

Mamalilikulla First Nation
Consolidated Financial Statements
March 31, 2019

Mamalilikulla First Nation

Contents

For the year ended March 31, 2019

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Management's Responsibility

To the Members of Mamalilikulla First Nation

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

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

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

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

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

July 26, 2019

Signed by: Sonia Roberts

Band Administrator

Independent Auditor's Report

To the Members of Mamalilikulla First Nation:

Opinion

We have audited the consolidated financial statements of Mamalilikulla First Nation and its subsidiaries (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus (deficit) and related schedules, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First 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 First 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 First Nation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nanaimo, British Columbia

July 26, 2019

MNP LLP

Chartered Professional Accountants

Mamalilikulla First Nation
Consolidated Statement of Financial Position
As at March 31, 2019

| | 2019 | 2018 |
|--|------------------|------------------|
| Financial assets | | |
| Cash resources | 655,021 | 1,177,725 |
| Accounts receivable (Note 3) | 38,109 | 3,074 |
| Guaranteed investment certificates (Note 4) | 1,000,000 | - |
| Restricted cash (Note 5) | 33,893 | 33,894 |
| Funds held in trust (Note 6) | 1,299,826 | 1,283,879 |
| Advances to related parties (Note 7) | 160,137 | 103,989 |
| Investment in First Nation business enterprises (Note 8) | 587,759 | 1,578,207 |
| Investments in First Nation partnerships (Note 8) | 3,895,921 | 2,862,144 |
| Total of assets | 7,670,666 | 7,042,912 |
| Liabilities | | |
| Accounts payable and accruals | 49,947 | 62,369 |
| Deferred revenue | 50,000 | 227,105 |
| Long-term debt (Note 9) | 149,607 | 161,992 |
| Total of financial liabilities | 249,554 | 451,466 |
| Net financial assets | 7,421,112 | 6,591,446 |
| Contingent liabilities (Note 10) | | |
| Non-financial assets | | |
| Tangible capital assets (Schedule 1) | 756,853 | 432,142 |
| Prepaid expenses | 5,998 | 5,998 |
| Total non-financial assets | 762,851 | 438,140 |
| Accumulated surplus (Note 14) | 8,183,963 | 7,029,586 |
| Approved on behalf of the Chief and Council | | |

Signed by: Richard Sumner

**Chief
Councillor**

Signed by: John Powell

Councillor

Mamalilikulla First Nation

Consolidated Statement of Operations and Accumulated Surplus (Deficit)

For the year ended March 31, 2019

| | <i>Schedules</i> | 2019 Budget (Note 15) | 2019 | 2018 |
|--|------------------|--------------------------------------|------------------|------------------|
| Revenue | | | | |
| Indigenous Services Canada | | 370,073 | 594,380 | 979,916 |
| Province of BC | | 473,480 | 557,779 | 151,820 |
| Other revenue | | 503,971 | 474,455 | 252,711 |
| Canada Mortgage and Housing Corporation | | - | 1,661 | 1,661 |
| Earnings from investment in Nation partnerships | | - | 1,033,777 | 448,268 |
| Earnings from investment in Nation business entities | | - | 195,450 | 1,550,050 |
| Interest income | | 3,206 | 24,624 | 30,741 |
| | | 1,350,730 | 2,882,126 | 3,415,167 |
| Expenses | | | | |
| Band Government | 3 | 745,791 | 935,499 | 619,927 |
| Economic Development | 4 | 781,057 | 775,363 | 400,768 |
| Social Housing | 5 | - | 16,887 | 78,394 |
| | | 1,526,848 | 1,727,749 | 1,099,089 |
| Annual surplus (deficit) | | (176,118) | 1,154,377 | 2,316,078 |
| Accumulated surplus, beginning of year | | - | 7,029,586 | 4,713,508 |
| Accumulated surplus (deficit), end of year | | (176,118) | 8,183,963 | 7,029,586 |

The accompanying notes are an integral part of these financial statements

Mamalilikulla First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2019

| | 2019 Budget (Note 15) | 2019 | 2018 |
|--|--------------------------------------|------------------|------------------|
| Annual surplus (deficit) | (176,118) | 1,154,377 | 2,316,078 |
| Purchases of tangible capital assets | - | (395,804) | (135,243) |
| Amortization of tangible capital assets | - | 40,964 | 74,201 |
| Proceeds of disposal of tangible capital assets | - | 20,000 | - |
| Loss on disposal of tangible capital assets | - | 10,129 | - |
| Use of prepaid expenses | - | - | 2,667 |
| Increase (decrease) in net financial assets | (176,118) | 829,666 | 2,257,703 |
| Net financial assets, beginning of year | 6,591,446 | 6,591,446 | 4,333,743 |
| Net financial assets, end of year | 6,415,328 | 7,421,112 | 6,591,446 |

Mamalilikulla First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2019

| | 2019 | 2018 |
|---|-------------|-------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Annual surplus | 1,154,377 | 2,316,078 |
| Non-cash items | | |
| Amortization | 40,964 | 74,201 |
| Bad debts | 92,789 | 55,080 |
| Loss on disposal of tangible capital assets | 10,129 | - |
| Earnings from investment in First Nation partnerships | (1,033,777) | (448,268) |
| Earnings from investment in First Nation business enterprises | (195,450) | (1,550,050) |
| | 69,032 | 447,041 |
| Changes in working capital accounts | | |
| Accounts receivable | (35,035) | 27,366 |
| Prepaid expenses | - | 2,667 |
| Accounts payable and accruals | (12,422) | 29,296 |
| Loan receivable | - | 25,835 |
| Deferred revenue | (177,104) | 227,105 |
| | (155,529) | 759,310 |
| Financing activities | | |
| Repayment of long-term debt | (12,384) | (12,121) |
| Capital activities | | |
| Purchases of tangible capital assets | (395,804) | (135,243) |
| Proceeds of disposal of tangible capital assets | 20,000 | - |
| | (375,804) | (135,243) |
| Investing activities | | |
| Purchase of Guaranteed Investment Certificate | (1,000,000) | - |
| Increase in funds held in trust | (15,947) | (15,978) |
| Contribution to First Nation partnerships | - | (104,515) |
| Distributions from First Nation partnerships | 1,071,800 | 365,494 |
| Net advances to related parties | (34,840) | (89,252) |
| Increase in restricted cash | - | (19,542) |
| | 21,013 | 136,207 |
| Increase (decrease) in cash resources | (522,704) | 748,153 |
| Cash resources, beginning of year | 1,177,725 | 429,572 |
| Cash resources, end of year | 655,021 | 1,177,725 |

1. Operations

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

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities and First Nation business partnerships.

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

- Social Housing

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

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

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

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

- Nanwakolas Carbon Credit Limited Partnership (23% ownership)
- Nanwakolas Forestry Limited Partnership (18% ownership)
- Nanwakolas Offset Limited Partnership (26% ownership)
- Nanwakolas Timber Limited Partnership (21% ownership)
- Nanwakolas Business Corporation
- Mamalilikulla Economic Development Corporation (Wholly owned)
- Mamalilikulla Economic Development Limited Partnership (Wholly owned)

Basis of presentation

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

Cash resources

Cash resources includes balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

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

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Contributed tangible assets are recorded at their fair value at the date of contribution.

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

Amortization

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives. In the year of acquisition, amortization is taken at one-half the rates. Assets under construction are not amortized until completion.

| | <i>Method</i> | <i>Rate</i> |
|----------------------|----------------------|--------------------|
| Buildings | declining balance | 5 % |
| Automotive equipment | declining balance | 30 % |
| Equipment | declining balance | 20 % |
| Boats | declining balance | 15 % |
| Social Housing | declining balance | 5 % |
| Docks | declining balance | 5 % |

Long-lived assets

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

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when asset's service potential is reduced. Impairment is measured as the amount by which the assets' carrying amount exceeds its fair value. Any impairment is included in surplus for the year. Prices for similar items are used to measure fair value of long-lived assets.

The First Nation does not perform impairment testing on its long-lived assets that are held for public administration and situated on its reserve land as it is not possible to determine their fair market value.

Asset classification

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

Net financial assets

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

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the 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.

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

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.

Funds held in trust

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

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

Revenue recognition

i) *Government Funding*

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

ii) *First Nation Capital and Revenue Trust Funds*

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

iii) *Canada Mortgage and Housing Corporation ("CMHC")*

CMHC revenue is recognized as it becomes receivable under the terms of the applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the consolidated statement of financial position in the year of receipt.

iv) *Housing rental income*

Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

v) *Own source and other revenue*

Own source and other revenue is recognized when performance is completed, amounts are measurable and collection is reasonably assured.

vi) *Investment income*

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

Segments

The First Nation conducts its business through a number of reportable segments as described in Note 11. These operating segments are established by senior management to facilitate the achievement of the Nation's long-term objectives, to aid in resource allocation decisions, and to assess operational performance.

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

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

Mamalilikulla First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

2. Significant accounting policies (Continued from previous page)

Measurement uncertainty (Use of estimates)

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

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

Expenditures that relate to on-going environmental and remediation programs are charged against operations as incurred. A liability for a contaminated site reflects management's best estimate of the amount required to remediate the contaminated site. The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future site remediation.

Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

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

Changes in Accounting Policy

Effective April 1, 2018, the First Nation adopted the recommendations relating to *PS 3430 Restructuring Transactions* as set out in the CPA Canada Public Sector Accounting Handbook. The main features of this standard are as follows:

- A restructuring transaction is defined as a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities that does not involve an exchange of consideration.
- Individual assets and liabilities transferred in a restructuring transaction are derecognized by the transferor at their carrying amount and recognized by the recipient at their carrying amount with applicable adjustments.

There was no material impact on the consolidated financial statements of adopting the new section.

3. Accounts receivable

| | 2019 | 2018 |
|---|---------------|--------------|
| First Nation Education Steering Committee | 11,802 | - |
| 'Namgis First Nation | 26,169 | - |
| Canada Mortgage and Housing Corporation | 138 | 969 |
| Other | - | 2,105 |
| | 38,109 | 3,074 |

4. Guaranteed investment certificates

| | 2019 | 2018 |
|--|------------------|----------|
| RBC GIC, bearing interest at 2.15%, maturing on December 13, 2019. | 500,000 | - |
| RBC GIC, bearing interest at 2.15%, maturing on December 13, 2019. | 500,000 | - |
| | 1,000,000 | - |

Mamalilikulla First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

5. Restricted cash

| | 2019 | 2018 |
|------------------------------------|---------------|-------------|
| Social Housing Replacement Reserve | 33,893 | 26,138 |
| Social Housing Operating Reserve | - | 7,756 |
| | 33,893 | 33,894 |

Social Housing Reserves

Under the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC"), the replacement reserve account is to be credited in the amount of \$2,000 (2018 - \$2,000) annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. At year end, these reserves were under-funded by \$440 (2018 - \$25,758).

Under the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC"), excess revenues over expenditures for the Post 1996 phases may be retained in an operating reserve. These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. At year end, the operating reserve was adequately funded (2018 - adequately funded)

6. Funds held in trust

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

| | 2019 | 2018 |
|---|------------------|-------------|
| Capital Trust | | |
| Balance, beginning of year | 30,122 | 30,122 |
| Revenue Trust | | |
| Balance, beginning of year | 1,253,757 | 1,237,782 |
| Interest | 14,969 | 28,008 |
| British Columbia special distribution | 978 | 967 |
| | 1,269,704 | 1,266,757 |
| Less: Transfers to Nation (Band Council Resolution: 24-November-2017) | - | 13,000 |
| Balance, end of year | 1,269,704 | 1,253,757 |
| | 1,299,826 | 1,283,879 |

Ottawa Trust Funds

The Ottawa Trust accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the *Indian Act*.

Mamalilikulla First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

7. Advances to related parties

Advances to related parties are unsecured, non-interest bearing and due on demand. These entities are related by virtue of common control or joint control by the Nation.

| | 2019 | 2018 |
|--|----------------|----------------|
| Mamalilikulla Qwe'Qwa'Sot'Em First Nation Business Trust | - | 75,824 |
| DMT Fisheries Society | 55,016 | 28,165 |
| Mamalilikulla Forestry Limited Partnership | 105,121 | - |
| | 160,137 | 103,989 |

8. Investment in First Nation business entities

The First Nation has investments in the following entities:

| | Investment cost | Loans / advances | Share of earnings (loss) | Contributions / draws | Other adjustments | 2019 Total investment |
|---|--------------------|---------------------|-----------------------------|--------------------------|----------------------|-----------------------------|
| First Nation Business Enterprises: | | | | | | |
| Mamalilikulla Qwe'Qwa'Sot'Em First Nation Business Trust - 100% | 1,578,956 | - | - | (1,071,800) | (507,156) | - |
| Mamalilikulla Economic Development Corporation - 100% | (749) | 2,248 | 1,212 | - | - | 2,711 |
| Mamalilikulla Economic Development LP - 100% | - | (99) | 194,238 | 99 | 390,809 | 585,047 |
| | 1,578,207 | 2,149 | 195,450 | (1,071,701) | (116,347) | 587,758 |
| First Nation Business Partnerships: | | | | | | |
| Nanwakolas Carbon Credit LP - 23% | 19,040 | - | 125,221 | - | - | 144,261 |
| Nanwakolas Forestry LP - 18% | 72,298 | - | 678 | - | - | 72,976 |
| Nanwakolas Offset LP - 26% | 101,037 | - | 410,856 | - | - | 511,893 |
| Nanwakolas Timber LP - 21% | 2,669,768 | - | 497,022 | - | - | 3,166,790 |
| Nanwakolas Business Corporation - 25% | 1 | - | - | - | - | 1 |
| | 2,862,144 | - | 1,033,777 | - | - | 3,895,921 |
| | 4,440,351 | 2,149 | 1,229,227 | (1,071,701) | (116,347) | 4,483,679 |

Mamalilikulla First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

8. Investment in First Nation business entities *(Continued from previous page)*

2018

| | <i>Investment cost</i> | <i>Loans / advances</i> | <i>Share of earnings (loss)</i> | <i>Contributions / draws</i> | <i>Other adjustments</i> | <i>Total investment</i> |
|--|------------------------|-----------------------------|-------------------------------------|----------------------------------|------------------------------|-----------------------------|
| First Nation Business | | | | | | |
| Enterprises: | | | | | | |
| Mamalilikulla Qwe'Qwa'Sot'Em First Nation Business Trust - 100% | (170,555) | 192,702 | 1,550,800 | 6,009 | - | 1,578,956 |
| Qwe'Qwa'Sot'Em Mamalilikulla Economic Development Corporation - 100% | 1 | - | (750) | - | - | (749) |
| | (170,554) | 192,702 | 1,550,050 | 6,009 | - | 1,578,207 |
| First Nation Business | | | | | | |
| Partnerships: | | | | | | |
| Nanwakolas Carbon Credit LP - 23% | 184,763 | - | 199,771 | (365,494) | - | 19,040 |
| Nanwakolas Forestry LP - 18% | 73,599 | - | (1,301) | - | - | 72,298 |
| Nanwakolas Offset LP - 26% | (1,580) | - | (1,448) | 104,515 | (450) | 101,037 |
| Nanwakolas Timber LP - 21% | 2,418,522 | - | 251,246 | - | - | 2,669,768 |
| Nanwakolas Business Corporation - 25% | 1 | - | - | - | - | 1 |
| | 2,675,305 | - | 448,268 | (260,979) | (450) | 2,862,144 |
| | 2,504,751 | 192,702 | 1,998,318 | (254,970) | (450) | 4,440,351 |

The First Nation's investment in Mamalilikulla Economic Development Corporation was established for the purposes of running the economic activities of various business endeavours for the First Nation. It owns investments in Mamalilikulla Forestry Corporation and Mamalilikulla Fisheries Corporation.

Mamalilikulla Economic Development Limited Partnership was established for the purposes of running the economic activities of various business endeavours for the First Nation. It owns investments in Mamalilikulla Forestry Limited Partnership and Mamalilikulla Fisheries Limited Partnership. The year-end for the First Nation business entities is December 31, 2018. No significant or unusual transactions occurred between December 31, 2018 and March 31, 2019, therefore the December 31, 2018 figures are included without adjustment.

See Note 16 for a description of the reorganization that occurred in Mamalilikulla First Nation Economic Development Corporation and in Mamalilikulla Economic Development Limited Partnership during the year.

Mamalilikulla First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

8. Investment in First Nation business entities *(Continued from previous page)*

Summary financial information for each First Nation business partnerships and each First Nation business entity, accounted for using the modified equity method, for their respective year-end is as follows:

The below information is unaudited for the following entities:

| | <i>Nanwakolas Carbon Credit Limited Partnership As at March 31, 2019 (Unaudited)</i> | <i>Nanwakolas Forestry Limited Partnership As at March 31, 2019 (Unaudited)</i> | <i>Nanwakolas Offset Limited Partnership As at March 31, 2019 (Unaudited)</i> | <i>Nanwakolas Timber Limited Partnership As at March 31, 2019 (Unaudited)</i> |
|------------------------------------|--|---|---|---|
| Assets | | | | |
| Cash | 162,224 | 347,716 | 258,373 | 7,795,173 |
| Accounts receivable | - | 67,356 | 2,305,680 | - |
| Inventory | - | - | 77,055 | - |
| Due from related parties | 529,487 | - | - | 1,899,785 |
| Other | - | - | - | 123,473 |
| Investment | - | - | - | 5,406,449 |
| Total assets | 691,711 | 415,072 | 2,641,108 | 15,224,880 |
| Liabilities | | | | |
| Accounts payable and accruals | 64,522 | - | 155,536 | 76,388 |
| Due to related parties | - | - | 629,477 | 50,000 |
| Other | - | - | - | 34,253 |
| Total liabilities | 64,522 | - | 785,013 | 160,641 |
| Retained earnings | 627,189 | 415,072 | 1,856,095 | 15,064,239 |
| Total revenue | 623,022 | 5,855 | 2,195,400 | 2,519,866 |
| Total expenses | 78,110 | 1,995 | 626,050 | 112,796 |
| Net income (loss) | 544,912 | 3,860 | 1,569,350 | 2,407,070 |
| Comprehensive income (loss) | 544,912 | 3,860 | 1,569,350 | 2,407,070 |

Mamalilikulla First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

8. Investment in First Nation business entities *(Continued from previous page)*

| | Nanwakolas Business Corporation As at March 31, 2019 (Unaudited) | Mamalilikulla Economic Development Corporation As at December 31, 2018 (Unaudited) | Mamalilikulla Economic Development Limited Partnership As at December 31, 2018 (Unaudited) |
|------------------------------------|---|---|---|
| Assets | | | |
| Cash | 6 | 1 | - |
| Accounts receivable | - | - | - |
| Inventory | - | - | - |
| Due from related parties | - | 749 | 751 |
| Other | - | - | - |
| Investment | 40 | 1,963 | 598,857 |
| Total assets | 46 | 2,713 | 599,608 |
| Liabilities | | | |
| Accounts payable and accruals | - | 750 | 2,500 |
| Due to related parties | - | 1,502 | 9,999 |
| Other | - | - | - |
| Total liabilities | - | 2,252 | 12,499 |
| Retained earnings | 46 | 461 | 587,109 |
| Total revenue | - | 1,962 | 198,700 |
| Total expenses | - | 750 | 2,500 |
| Net income (loss) | - | 1,212 | 196,200 |
| Comprehensive income (loss) | - | 1,212 | 196,200 |

Mamalilikulla First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

9. Long-term debt

| | 2019 | 2018 |
|---|----------------|-------------|
| RBC loan, repayable in blended monthly instalments of \$475 bearing interest at RBC prime rate plus 1.55% per annum, secured by a general security agreement, maturing November 2020. At March 31, 2019 RBC prime rate was 3.95%. | 9,470 | 14,532 |
| All Nations Trust Company loan, repayable in blended monthly instalments of \$688, bearing interest at 1.43% per annum, secured by buildings with a net book value of \$92,677 (2018 - \$97,555), renewal April 1, 2022. | 61,806 | 69,129 |
| Government of Canada, repayable when the claim is settled, interest free. | 78,331 | 78,331 |
| | 149,607 | 161,992 |

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

| | |
|------------|-----------|
| | Principal |
| 2020 | 12,774 |
| 2021 | 11,653 |
| 2022 | 7,640 |
| 2023 | 7,750 |
| 2024 | 7,862 |
| | 47,679 |
| Thereafter | 101,928 |
| Total | 149,607 |

10. Contingent liabilities

As at March 31, 2019, there existed outstanding claims against the Band. These claims have been referred to legal counsel. It is not possible to determine the Band's potential liability, if any, with respect to these matters.

11. Segments

The First Nation receives revenue and incurs expenses from many different projects and sources. For management and reporting purposes, the revenue, expenses and surplus or deficits are organized by the following segments:

Band Government:

Includes general operations, support, and financial management of the First Nation.

Economic Development:

Includes revenue and expenses related to the development of economic opportunities to members, as well as the activities related to the growth of revenue producing projects with the First Nation.

Housing:

Includes revenue and expenses related to band owned and social housing of the members of the First Nation.

Mamalilikulla First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

12. Economic dependence

Mamalilikulla First Nation receives a significant portion of its revenue from Indigenous Services Canada (ISC) as a result of funding agreements entered into with the Government of Canada. These funding agreements are administered by ISC under the terms and conditions of the *Indian Act*. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these agreements.

13. Comparative figures

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

14. Accumulated surplus

Accumulated surplus consists of the following:

| | 2019 | 2018 |
|--|------------------|-------------|
| Equity in Ottawa Trust Funds | 1,299,826 | 1,283,879 |
| Equity in operating fund | 1,671,078 | 890,448 |
| Equity in tangible capital assets | 695,046 | 363,013 |
| Investment in First Nation business entities | 4,483,680 | 4,440,351 |
| Replacement and operating reserves | 34,333 | 51,895 |
| | 8,183,963 | 7,029,586 |

15. Budget information

Budgets were not prepared for all segments and all departments in 2019. As such, the budget figures in the consolidated financial statements are not presented for the same scope of activities as the actual results.

The disclosed budget information was approved by the Chief and Council of the Mamalilikulla First Nation on October 29, 2018.

Chief and Council has not budgeted for the following segment:

Social Housing

| | 2019 | 2018 |
|---|--------------------|-------------|
| Budget approved by Chief and Council | 1,630,261 | - |
| Non-consolidated entities | (1,715,004) | - |
| Internal transfers | (91,375) | - |
| Budgeted annual deficit per statement of Operations and Accumulated Surplus (Deficit) | (176,118) | - |

16. Reorganization

Dissolution of related party controlled by the First Nation

Mamalilikulla First Nation Business Trust was dissolved on August 31, 2018. Prior to dissolution, all of the assets in Mamalilikulla First Nation Business Trust were transferred to the First Nation.

Incorporation of related parties controlled by the First Nation

Mamalilikulla Economic Development Corporation and Mamalilikulla Economic Development Limited Partnership were incorporated on October 24, 2018. Mamalilikulla Economic Development Corporation is a business entity controlled by Mamalilikulla First Nation and is the General Partner of Mamalilikulla Economic Development Limited Partnership. Upon incorporation all of the assets were transferred to Mamalilikulla Economic Development Limited Partnership. This transaction resulted in no material effect on the investment balances.

Mamalilikulla First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2019

| | <i>Buildings</i> | <i>Automotive equipment</i> | <i>Equipment</i> | <i>Boats</i> | <i>Social Housing</i> | <i>Subtotal</i> |
|--|------------------|---------------------------------|------------------|---------------|---------------------------|-----------------|
| Cost | | | | | | |
| Balance, beginning of year | 153,448 | 28,900 | 42,183 | 86,933 | 227,335 | 538,799 |
| Acquisition of tangible capital assets | 18,523 | 11,500 | - | 92,000 | - | 122,023 |
| Disposal of tangible capital assets | - | - | - | (47,074) | - | (47,074) |
| Write down of tangible capital assets | - | - | - | - | - | - |
| Balance, end of year | 171,971 | 40,400 | 42,183 | 131,859 | 227,335 | 613,748 |
| Accumulated amortization | | | | | | |
| Balance, beginning of year | 28,502 | 16,257 | 19,915 | 40,446 | 129,780 | 234,900 |
| Annual amortization | 6,710 | 5,518 | 4,454 | 9,354 | 4,878 | 30,914 |
| Accumulated amortization on disposals | - | - | - | (16,945) | - | (16,945) |
| Balance, end of year | 35,212 | 21,775 | 24,369 | 32,855 | 134,658 | 248,869 |
| Net book value of tangible capital assets | 136,759 | 18,625 | 17,814 | 99,004 | 92,677 | 364,879 |
| 2018 Net book value of tangible capital assets | 124,946 | 12,643 | 22,268 | 46,487 | 97,555 | 305,917 |

Mamalilikulla First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2019

| | <i>Subtotal</i> | <i>Docks</i> | <i>2019</i> | <i>2018</i> |
|--|-----------------|----------------|----------------|----------------|
| Cost | | | | |
| Balance, beginning of year | 538,799 | 128,243 | 667,042 | 559,018 |
| Acquisition of tangible capital assets | 122,023 | 273,781 | 395,804 | 135,243 |
| Disposal of tangible capital assets | (47,074) | - | (47,074) | - |
| Write down of tangible capital assets | - | - | - | (27,219) |
| Balance, end of year | 613,748 | 402,024 | 1,015,772 | 667,042 |
| Accumulated amortization | | | | |
| Balance, beginning of year | 234,900 | - | 234,900 | 187,918 |
| Annual amortization | 30,914 | 10,050 | 40,964 | 74,201 |
| Accumulated amortization on disposals | (16,945) | - | (16,945) | (27,219) |
| Balance, end of year | 248,869 | 10,050 | 258,919 | 234,900 |
| Net book value of tangible capital assets | 364,879 | 391,974 | 756,853 | 432,142 |
| 2018 Net book value of tangible capital assets | 305,917 | 128,243 | 432,142 | |

Mamalilikulla First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2019

| | 2019 Budget (Note 15) | 2019 | 2018 |
|--|--------------------------------------|------------------|------------------|
| Consolidated expenses by object | | | |
| Administration | 13,000 | 41 | 19,778 |
| Amortization | - | 40,964 | 74,201 |
| Bad debts | - | 92,789 | 55,080 |
| Bank charges and interest | 2,290 | 5,044 | 3,901 |
| Contracted services | 391,157 | 135,533 | 116,510 |
| Distribution to Band Members | (900) | 75,700 | 35,900 |
| Election expense | - | 12,767 | - |
| Honoraria | 9,150 | 10,350 | 30,155 |
| Insurance | 12,449 | 14,156 | 17,862 |
| Lease expense | 72,000 | - | - |
| Living allowance | 89,164 | 119,000 | 45,497 |
| Materials and supplies | 109,647 | 81,518 | 51,121 |
| Meeting expenses | 25,608 | 78,337 | 53,266 |
| Miscellaneous | 42,282 | 77,217 | 23,754 |
| Office expense | 27,667 | 24,698 | 16,650 |
| Loss on disposal of tangible capital asset | - | 10,130 | - |
| Professional fees | 76,673 | 98,917 | 150,704 |
| Property tax | 7,580 | 7,580 | - |
| Rent | 15,783 | 28,369 | 13,643 |
| Repairs and maintenance | 59,103 | 70,895 | 9,828 |
| Salaries and benefits | 419,053 | 483,982 | 260,658 |
| Supplies | - | 1,775 | - |
| Training | 9,882 | 11,986 | 23,982 |
| Travel | 102,568 | 150,838 | 65,273 |
| Tuition | 26,410 | 77,712 | 20,913 |
| Utilities and telephone | 16,282 | 17,451 | 10,413 |
| | 1,526,848 | 1,727,749 | 1,099,089 |

Mamalilikulla First Nation
Band Government
Schedule 3 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2019

| | 2019 Budget (Note 15) | 2019 | 2018 |
|-----------------------------------|--------------------------------------|------------------|-----------------|
| Revenue | | | |
| Indigenous Services Canada | 350,226 | 501,843 | 522,750 |
| Other revenue | 169,350 | 126,575 | - |
| | 519,576 | 628,418 | 522,750 |
| Expenses | | | |
| Administration | 13,000 | - | 19,778 |
| Bank charges and interest | 2,290 | 4,058 | 2,840 |
| Election expense | - | 12,767 | - |
| Contracted services | 23,703 | 19,514 | 34,132 |
| Honouraria | 9,150 | 10,350 | 30,155 |
| Insurance | 12,449 | 10,534 | 14,291 |
| Miscellaneous | 16,098 | 22,928 | 11,000 |
| Office expense | 12,787 | 20,947 | 12,240 |
| Professional fees | 72,002 | 87,325 | 48,142 |
| Rent | 15,783 | 15,900 | 12,103 |
| Repairs and maintenance | 10,666 | 10,207 | 5,914 |
| Materials and supplies | 19,819 | 24,554 | 13,452 |
| Salaries and benefits | 312,773 | 323,677 | 257,027 |
| Tuition | 26,410 | 77,712 | 20,913 |
| Supplies | - | 1,775 | - |
| Training | 6,180 | 5,592 | 3,756 |
| Travel | 76,611 | 106,645 | 47,842 |
| Utilities and telephone | 16,281 | 17,453 | 10,412 |
| Living allowance | 89,164 | 119,000 | 45,497 |
| Meeting expenses | 10,625 | 44,561 | 30,433 |
| | 745,791 | 935,499 | 619,927 |
| Deficit before transfers | (226,215) | (307,081) | (97,177) |
| Transfers between programs | 61,375 | 61,375 | 31,160 |
| Annual deficit | (287,590) | (245,706) | (66,017) |

Mamalilikulla First Nation
Economic Development
Schedule 4 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2019

| | 2019 Budget (Note 15) | 2019 | 2018 |
|---|--------------------------------------|------------------|------------------|
| Revenue | | | |
| Province of BC | 473,480 | 557,779 | 151,820 |
| Other revenue | 334,621 | 347,880 | 233,149 |
| Indigenous Services Canada | 19,847 | 92,537 | 457,166 |
| Earnings from investment in First Nation partnerships | - | 1,033,777 | 448,268 |
| Earnings from investment in First Nation business enterprises | - | 195,450 | 1,550,050 |
| Interest income | 3,206 | 24,624 | 30,741 |
| | 831,154 | 2,252,047 | 2,871,194 |
| Expenses | | | |
| Amortization | - | 36,086 | 25,148 |
| Bad debts | - | 92,789 | 39,259 |
| Contracted services | 367,454 | 116,019 | 82,379 |
| Distribution to Band Members | (900) | 75,700 | 35,900 |
| Lease expense | 72,000 | - | - |
| Materials and supplies | 89,828 | 56,965 | 37,669 |
| Meeting expenses | 14,983 | 33,776 | 22,833 |
| Miscellaneous | 26,184 | 54,289 | 12,754 |
| Office expense | 14,881 | 3,751 | 4,410 |
| Loss on disposal of tangible capital asset | - | 10,130 | - |
| Professional fees | 4,671 | 5,292 | 95,263 |
| Property tax | 7,580 | 7,580 | - |
| Rent | - | 12,469 | 1,540 |
| Repairs and maintenance | 48,436 | 59,626 | 2,325 |
| Salaries and benefits | 106,280 | 160,305 | 3,631 |
| Training | 3,702 | 6,394 | 20,226 |
| Travel | 25,958 | 44,192 | 17,431 |
| | 781,057 | 775,363 | 400,768 |
| Surplus before transfers | 50,097 | 1,476,684 | 2,470,426 |
| Transfers between programs | 30,000 | (61,375) | (31,160) |
| Annual surplus | 20,097 | 1,415,309 | 2,439,266 |

Mamalilikulla First Nation
Social Housing
Schedule 5 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2019

| | 2019 Budget (Note 15) | 2019 | 2018 |
|---|--------------------------------------|-----------------|-------------|
| Revenue | | | |
| Other revenue | - | - | 19,562 |
| Canada Mortgage and Housing Corporation | - | 1,661 | 1,661 |
| | - | 1,661 | 21,223 |
| Expenses | | | |
| Administration | - | 41 | - |
| Amortization | - | 4,878 | 49,053 |
| Bad debts | - | - | 15,821 |
| Bank charges and interest | - | 985 | 1,060 |
| Insurance | - | 3,622 | 3,571 |
| Professional fees | - | 6,300 | 7,300 |
| Repairs and maintenance | - | 1,061 | 1,589 |
| | - | 16,887 | 78,394 |
| Annual deficit | - | (15,226) | (57,171) |