

WE WAI KAI NATION
Consolidated Financial Statements
March 31, 2020

WE WAI KAI NATION

Consolidated Financial Statements

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WE WAI KAI FIRST NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2020

The accompanying consolidated financial statements of the We Wai Kai First Nation as at March 31, 2020 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.

Ronnice Krug

Ronnice Krug, CPA, CGA
CFO / Acting CAO
July 27, 2020



INDEPENDENT AUDITORS' REPORT

To the Members of the We Wai Kai Nation

Opinion

We have audited the accompanying financial statements of the We Wai Kai Nation (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2020, 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 (hereinafter referred to as the "financial statements").

In our opinion, the Nation's financial statements present fairly, in all material respects, the financial position of the Nation as at March 31, 2020, and of its financial performance and its cash flows for the year then ended. The financial statements have been prepared by management in accordance with Canadian public sector 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 Auditors' 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 financial statements in accordance with Canadian public sector standards, 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.

In preparing the 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 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 Financial Statements

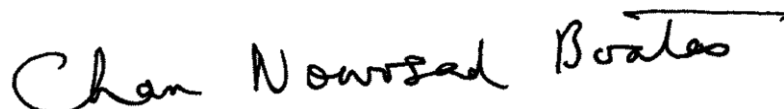
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

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 financial statements.

Auditors' Responsibilities for the Audit of the 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 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the 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.



Chartered Professional Accountants
Campbell River, BC

July 27, 2020

WE WAI KAI NATION

Consolidated Statement of Financial Position

March 31, 2020

2020

2019

\$

\$

FINANCIAL ASSETS

Cash and Cash Equivalents (Note 2)	8,084,262	7,375,463
Restricted Cash (Note 3)	395,980	282,657
Trust Funds Held by Federal Government (Note 4)	-	114,659
Accounts Receivable (Note 5)	492,429	679,778
Inventory (Note 6)	11,572	9,084
Due from Government Business Enterprises (Note 7)	12,252,303	11,490,533
Portfolio Investments (Note 8)	384,690	384,580
Investment in Government Business Enterprises (Note 9)	7,529,997	9,571,001
	<u>29,151,233</u>	<u>29,907,755</u>

LIABILITIES

Accounts Payable and Accrued Liabilities (Note 10)	864,878	1,966,378
Employee Benefit Obligations (Note 11)	87,949	65,207
Deposits (Note 12)	25,000	16,500
Deferred Revenue (Note 13)	185,043	12,563
Long Term Debt (Note 14)	8,335,574	9,382,528
	<u>9,498,444</u>	<u>11,443,176</u>

NET FINANCIAL ASSETS

<u>19,652,789</u>	<u>18,464,579</u>
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NON-FINANCIAL ASSETS

Prepaid Expenses and Deposits	158,397	67,216
Tangible Capital Assets (Note 15)	29,183,433	28,038,103
	<u>29,341,830</u>	<u>28,105,319</u>

ACCUMULATED SURPLUS

<u>48,994,619</u>	<u>46,569,898</u>
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Contingent Liabilities and Commitments (Note 16)

Approved by:



Chief



Councilor

WE WAI KAI NATION

Consolidated Statement of Operations

Year Ended March 31, 2020

	2020		2019
	Actual	Budget	
	\$	\$	\$
	(Note 19)		
Revenues			
Indigenous Services Canada (ISC)	4,854,592	4,842,006	9,020,745
Province of British Columbia	1,100,122	3,620,234	1,182,094
First Nation Health Authority	138,630	135,663	178,667
Canada Mortgage Housing Corporation	86,739	77,510	62,277
North Vancouver Island Aboriginal Training Society	92,759	99,309	81,972
Kwakiutl District Council	81,960	81,960	81,960
First Nations Education Steering Committee	93,768	93,633	74,000
BC Hydro	280,318	219,123	227,580
Income from Government Business Enterprises	1,603,680	-	8,243,635
Taxation	82,679	84,919	83,285
Lease and Rental Income	465,035	465,909	440,201
Tobacco Sales and Fees	221,403	232,500	230,359
Travel and Expense Recoveries	400,088	171,415	444,721
Logging Revenue	-	-	182,359
Interest	930,295	148,588	265,574
Other	436,574	827,622	379,572
	<u>10,868,642</u>	<u>11,100,391</u>	<u>21,179,001</u>
Expenditures (Note 17)			
Core Government	3,795,112	4,215,475	3,531,498
Health	621,451	785,066	526,545
Community Development	1,127,950	488,237	806,380
Economic Development	1,330,282	1,301,577	863,993
Housing	571,141	497,132	43,162
Capital	126,624	1,883,252	462,773
Trust and Reserves	8,730	-	21,310
Amortization and Loss on Disposal of Assets	862,631	-	605,314
	<u>8,443,921</u>	<u>9,170,739</u>	<u>6,860,975</u>
Annual Surplus	2,424,721	<u>1,929,652</u>	14,318,026
Accumulated Surplus - Beginning of Year	<u>46,569,898</u>		<u>32,251,872</u>
Accumulated Surplus - End of Year	<u>48,994,619</u>		<u>46,569,898</u>

WE WAI KAI NATION

Consolidated Statement of Changes in Net Financial Assets

Year Ended March 31, 2020

	2020	2019
	\$	\$
Annual Surplus	<u>2,424,721</u>	<u>14,318,026</u>
Purchase of Tangible Capital Assets	(2,102,974)	(7,856,708)
Disposal of Tangible Capital Assets	95,558	3,666
Amortization of Tangible Capital Assets	<u>862,086</u>	<u>601,648</u>
	<u>(1,145,330)</u>	<u>(7,251,394)</u>
Net Acquisition of Prepaid Asset	<u>(91,181)</u>	<u>(5,540)</u>
Increase in Net Financial Assets	1,188,210	7,061,092
Net Financial Assets - Beginning of Year	<u>18,464,579</u>	<u>11,403,487</u>
Net Financial Assets - End of Year	<u>19,652,789</u>	<u>18,464,579</u>

WE WAI KAI NATION

Consolidated Statement of Cash Flows

Year Ended March 31, 2020

	2020	2019
	\$	\$
Cash Flows From Operating Activities:		
Cash Received from ISC and Other Sources	9,628,493	11,034,858
Cash Paid to Suppliers and Employees	<u>(8,755,366)</u>	<u>(6,277,912)</u>
	<u>873,127</u>	<u>4,756,946</u>
Cash Flows From Financing Activities:		
Proceeds from Long Term Debt	149,500	4,858,968
Repayment of Long Term Debt	(1,147,550)	(603,125)
Transfer from (to) FNFA Debt Reserve Fund	(62,276)	57,813
Transfer to Social Housing Reserve Funds	<u>(51,047)</u>	<u>(10,354)</u>
	<u>(1,111,373)</u>	<u>4,303,302</u>
Cash Flows From Investing Activities:		
Investment in Government Business Enterprises	3,644,574	1,836,862
Distributions from (to) Government Business Enterprises	(761,770)	(4,079,227)
Transfer from (to) Ottawa Trust Fund	<u>119,457</u>	<u>(1,298)</u>
	<u>3,002,261</u>	<u>(2,243,663)</u>
Cash Flows From Capital Activities:		
Purchase of Tangible Capital Assets	(2,102,974)	(7,856,708)
Proceeds from Sale of Tangible Capital Assets	<u>47,758</u>	<u>-</u>
	<u>(2,055,216)</u>	<u>(7,856,708)</u>
Increase (Decrease) in Cash and Cash Equivalents	708,799	(1,040,123)
Cash and Cash Equivalents - Beginning of Year	<u>7,375,463</u>	<u>8,415,586</u>
Cash and Cash Equivalents - End of Year	<u><u>8,084,262</u></u>	<u><u>7,375,463</u></u>

WE WAI KAI NATION

Notes to the Financial Statements

March 31, 2020

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., Quinsam Reserve Leasing Inc., and 1223053 BC Ltd.

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.

Notes to the Financial Statements

March 31, 2020

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) Portfolio Investments

Investments in corporations and limited partnerships which the Nation does not control or significantly influence are accounted for as portfolio investments using the cost method. Investments will be recorded at cost and any share of income received will be recognized as income when received or receivable.

h) 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.

i) 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, 2020

1. Significant Accounting Policies (continued):

j) 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, 2020.

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, 2020 no liability for contaminated sites exists.

2. Cash and Cash Equivalents:

Cash and Cash Equivalents is comprised of the following:

	<u>2020</u>	<u>2019</u>
	\$	\$
Unrestricted		
Operating	1,231,809	446,546
Savings	1,259,022	1,234,044
Guaranteed Investment Certificates	<u>621,268</u>	<u>924,193</u>
	<u>3,112,099</u>	<u>2,604,783</u>
Internally Restricted Cash		
IBA Account	4,652,471	4,560,663
FCARS Account	<u>319,692</u>	<u>210,017</u>
	<u>4,972,163</u>	<u>4,770,680</u>
	<u><u>8,084,262</u></u>	<u><u>7,375,463</u></u>

Guaranteed Investment Certificate ("GIC") balance includes includes \$621,268 accruing interest at 1.80% per annum, maturing July 23, 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, 2020, the Nation has \$200,000 of the credit facility available.

WE WAI KAI NATION

Notes to the Financial Statements

March 31, 2020

3. Restricted Cash:

Restricted Cash is comprised of the following:

	<u>2020</u> \$	<u>2019</u> \$
First Nation Finance Authority		
Secured Revenues Trust Account	126,354	72,384
Debt Reserve Fund	<u>208,225</u>	<u>199,919</u>
	<u>334,579</u>	<u>272,303</u>
Social Housing		
Operating Reserve - Phase 1	15,280	6,302
Replacement Reserve - Phase 1	20,327	4,052
Operating Reserve - Phase 2	15,644	-
Replacement Reserve - Phase 2	<u>10,150</u>	<u>-</u>
	<u>61,401</u>	<u>10,354</u>
	<u>395,980</u>	<u>282,657</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>2019</u> \$	<u>Additions</u> \$	<u>Withdrawals</u> \$	<u>2020</u> \$
Revenue	2,580	4,789	7,369	-
Capital	<u>112,079</u>	<u>-</u>	<u>112,079</u>	<u>-</u>
	<u>114,659</u>	<u>4,789</u>	<u>119,448</u>	<u>-</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*. These funds were withdrawn in the year ending March 31, 2020.

WE WAI KAI NATION

Notes to the Financial Statements

March 31, 2020

5. Accounts Receivable:

	<u>2020</u>	<u>2019</u>
	\$	\$
Due from Members		
User Fees	230,818	226,011
Loans	61,456	50,526
Allowance for Doubtful Accounts	<u>(238,451)</u>	<u>(233,105)</u>
	<u>53,823</u>	<u>43,432</u>
Due from Others		
Indigenous Services Canada (ISC)	115,309	207,295
CMHC	-	190,285
Nuyumbalees Society	190,579	158,580
Other	<u>346,845</u>	<u>250,586</u>
	652,733	806,746
Allowance for Doubtful Accounts	<u>(214,127)</u>	<u>(170,400)</u>
	<u>438,606</u>	<u>636,346</u>
Net Accounts Receivable	<u>492,429</u>	<u>679,778</u>

6. Inventory:

	<u>2020</u>	<u>2019</u>
	\$	\$
Tobacco Products	<u>11,572</u>	<u>9,084</u>

7. Due from Government Business Enterprises:

	<u>2020</u>	<u>2019</u>
	\$	\$
1012577 BC Ltd.	2,696,459	2,696,454
Cape Mudge Campsites Ltd.	61,573	145,531
Cape Mudge Developments Ltd.	277,106	206,091
Cape Mudge Resort Ltd.	371,889	197,167
Comox Valley Shakes (2019) Ltd.	8,189,136	7,334,623
Kerdan Hotel Ltd.	-	4,910
Quinsam LFRC Limited Partnership	86,251	86,243
Quinsam Liquor Store Ltd.	37,668	295,837
Quinsam Service Station Partnership	205,372	155,534
WWK Forestry Limited Partnership	71,416	46,290
WWK Forestry (LPGP) Ltd.	50,000	50,000
WWK Marine Terminals Limited Partnership	<u>205,433</u>	<u>271,853</u>
	<u>12,252,303</u>	<u>11,490,533</u>

WE WAI KAI NATION

Notes to the Financial Statements

March 31, 2020

8. Portfolio Investments:

The Nation's portfolio investments consists of the following:

	<u>2020</u>	<u>2019</u>
	\$	\$
Leqwa Enterprises Inc.	1	1
Quadra Link Ltd.	25,000	25,000
WWK&P Holdings Ltd.	359,579	359,579
BC FN Gaming Revenue Sharing Limited Partnership	110	-
	<u>384,690</u>	<u>384,580</u>

9. Investment in Government Business Enterprises:

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Investments in Business Enterprises		
1012577 BC Ltd.	1	1
Cape Mudge Campsites Ltd.	205,803	57,240
Cape Mudge Developments Ltd.	1	1
Cape Mudge Forestry Ltd.	1	1
Cape Mudge Resort Ltd.	474,520	347,797
Kerdan Hotel Ltd.	195	265,351
Quinsam Liquor Store Ltd.	978,336	799,451
Comox Valley Shakes (2019) Ltd.	1	1
WWK Forestry (LPGP) Ltd.	4,468	2,138
	<u>1,663,326</u>	<u>1,471,981</u>
Investments and Earnings in Business Partnerships		
A-Tlegay Fisheries Limited Partnership	1,303,589	1,131,626
Laich Kwil Tach Wood Trucking Joint Venture	54,612	76,991
Laich-Kwil-Tach Environmental Assessment Partnership	901,377	790,557
Quinsam LFRC Limited Partnership	46,637	25,290
Quinsam Services Station Partnership	3,397,455	3,253,460
WWK Forestry Limited Partnership	163,001	2,821,097
	<u>5,866,671</u>	<u>8,099,021</u>
	<u>7,529,997</u>	<u>9,571,002</u>

WE WAI KAI NATION

Notes to the Financial Statements

March 31, 2020

9. Investment in Government Business Enterprises (continued):

	Retail Goods and Services Businesses \$	Natural Resource Businesses \$	Industrial Businesses \$	Total 2020 \$	Total 2019 \$
Total Assets	<u>7,405,971</u>	<u>5,388,559</u>	<u>15,376,956</u>	<u>28,171,486</u>	<u>29,631,781</u>
Total Liabilities	5,295,213	422,010	17,077,594	22,794,817	22,871,270
Total Equity (Deficit)	<u>2,110,758</u>	<u>4,966,549</u>	<u>(1,700,638)</u>	<u>5,376,669</u>	<u>6,760,511</u>
Total Liabilities and Equity	<u>7,405,971</u>	<u>5,388,559</u>	<u>15,376,956</u>	<u>28,171,486</u>	<u>29,631,781</u>
Revenue	26,125,830	1,977,570	8,411,061	36,514,461	35,574,141
Expenses	<u>24,832,263</u>	<u>986,773</u>	<u>8,227,413</u>	<u>34,046,449</u>	<u>29,379,129</u>
Net Income	<u>1,293,567</u>	<u>990,797</u>	<u>183,648</u>	<u>2,468,012</u>	<u>6,195,012</u>

10. Accounts Payable and Accrued Liabilities:

	<u>2020</u> \$	<u>2019</u> \$
Trade Payables	483,491	1,056,669
Wages Payable	56,028	41,303
Government Remittances Payable	3,084	3,035
Other	<u>322,275</u>	<u>865,371</u>
	<u>864,878</u>	<u>1,966,378</u>

11. Employee Benefit Obligations:

	<u>2020</u> \$	<u>2019</u> \$
Vacation and Overtime	72,667	56,294
Pension Plan Contributions	<u>15,282</u>	<u>8,913</u>
	<u>87,949</u>	<u>65,207</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 \$47,946 (2019 - \$49,560) for retirement benefits. The Nation does not have any other obligations with regards to the pension plan as at March 31, 2020.

WE WAI KAI NATION

Notes to the Financial Statements

March 31, 2020

12. Deposits:

	<u>2020</u>	<u>2019</u>
	\$	\$
Housing Application Deposits	<u>25,000</u>	<u>16,500</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.

13. Deferred Revenue:

	<u>2019</u>	<u>Funding</u>	<u>Revenue</u>	<u>2020</u>
	\$	<u>Received</u>	<u>Recognized</u>	\$
ISC - Community Based Initiative	-	170,000	91,630	78,370
ISC - Risk Management	-	43,985	39,035	4,950
DFO - PICFI	-	204,800	145,978	58,822
Province of BC - Prevention and Family Support Funding	-	30,000	-	30,000
Property Lease Revenue	<u>12,563</u>	<u>338</u>	<u>-</u>	<u>12,901</u>
	<u>12,563</u>	<u>449,123</u>	<u>276,643</u>	<u>185,043</u>

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Notes to the Financial Statements

March 31, 2020

14. Long Term Debt:

	<u>2020</u> \$	<u>2019</u> \$
Royal Bank of Canada: Matured on June 8, 2019	-	409,133
Royal Bank of Canada - Facility #2: Repayable at \$5,633 per month including interest at prime plus 0.90% per annum; maturing April 12, 2020; secured by general security agreement	90,178	151,755
Royal Bank of Canada - Facility #4: Repayable at \$56,442 per month including interest at prime per annum; maturing September 30, 2020; secured by general security agreement	3,471,891	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 \$1,057,495 (2019 - \$1,074,228)	809,230	836,837
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 \$948,199 (2019 - \$963,778)	796,712	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	1,138,154	1,191,928
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	829,203	871,812
First 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	1,056,756	1,110,810
Nuu-cha-nulth Economic Development Corporation: Repayable at \$1,679 per month plus interest at prime plus 2.00% per annum; maturing June 1, 2029; secured by general security agreement	143,450	-
	<u>8,335,574</u>	<u>9,382,528</u>

WE WAI KAI NATION

Notes to the Financial Statements

March 31, 2020

14. Long Term Debt (continued):

Interest expense on long term debt for the year ended March 31, 2020 is \$317,263 (2019 - \$189,619). Scheduled principal repayments for the next five years is estimated as follow:

	\$
2021	891,999
2022	819,115
2023	1,562,920
2024	1,514,647
2025 and Thereafter	3,546,893

Repayments on the Royal Bank of Canada Facility #4 has been calculated under the assumption that it will continue to be renewed and repaid consistent with the current year.

15. Tangible Capital Assets:

	Cost				Accumulated Amortization				Net Book Value	
	Opening \$	Additions \$	Disposals \$	Closing \$	Opening \$	Amort \$	Disposals \$	Closing \$	2020 \$	2019 \$
Land	2,696,426	480,918	-	3,177,344	-	-	-	-	3,177,344	2,696,426
Buildings	8,348,376	1,111,947	80,014	9,380,309	2,080,291	182,669	-	2,262,960	7,117,349	6,268,085
Infrastructures:										
Subdivisions	12,456,412	76,045	-	12,532,457	2,695,787	313,446	-	3,009,233	9,523,224	9,760,625
Roads	1,725,451	13,918	-	1,739,369	931,035	69,204	-	1,000,239	739,130	794,416
Water Systems	6,106,806	112,683	-	6,219,489	127,704	153,374	-	281,078	5,938,411	5,979,102
Sewer Systems	218,456	-	-	218,456	109,029	5,461	-	114,490	103,966	109,427
Vehicle and Vessels	456,734	116,770	40,915	532,589	289,602	40,187	25,371	304,418	228,171	167,132
Equipment	256,440	91,968	-	348,408	92,234	22,527	-	114,761	233,647	164,206
Office Equipment	75,117	17,151	-	92,268	62,938	4,054	-	66,992	25,276	12,179
Computer Equipment	88,429	61,044	-	149,473	39,930	18,321	-	58,251	91,222	48,499
Elders Housing	2,092,059	20,530	-	2,112,589	54,053	52,843	-	106,896	2,005,693	2,092,059
Total	34,520,706	2,102,974	120,929	36,502,751	6,482,603	862,086	25,371	7,319,318	29,183,433	28,038,103

16. 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 \$5,721,141 (2019 - \$4,827,752) with respect to its guarantee of loans made by Canada Mortgage and Housing Corporation to band members for homes built on reserve.

WE WAI KAI NATION

Notes to the Financial Statements

March 31, 2020

16. Contingent Liabilities and Commitments (continued):

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.

The Nation entered into a long term contract for construction of an Archival Building. As of March 31, 2020, there remains contract costs to the Nation totalling \$115,359. This contract will be completed in fiscal 2021.

Included in Accounts Payable and Accrued Liabilities is \$70,000 relating to a legal claim by a former employee of the Nation for which the Nation was contingently liable as at March 31, 2020. The Nation settled this claim in June 2020.

17. Schedule of Expenses by Object:

	<u>2020</u>	<u>2019</u>
	\$	\$
Amortization and Loss on Disposal of Assets	862,631	605,313
Direct Member Benefit	616,399	31,725
Construction	55,461	468,956
Consulting and Professional Fees	300,655	189,911
Donations	85,737	87,513
Honoraria	264,813	266,863
Insurance	111,492	61,626
Interest and Bank Charges	325,086	194,454
Land Lease	37,058	-
Language Program	-	300,000
Legal	189,488	550,145
Material and Supplies	433,656	216,230
Office and Sundry	142,140	113,101
Subcontract	513,558	310,026
Social Programs	1,178,655	531,063
Repairs and Maintenance	77,117	128,774
Tuition	742,479	850,320
Training	20,886	30,640
Travel	230,375	207,176
Utilities and Telephone	566,489	437,302
Wages and Benefits	<u>1,689,746</u>	<u>1,279,837</u>
	<u>8,443,921</u>	<u>6,860,975</u>

18. 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

Notes to the Financial Statements

March 31, 2020

19. Subsequent Events:

COVID-19 Pandemic

The Nation evaluated its March 31, 2020 financial statements for subsequent events to the date the financial statements were issued. As of this date, the global outbreak of the coronavirus disease (COVID-19) has caused economic uncertainties that are likely to have a material impact on the annual surplus of the Nation.

The extent that the effect of COVID-19 may have on the Nation and its operations for the year ending March 31, 2021 cannot be determined at this time.

Long Term Debt

Subsequent to the year ending March 31, 2020, the Nation obtained a new loan from the Royal Bank of Canada totalling \$1,908,387 for business purposes relating to the Nation's Government Business Enterprise, Comox Valley Shakes (2019) Ltd.

Sale of Land

On January 24, 2020, the Nation entered into agreements to sell two lots of land to a third party with a total sale price of \$515,000 and a closing date of August 31, 2020.

20. 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.

21. Comparative Figures:

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

22. 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.

WE WAI KAI NATION

Notes to the Financial Statements

March 31, 2020

22. Segment Disclosure (continued):

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.

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, 2020

	Core Government \$	Health \$	Community Development \$	Economic Development \$	Housing \$	Capital Fund \$	Trust and Reserve Funds \$	Enterprise Funds \$	Total \$
Revenue									
ISC	3,553,853	55,497	416,226	195,372	472,251	144,996	-	-	4,838,195
Other Revenue	<u>526,097</u>	<u>523,104</u>	<u>213,252</u>	<u>2,228,709</u>	<u>163,222</u>	<u>244,712</u>	<u>133,850</u>	<u>2,121,210</u>	<u>6,154,156</u>
	4,079,950	578,601	629,478	2,424,081	635,473	389,708	133,850	2,121,210	10,992,351
Less: Inter-Program Charges	<u>(75,709)</u>	<u>-</u>	<u>-</u>	<u>(48,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(123,709)</u>
	<u>4,004,241</u>	<u>578,601</u>	<u>629,478</u>	<u>2,376,081</u>	<u>635,473</u>	<u>389,708</u>	<u>133,850</u>	<u>2,121,210</u>	<u>10,868,642</u>
Expenses									
Other	3,125,912	178,551	1,003,022	1,386,836	598,871	1,328,777	59,041	-	7,681,010
Wages and Benefits	<u>957,722</u>	<u>458,275</u>	<u>150,605</u>	<u>79,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,645,996</u>
	4,083,634	636,826	1,153,627	1,466,230	598,871	1,328,777	59,041	-	9,327,006
Less: Capital Purchases	<u>(210,222)</u>	<u>(3,000)</u>	<u>(16,703)</u>	<u>(119,088)</u>	<u>(20,530)</u>	<u>(1,202,153)</u>	<u>(50,311)</u>	<u>-</u>	<u>(1,622,007)</u>
Less: Inter-Program Charges	<u>(78,300)</u>	<u>(12,375)</u>	<u>(8,974)</u>	<u>(16,860)</u>	<u>(7,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(123,709)</u>
Amortization and Loss on Disposal of Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>862,631</u>
	<u>3,795,112</u>	<u>621,451</u>	<u>1,127,950</u>	<u>1,330,282</u>	<u>571,141</u>	<u>126,624</u>	<u>8,730</u>	<u>-</u>	<u>8,443,921</u>
Annual Surplus	<u>209,129</u>	<u>(42,850)</u>	<u>(498,472)</u>	<u>1,045,799</u>	<u>64,332</u>	<u>263,084</u>	<u>125,120</u>	<u>-</u>	<u>2,424,721</u>