financing of buildings, infrastructure and land of the Nation.

Housing

Housing contains activities that relate to on reserve housing.

Health & Social Development

Health & Social Development contains activities that provide health services, medical services, financial support or support by other means to members that is aimed at developing both the individual as well as the community.

Education

Education contains activities that provide education and facilitate educational opportunities to members for primary, secondary schooling and adult vocational training.

Community & Economic Development

Community & Economic Development contains activities that are involved in the development of the community and the development and operation of economic opportunities.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the period are as follows:

WE WAI KAI NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

21. SEGMENT DISCLOSURE (continued)

Year ended March 31, 2018:

	General Administration	Community Services	Housing	Health & Social Development	Education	Community & Economic Development	Eliminations	Consolidated Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
INAC	727,799	2,295,317	261,182	360,043	1,253,657	431,492	0	5,329,490
Federal	0	93,294	169,327	0	0	0	0	262,621
Provincial	30,000	31,209	0	24,505	0	454,618	0	540,332
Other	956,291	146,271	13,608	439,662	9,474	3,620,466	(139,057)	5,046,715
	1,714,090	2,566,091	444,117	824,210	1,263,131	4,506,576	(139,057)	11,179,158
Expenses								
Salaries and benefits	406,928	45,233	157	629,069	87,540	172,123	0	1,341,050
Interest	0	0	9,440	0	0	157,705	0	167,145
Amortization	0	533,095	13,951	0	0	0	0	547,046
Other	795,587	602,004	379,128	440,455	1,270,104	733,913	(139,057)	4,082,134
	1,202,515	1,180,332	402,676	1,069,524	1,357,644	1,063,741	(139,057)	6,137,375
Transfers	120,515	8,125	104,517	217,535	94,513	(545,205)	0	0
Annual Surplus (Deficit)	632,090	1,393,884	145,958	(27,779)	0	2,897,630	0	5,041,783

WE WAI KAI NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

21. SEGMENT DISCLOSURE (continued)

Year ended March 31, 2017:

	General Administration	Community Services	Housing	Health & Social Development	Education	Community & Economic Development	Eliminations	Consolidated Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
INAC	804,058	738,896	316,510	578,547	1,100,893	716,783	0	4,255,687
Federal	0	67,905	19,211	0	0	0	0	87,116
Provincial	0	0	0	23,306	0	424,616	0	447,922
Other	263,788	76,311	0	490,810	46,563	1,517,540	(141,487)	2,253,525
	1,067,846	883,112	335,721	1,092,663	1,147,456	2,658,939	(141,487)	7,044,250
Expenses								
Salaries and benefits	488,875	52,479	0	675,236	79,484	122,216	0	1,418,290
Interest	0	0	0	0	0	175,002	0	175,002
Amortization	0	512,458	0	0	0	0	0	512,458
Other	671,769	447,608	268,776	395,653	1,223,907	1,196,229	(141,487)	4,062,455
	1,160,644	1,012,545	268,776	1,070,889	1,303,391	1,493,447	(141,487)	6,168,205
Transfers	77,477	0	0	163,007	155,935	(396,419)	0	0
Annual Surplus (Deficit)	(15,321)	(129,433)	66,945	184,781	0	769,073	0	876,045