

**WE WAI KAI NATION**  
**Consolidated Financial Statements**  
**March 31, 2019**

# **WE WAI KAI NATION**

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## **Consolidated Financial Statements**

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Year Ended March 31, 2019

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**WE WAI KAI FIRST NATION**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

**March 31, 2019**

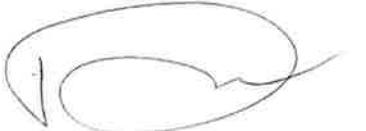
The accompanying consolidated financial statements of the We Wai Kai First Nation as at March 31, 2019 and for the year ended are the responsibility of management. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

Management 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 We Wai Kai First Nation Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

Chief and Council reviews the financial statements and approves them. Chief and Council meets periodically with management, as well as the external auditor, 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 financial statements and the independent auditor's report. Chief and Council consider their findings when approving the financial statements for issuance to the Members.

The financial statements have been approved by Chief and Council. In addition, these financial statements have been audited by Chan Nowosad Boates Inc. in accordance with Canadian generally accepted auditing standards on behalf of the members. Chan Nowosad Boates Inc. has full access to Chief and Council.



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Mr. Robert Duncan  
CAO  
July 24, 2019



## INDEPENDENT AUDITORS' REPORT

To the Members of the We Wai Kai First Nation

### Opinion

We have audited the accompanying consolidated financial statements of the We Wai Kai First Nation (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements 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.

In our opinion, the Nation's consolidated financial statements present fairly, in all material respects, the financial position of the Nation as at March 31, 2019, and of its financial performance and its cash flows for the year then ended. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

### Basis of 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 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 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 of our opinion.

### Responsibilities of Management and Those Charged with Governance for the 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 intends for the Nation's to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for over-seeing the Nation's financial reporting process.

### Auditors' 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 the users taken on the basis of these consolidated financial statements.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

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.
- 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.

### **Other Matters**

The consolidated financial statements for the year ended March 31, 2018 were audited by another firm of Chartered Professional Accountants who expressed an unqualified opinion on those financial statements on August 28, 2018.

*Char' Nowosad Boate Inc.*

Chartered Professional Accountants  
Campbell River, BC

July 24, 2019

# WE WAI KAI NATION

## Consolidated Statement of Financial Position

March 31, 2019

2019

2018

(Note 20)

	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and Cash Equivalents (Note 2)	7,375,463	8,415,586
Restricted Cash (Note 3)	282,657	330,116
Trust Funds Held by Federal Government (Note 4)	114,659	113,361
Accounts Receivable (Note 5)	679,778	1,139,422
Inventory (Note 6)	9,084	66,311
Due from Government Business Enterprises (Note 7)	11,490,533	4,598,347
Investment in Government Business Enterprises (Note 8)	<u>9,955,581</u>	<u>6,361,767</u>
	<u>29,907,755</u>	<u>21,024,910</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities (Note 9)	1,966,378	2,025,440
Employee Benefit Obligations (Note 10)	65,207	80,084
Deposits (Note 11)	16,500	9,000
Deferred Revenue (Note 12)	12,563	2,380,215
Long Term Debt (Note 13)	<u>9,382,528</u>	<u>5,126,684</u>
	<u>11,443,176</u>	<u>9,621,423</u>
<b>NET FINANCIAL ASSETS</b>	<u>18,464,579</u>	<u>11,403,487</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid Expenses and Deposits	67,216	61,676
Tangible Capital Assets (Note 14)	<u>28,038,103</u>	<u>20,786,709</u>
	<u>28,105,319</u>	<u>20,848,385</u>
<b>ACCUMULATED SURPLUS</b>	<u>46,569,898</u>	<u>32,251,872</u>

### Contingent Liabilities and Commitments (Note 15)

Approved by:



Chief



Councilor

# WE WAI KAI NATION

## Consolidated Statement of Operations

Year Ended March 31, 2019

	2019		2018
	Actual	Budget	
	\$	\$	\$
	(Note 19)	(Note 19)	(Note 20)
<b>Revenues</b>			
Indigenous Services Canada (ISC)	9,020,745	8,225,383	5,329,490
Province of British Columbia	1,182,094	862,825	508,332
First Nation Health Authority	178,667	162,363	175,850
Canada Mortgage Housing Corporation	62,277	910,268	169,327
North Vancouver Island Aboriginal Training Society	81,972	93,845	132,773
Western Economic Diversification Canada	-	-	93,294
Kwakiutl District Council	81,960	81,960	82,960
First Nations Education Steering Committee	74,000	38,657	45,722
BC Hydro	227,580	203,703	32,000
Income from Government Business Enterprises	8,243,635	1,100,000	1,591,628
Insurance Recovery	-	-	1,248,026
Taxation	83,285	83,928	773,063
Lease and Rental Income	440,201	430,159	375,211
Tobacco Sales and Fees	230,359	187,500	200,209
Travel and Expense Recoveries	444,721	52,181	153,326
Logging Revenue	182,359	-	116,190
Interest	265,574	71,000	64,092
Other	379,572	142,565	87,665
	<u>21,179,001</u>	<u>12,646,337</u>	<u>11,179,158</u>
<b>Expenditures (Note 16)</b>			
Core Government	3,531,498	3,591,830	3,452,124
Health	526,545	623,094	645,943
Community Development	806,380	267,432	384,148
Economic Development	863,993	1,364,756	658,020
Housing	43,162	77,023	16,367
Capital	462,773	7,900,190	433,727
Trust and Reserves	21,310	-	-
Amortization and Loss on Disposal of Assets	<u>605,314</u>	<u>-</u>	<u>547,046</u>
	<u>6,860,975</u>	<u>13,824,325</u>	<u>6,137,375</u>
<b>Annual Surplus</b>	14,318,026	(1,177,988)	5,041,783
<b>Accumulated Surplus - Beginning of Year</b>	<u>32,251,872</u>		<u>27,210,089</u>
<b>Accumulated Surplus - End of Year</b>	<u>46,569,898</u>		<u>32,251,872</u>

# WE WAI KAI NATION

## Consolidated Statement of Changes in Net Financial Assets

Year Ended March 31, 2019

2019

2018

(Note 20)

	\$	\$
<b>Annual Surplus</b>	<u>14,318,026</u>	<u>5,041,783</u>
Purchase of Tangible Capital Assets	(7,856,708)	(4,426,667)
Loss Disposal of Tangible Capital Assets	3,666	-
Amortization of Tangible Capital Assets	<u>601,648</u>	<u>547,046</u>
	<u>(7,251,394)</u>	<u>(3,879,621)</u>
Net Use (Acquisition) of Prepaid Asset	(5,540)	(7,132)
<b>Increase in Net Financial Assets</b>	<u>7,061,092</u>	<u>1,155,030</u>
<b>Net Financial Assets - Beginning of Year</b>	<u>11,403,487</u>	<u>10,248,457</u>
<b>Net Financial Assets - End of Year</b>	<u>18,464,579</u>	<u>11,403,487</u>

# WE WAI KAI NATION

## Consolidated Statement of Cash Flows

Year Ended March 31, 2019

2019

2018  
(Note 20)

\$ \$

### Cash Flows From Operating Activities:

Cash Received from ISC and Other Sources	11,034,858	11,284,478
Cash Paid to Suppliers and Employees	(6,277,912)	(4,314,340)
	<u>4,756,946</u>	<u>6,970,138</u>

### Cash Flows From Financing Activities:

Proceeds from Long Term Debt	4,858,968	785,987
Repayment of Long Term Debt	(603,125)	(610,017)
Deposit to FNFA Debt Reserve Fund and SRTA Account	<u>47,459</u>	<u>85,366</u>
	<u>4,303,302</u>	<u>261,336</u>

### Cash Flows From Investing Activities:

Investment in Government Business Partnerships	1,836,862	(415,683)
Distributions from Government Business Partnerships	(4,079,227)	1,071,216
Transfer from (to) Ottawa Trust Fund	(1,298)	<u>4,963</u>
	<u>(2,243,663)</u>	<u>660,496</u>

### Cash Flows From Capital Activities:

Purchase of Tangible Capital Assets	(7,856,708)	(4,426,667)
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<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,040,123)</b>	<b>3,465,303</b>
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<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>8,415,586</b>	<b>4,950,283</b>
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<b>Cash and Cash Equivalents - End of Year</b>	<b>7,375,463</b>	<b>8,415,586</b>
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# WE WAI KAI NATION

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## Notes to the Financial Statements

March 31, 2019

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### 1. Significant Accounting Policies:

#### a) Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments, as recommended by the Public Sector Accounting Board of CPA Canada.

#### b) Basis of Consolidation

The financial statements include the accounts of the We Wai Kai Nation (the "Nation") government administration and Quinsam Properties BT Inc. and Quinsam Reserve Leasing Inc.

All controlled entities are consolidated on a line-by-line basis except for commercial enterprise, which meets the definition of a Government Business Enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transfers are eliminated upon consolidation. Under the modified equity method of accounting, only the Nation's investment in the business entities and the entities' net income and other changes in equity are recorded. No adjustment is made for accounting policies of the entities that are different from those of the Nation, except that any other comprehensive income of the business entities is accounted for as an adjustment to the accumulated surplus or deficit. Inter-organizational transactions and balances are not eliminated for the business entities.

Investments in the following entities are accounted for by the modified equity method and, as such, the accounting policies of these enterprises are not adjusted to conform with those of the Nation:

A-Tlegay Fisheries Limited Partnership (27.50%)  
Laich-Kwil-Tach Environmental Assessment Partnership (49.96%)  
Quinsam LFRC Limited Partnership (48%)  
Quinsam Services Station Partnership (99%)  
1012577 BC Ltd. (100%)  
Cape Mudge Campsites Ltd. (100%)  
Cape Mudge Developments Ltd. 100%)  
Cape Mudge Forestry Ltd. (100%)  
Cape Mudge Resort Ltd. (100%)  
Kerdan Hotel Ltd. (100%)  
Laich Kwil Tach Wood Trucking Joint Venture (51.48%)  
Quinsam Liquor Store Ltd. (100%)  
WWK Forestry Limited Partnership (99%)  
WWK Forestry (LPGP) Ltd. (100%)  
WWK Marine Terminals Limited Partnership (99%)  
Comox Valley Shakes (2019) Ltd. (100%)

#### 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 and may be consumed in normal operations. Non-financial assets include tangible capital assets and prepaid expenses. Intangible assets, and items inherited by right of the Crown, are not recognized in the financial statements.

#### d) Cash and Cash Equivalents

Cash and Cash Equivalents includes cash on hand, balances with banks, and term deposits. Cash subject to external restrictions that prevent its use for current purposes is reflected in restricted cash.

# WE WAI KAI NATION

## Notes to the Financial Statements

March 31, 2019

### 1. Significant Accounting Policies (continued):

#### e) Tangible Capital Assets

Tangible Capital Assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

Amortization is provided for using the following rates and methods:

Buildings and Improvements	4%	straight-line
General and Other Equipment	20%	straight-line
Infrastructure	4%	straight-line

Tangible Capital Assets are written down 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 assets are less than their net book value. The net writedowns are accounted for as expenses in the statement of operations.

#### f) 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.

#### g) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to any obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

#### h) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the report amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, estimated useful lives of tangible capital assets, impairment of tangible capital assets, recoverability of investments and advances, accrued liabilities and the possibility of contingent liabilities. Actual results could differ from these estimates.

# WE WAI KAI NATION

## Notes to the Financial Statements

March 31, 2019

### 1. Significant Accounting Policies (continued):

#### i) Liability for Contaminated Sites

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 First 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, 2019.)

At each financial reporting date, the First 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 First 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, 2019, no liability for contaminated sites exists.

### 2. Cash and Cash Equivalents:

Cash and Cash Equivalents is comprised of the following:

	2019	2018
	\$	\$
<b>Unrestricted</b>		
Operating	446,546	2,682,567
Savings	1,234,044	-
Guaranteed Investment Certificates	924,193	-
	<u>2,604,783</u>	<u>2,682,567</u>
<b>Internally Restricted Cash</b>		
IBA Account	4,560,663	5,290,413
FCARS Account	<u>210,017</u>	<u>442,606</u>
	<u>4,770,680</u>	<u>5,733,019</u>
	<u>7,375,463</u>	<u>8,415,586</u>

Guaranteed Investment Certificate ("GIC") balance includes includes \$617,837 accruing interest at 1.80% per annum, maturing July 23, 2019, and \$306,356 accruing interest at 1.70% per annum, maturing March 25, 2020.

The general bank account has an overdraft facility in the amount of \$200,000 at an interest rate of prime plus 0.5%. As of March 31, 2019, the Nation has \$200,000 of the credit facility available.

# WE WAI KAI NATION

## Notes to the Financial Statements

March 31, 2019

### 3. Restricted Cash:

Restricted Cash is comprised of the following:

	<u>2019</u> \$	<u>2018</u> \$
<b>First Nation Finance Authority</b>		
Secured Revenues Trust Account	72,384	137,776
Debt Reserve Fund	<u>199,919</u>	<u>192,340</u>
	<u>272,303</u>	<u>330,116</u>
<b>Social Housing</b>		
Operating Reserve - Phase 1	6,302	-
Replacement Reserve - Phase 1	<u>4,052</u>	<u>-</u>
	<u>10,354</u>	<u>-</u>
	<u>282,657</u>	<u>330,116</u>

The Nation has borrowed funds and has issued debt instruments through the First Nation Finance Authority ("FNFA"). As a condition on these borrowings, a portion of the borrowed funds and debenture proceeds are withheld by the FNFA as a debt reserve fund. 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.

Under the terms of an agreement with Canada Mortgage and Housing Corporation ("CMHC"), the Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds, along with accumulated interest, must be held in separate bank accounts, as per the agreement with CMHC. These funds are to be invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the accounts may only be used for CMHC approved expenditures. The Nation is also required to maintain separate bank accounts for operating surplus resulting from the operations of the programs under the agreement, known as the operating reserve.

### 4. Trust Funds Held by Federal Government:

	<u>2018</u> \$	<u>Additions</u> \$	<u>Withdrawals</u> \$	<u>2019</u> \$
Revenue	1,282	1,298	-	2,580
Capital	<u>112,079</u>	<u>-</u>	<u>-</u>	<u>112,079</u>
	<u>113,361</u>	<u>1,298</u>	<u>-</u>	<u>114,659</u>

The Trust Funds Held by Federal Government 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*.

# WE WAI KAI NATION

## Notes to the Financial Statements

March 31, 2019

### 5. Accounts Receivable:

	<u>2019</u> \$	<u>2018</u> \$
<b>Due from Members</b>		
User Fees	226,011	217,992
Loans	50,526	28,024
Allowance for Doubtful Accounts	<u>(233,105)</u>	<u>(246,016)</u>
	<u>43,432</u>	<u>-</u>
<b>Due from Others</b>		
Indigenous Services Canada (ISC)	207,295	935,090
CMHC	190,285	6,271
Nuymbalees Society	158,580	107,524
Other	250,586	209,880
Allowance for Doubtful Accounts	<u>(170,400)</u>	<u>(119,343)</u>
	<u>636,346</u>	<u>1,139,422</u>
<b>Net Accounts Receivable</b>	<u>679,778</u>	<u>1,139,422</u>

### 6. Inventory:

	<u>2019</u> \$	<u>2018</u> \$
Crushed Rock	-	60,549
Tobacco Products	<u>9,084</u>	<u>5,762</u>
	<u>9,084</u>	<u>66,311</u>

### 7. Due from (to) Government Business Enterprises:

	<u>2019</u> \$	<u>2018</u> \$
1012577 BC Ltd.	2,696,454	2,697,507
Cape Mudge Campsites Ltd.	145,531	2,892
Cape Mudge Developments Ltd.	206,091	239,419
Cape Mudge Resort Ltd.	197,167	147,454
Comox Valley Shakes (2019) Ltd.	7,334,623	-
Kerdan Hotel Ltd.	4,910	610,974
Quinsam LFRC Limited Partnership	86,243	85,678
Quinsam Liquor Store Ltd.	295,837	466,273
Quinsam Service Station Partnership	155,534	145,985
WWK Forestry Limited Partnership	46,290	2,564
WWK Forestry (LPGP) Ltd.	50,000	-
WWK Marine Terminals Limited Partnership	<u>271,853</u>	<u>199,601</u>
	<u>11,490,533</u>	<u>4,598,347</u>

# WE WAI KAI NATION

## Notes to the Financial Statements

March 31, 2019

### 8. Investment in Government Business Enterprises:

The Nation's investments in Government Business Enterprises consists of the following:

	2019 \$	2018 \$
<b>Non-Controlling Interest Investments</b>		
Leqwa Enterprises Inc.	1	1
Quadra Link Ltd.	25,000	25,000
WWK&P Holdings Ltd.	<u>359,579</u>	<u>359,579</u>
	<u>384,580</u>	<u>384,580</u>
<b>Investments in Business Enterprises</b>		
1012577 BC Ltd.	1	1
Cape Mudge Campsites Ltd.	57,240	136,165
Cape Mudge Developments Ltd.	1	1
Cape Mudge Forestry Ltd.	1	1
Cape Mudge Resort Ltd.	347,797	220,128
Kerdan Hotel Ltd.	265,351	-
Quinsam Liquor Store Ltd.	799,451	611,237
WWK Forestry (LPGP) Ltd.	<u>2,138</u>	<u>18,176</u>
	<u>1,471,980</u>	<u>985,709</u>
<b>Investments and Earnings in Business Partnerships</b>		
A-Tlegay Fisheries Limited Partnership	1,131,626	908,592
Laich Kwil Tach Wood Trucking Joint Venture	76,991	19,388
Laich-Kwil-Tach Environmental Assessment Partnership	790,557	683,376
Quinsam LFRC Limited Partnership	25,290	22,513
Quinsam Services Station Partnership	3,253,460	3,198,046
WWK Forestry Limited Partnership	<u>2,821,097</u>	<u>159,563</u>
	<u>8,099,021</u>	<u>4,991,478</u>
	<u>9,955,581</u>	<u>6,361,767</u>

# WE WAI KAI NATION

## Notes to the Financial Statements

March 31, 2019

### 8. Investment in Government Business Enterprises (continued):

	Retail Goods and Services Businesses \$	Natural Resource Businesses \$	Industrial Businesses \$	Total 2019 \$	Total 2018 \$
Total Assets	<u>6,906,032</u>	<u>7,170,599</u>	<u>15,555,150</u>	<u>29,631,781</u>	<u>14,709,323</u>
Total Liabilities	<u>5,404,841</u>	<u>177,300</u>	<u>17,289,129</u>	<u>22,871,270</u>	<u>12,086,764</u>
Total Equity (Deficit)	<u>1,501,191</u>	<u>6,993,299</u>	<u>(1,733,979)</u>	<u>6,760,511</u>	<u>2,622,559</u>
Total Liabilities and Equity	<u>6,906,032</u>	<u>7,170,599</u>	<u>15,555,150</u>	<u>29,631,781</u>	<u>14,709,323</u>
Revenue	<u>26,430,151</u>	<u>5,222,216</u>	<u>3,921,774</u>	<u>35,574,141</u>	<u>28,158,757</u>
Expenses	<u>24,873,402</u>	<u>955,814</u>	<u>3,549,913</u>	<u>29,379,129</u>	<u>26,023,592</u>
Net Income	<u>1,556,749</u>	<u>4,266,402</u>	<u>371,861</u>	<u>6,195,012</u>	<u>2,135,165</u>

### 9. Accounts Payable and Accrued Liabilities:

	2019	2018
	\$	\$
Trade Payables	1,056,669	1,362,114
Wages Payable	41,303	30,195
Government Remittances Payable	3,035	42,352
Other	<u>865,371</u>	<u>590,779</u>
	<u>1,966,378</u>	<u>2,025,440</u>

### 10. Employee Benefit Obligations:

	2019	2018
	\$	\$
Vacation and Overtime	56,294	66,317
Pension Plan Contributions	8,913	13,767
	<u>65,207</u>	<u>80,084</u>

#### 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 3-9% of their base salary. The Nation contributes matching contributions which are directed to the members' 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 \$49,560 (2018 - \$49,199) for retirement benefits. The Nation does not have any other obligations with regards to the pension plan as at March 31, 2019.

# WE WAI KAI NATION

## Notes to the Financial Statements

March 31, 2019

### 11. Deposits:

	<u>2019</u> \$	<u>2018</u> \$
Housing Application Deposits	<u>16,500</u>	<u>9,000</u>

Balance includes housing deposits received from tenants in Elders' Housing. Amounts to be either refunded when tenant vacates the premises or held to cover potential damages caused by tenants.

### 12. Deferred Revenue:

	<u>2018</u> \$	<u>Funding Received</u> \$	<u>Revenue Recognized</u> \$	<u>2019</u> \$
ISC - Sports Field	1,016,191	-	1,016,191	-
ISC - Archival Building	608,750	-	608,750	-
ISC - Language and Culture	280,584	-	280,584	-
ISC - Housing Subsidy	24,672	-	24,672	-
Language Program Donation	20,000	-	20,000	-
MCFD - Daycare Building	418,791	-	418,791	-
Property Lease Revenue	<u>11,227</u>	<u>1,336</u>	<u>-</u>	<u>12,563</u>
	<u>2,380,215</u>	<u>1,336</u>	<u>2,368,988</u>	<u>12,563</u>

# WE WAI KAI NATION

## Notes to the Financial Statements

March 31, 2019

### 13. Long Term Debt:

	<u>2019</u> \$	<u>2018</u> \$
Royal Bank of Canada: Repayable at \$36,700 per month including interest at prime plus 0.90% per annum; maturing June 8, 2019; secured by general security agreement	409,133	820,515
Royal Bank of Canada: Repayable at \$5,633 per month including interest at prime plus 0.90% per annum; maturing April 12, 2019; secured by general security agreement	151,755	210,891
Royal Bank of Canada: Repayable at \$56,442 per month including interest at prime per annum; maturing February 1, 2020; secured by general security agreement	3,955,679	
CMHC - Phase 1: Repayable at \$3,761 per month including interest at 2.13% per annum; for renewal on October 1, 2022; secured by buildings with a net book value of \$1,074,228 (2017 - \$1,102,130)	836,837	775,068
CMHC - Phase 2: Repayable at \$3,729 per month including interest at 2.22% per annum; for renewal on January 1, 2024; secured by buildings with a net book value of \$963,778	854,574	
First Nation Finance Authority: Repayable at \$4,131 per month plus interest at 2.9% per annum; maturing June 26, 2024; secured by assignment of tobacco franchise fees	1,191,928	1,244,135
First Nation Finance Authority: Repayable at \$2,947 per month plus interest at 3.79% per annum; maturing June 26, 2024; secured by assignment of tobacco franchise fees	871,812	912,783
Fist Nation Finance Authority: Repayable at \$4,032 per month plus interest at 2.985% per annum; maturing June 26, 2024; secured by assignment of tobacco franchise fees	1,110,810	1,163,292
	<u>9,382,528</u>	<u>5,126,684</u>

# WE WAI KAI NATION

## Notes to the Financial Statements

March 31, 2019

### 13. Long Term Debt (continued):

Interest expense on long term debt for the year ended March 31, 2019 is \$189,619 (2018- \$167,145). Scheduled principal repayments for the next five years is estimated as follow:

	\$
2020	4,703,570
2021	187,674
2022	189,462
2023	913,339
2024 and Thereafter	3,388,483

### 14. Tangible Capital Assets:

	Cost				Accumulated Amortization				Net Book Value	
	Opening \$	Additions \$	Disposals \$	Closing \$	Opening \$	Amort \$	Disposals \$	Closing \$	2019 \$	2018 \$
Land	2,696,426	-	-	2,696,426	-	-	-	-	2,696,426	2,696,426
Buildings	6,615,683	1,732,693	-	8,348,376	1,902,831	177,460	-	2,080,291	6,268,085	4,712,852
Infrastructures:										
Subdivisions	9,847,218	2,609,194	-	12,456,412	2,446,782	249,005	-	2,695,787	9,760,625	7,400,436
Roads	1,368,695	356,756	-	1,725,451	876,287	54,748	-	931,035	794,416	492,408
Water Systems	3,750,253	2,356,553	-	6,106,806	109,465	18,239	-	127,704	5,979,102	3,640,788
Sewer Systems	218,456	-	-	218,456	103,568	5,461	-	109,029	109,427	114,888
Vehicle and Vessels	460,046	6,688	10,000	456,734	264,328	31,608	6,334	289,602	167,132	195,718
Equipment	186,640	69,800	-	256,440	79,424	12,810	-	92,234	164,206	107,216
Office Equipment	75,117	-	-	75,117	59,951	2,987	-	62,938	12,179	15,166
Computer Equipment	46,893	41,536	-	88,429	30,702	9,228	-	39,930	48,499	16,191
Elders Housing	1,408,571	683,488	-	2,092,059	13,951	40,102	-	-	2,092,059	1,408,571
<b>Total</b>	<b>26,673,998</b>	<b>7,856,708</b>	<b>10,000</b>	<b>34,520,706</b>	<b>5,887,289</b>	<b>601,648</b>	<b>6,334</b>	<b>6,482,603</b>	<b>28,038,103</b>	<b>20,786,709</b>

### 15. Contingent Liabilities and Commitments:

The Nation has entered into contribution agreements with the Indigenous Services Canada and various other 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.

The Nation is contingently liable for \$4,827,752 (2018 - \$3,689,065) with respect to its guarantee of loans made by Canada Mortgage and Housing Corporation to band members for homes built on reserve.

The Nation has authorized the Laich-Kwil-Tach 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 Nation pursuant to a treaty may be off-set against debt incurred pursuant to this agreement with the Society". As part of the 2019 Federal Budget announced on March 19, 2019, the Federal Government (the "Government") stated that all outstanding Treaty loans would be forgiven. As at March 31, 2019, as well as the date of the audit report on these financial statements, the Government has not yet formally approved and enacted legislation around the forgiveness of outstanding Treaty loans and balances owing.

# WE WAI KAI NATION

## Notes to the Financial Statements

March 31, 2019

### 15. Contingent Liabilities and Commitments (continued):

On March 28, 2019, the Nation signed a contract for the construction of an Archival building. The contract specifies that \$608,000 is due immediately upon signing, with the remaining balance due at the completion of the contract. The total contract price is estimated at \$1,017,000.

The Nation has various ongoing capital projects that may result in the Nation incurring additional costs with respect to the budgeted contract amount as a result of changes to the scope of work during the contract from change orders or alternative issues, resulting in the Nation being responsible for the payment of additional unplanned amounts

### 16. Schedule of Expenses by Object:

	<u>2019</u> \$	<u>2018</u> \$
Amortization	605,313	547,046
Direct Member Benefit	31,725	508,415
Construction	468,956	469,196
Consulting and Professional Fees	189,911	259,389
Donations	87,513	37,106
Honoraria	266,863	201,652
Insurance	61,626	43,488
Interest and Bank Charges	194,454	167,145
Language Program	300,000	
Legal	550,145	138,746
Material and Supplies	216,230	221,898
Office and Sundry	113,101	96,369
Subcontract	310,026	308,182
Social Programs	531,063	702,650
Repairs and Maintenance	128,774	300,853
Tuition	850,320	252,230
Training	30,640	11,717
Travel	207,176	201,973
Utilities and Telephone	437,302	328,270
Wages and Benefits	<u>1,279,837</u>	<u>1,341,050</u>
	<u>6,860,975</u>	<u>6,137,375</u>

### 17. Economic Dependence:

The Nation receives a significant portion of its revenues from ISC as a result of agreements entered into with the government of Canada. These agreements are administered by ISC under the terms and conditions of the *Indian Act*. The ability of the Nation to continue operations is dependant upon the Government of Canada's continued financial commitments as guaranteed by these agreements.

# WE WAI KAI NATION

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## Notes to the Financial Statements

March 31, 2019

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### **18. Subsequent Events:**

In April 2019, the Nation received a loan of \$150,000 from the Nuu-chah-nulth Economic Development Corporation ("NEDC") that was used by the Cape Mudge Resorts Ltd. to install a new solar panel roof for the lodge and to purchase a passenger van. The Nation signed a general security agreement for the \$150,000 loaned from NEDC. The loan agreement stipulates an equity match of \$25,000 if the Nation contributes \$25,000 to the project, and a \$50,000 contribution from NEDC's Business Equity Program.

On June 17, 2019, the Nation signed an Incremental Treaty Agreement ("ITA") with the Province of BC where as part of the agreement, the Nation received funding (from the Province of BC) to purchase parcels of land from the Province of BC. The total combined land is approximately 3,100 hectares or 7,660 acres.

### **19. Budget Figures:**

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Chief and Council and have not been audited.

### **20. Comparative Figures:**

Certain 2018 comparative figures, which were reported on by another firm of Chartered Professional Accountants, have been reclassified to conform with the financial statement presentation adopted for the current year.

### **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 in Schedule 1 to the financial statements.

#### **Core Government:**

Core Government contains activities that are needed to manage and administer the Nation's organization.

#### **Health:**

Health 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.

#### **Community Development:**

Community Development contain all activities that are involved in the development of the community and operation of community activities and operations.

#### **Economic Development:**

Economic Development contains activities that are involved in the development and the operation of economic opportunities for the Nation including its business interest.

#### **Housing:**

Housing contains activities that relate to on reserve housing.

# WE WAI KAI NATION

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## Notes to the Financial Statements

March 31, 2019

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### 21. Segment Disclosure (continued):

#### **Capital:**

Capital represents amounts spent on the betterment of the Nation's capital assets, either through repairs and maintenance or general capital purchases.

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

# WE WAI KAI NATION

## Schedule 1 - Segment Disclosure

March 31, 2019

	Core Government \$	Health \$	Community Development \$	Economic Development \$	Housing \$	Capital Fund \$	Trust and Reserve Funds \$	Enterprise Funds \$	Total \$
<b>Revenue</b>									
ISC	3,306,310	103,594	671,818	194,400		4,744,623			9,020,745
Other Revenue	<u>794,873</u>	<u>460,167</u>	<u>390,435</u>	<u>1,522,279</u>		<u>455,673</u>	<u>310,448</u>	<u>8,243,635</u>	<u>12,287,225</u>
Less: Inter-Program Charges	<u>4,101,183</u>	<u>563,761</u>	<u>1,062,253</u>	<u>1,716,679</u>		<u>5,200,296</u>	<u>310,448</u>	<u>8,243,635</u>	<u>21,307,970</u>
	<u>(80,969)</u>			<u>(48,000)</u>					<u>(128,969)</u>
	<u>4,020,214</u>	<u>563,761</u>	<u>1,062,253</u>	<u>1,668,679</u>		<u>5,200,296</u>	<u>310,448</u>	<u>8,243,635</u>	<u>21,179,001</u>
<b>Expenses</b>									
Other	2,899,983	150,685	735,751	846,177	48,562	8,516,525	21,310		13,218,093
Wages and Benefits	<u>801,534</u>	<u>388,788</u>	<u>119,906</u>	<u>53,153</u>		<u>8,516,525</u>			<u>1,563,381</u>
Less: Capital Purchases	<u>3,700,517</u>	<u>539,473</u>	<u>855,657</u>	<u>899,330</u>	<u>48,562</u>	<u>8,516,525</u>	<u>21,310</u>		<u>14,814,74</u>
Less: Inter-Program Charges	<u>(75,819)</u>			<u>(25,737)</u>		<u>(8,053,752)</u>			<u>(8,196,844)</u>
Amortization	<u>(93,300)</u>	<u>(12,928)</u>	<u>(41,536)</u>	<u>(7,741)</u>	<u>(9,600)</u>	<u>(5,400)</u>			<u>(128,969)</u>
	<u>3,531,498</u>	<u>526,545</u>	<u>806,380</u>	<u>863,993</u>	<u>43,162</u>	<u>462,773</u>	<u>21,310</u>		<u>6,860,975</u>
<b>Annual Surplus</b>	<u>488,216</u>	<u>37,216</u>	<u>255,873</u>	<u>804,686</u>	<u>66,553</u>	<u>4,737,523</u>	<u>289,138</u>		<u>14,318,026</u>

