

MOWACHAHT/MUCHALAHT FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020



Mowachaht/Muchalaht First Nation

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Mowachaht/Muchalaht First Nation are the responsibility of management and have been approved by the Council of Chiefs.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

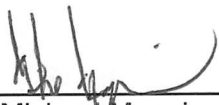
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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

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

The external auditors, Allemekinders & Company, conduct an independent examination, in accordance with Canadian generally accepted auditing standards on behalf of their members. The external auditors has full and free access to the Council of Chiefs and management of the Mowachaht/Muchalaht First Nation and meet when required.

On behalf of Mowachaht/Muchalaht First Nation:



Chief Michael Maquinna

INDEPENDENT AUDITOR'S REPORT

**To the Members,
Mowachaht/Muchalaht First Nation**

Opinion

I have audited the consolidated financial statements of the Mowachaht/Muchalaht First Nation (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Nation as at March 31, 2020, and the results of its consolidated operations, consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

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

My 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 my 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.

ALLEMEKINDERS & COMPANY

CHARTERED PROFESSIONAL ACCOUNTANT

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My 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.

I 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 I identify during my audit.



Chartered Professional Accountant

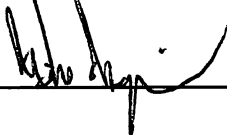
Campbell River, BC
June 1, 2021


MOWACHAHT/MUCHALAHT FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31, 2020

	Notes	2020 \$	2019 \$
Financial assets			
Cash and cash equivalents	3	4,180,921	2,828,503
Accounts receivable	4	583,354	344,655
Short term investments	5	0	2,528,778
Funds held in trust by government	6	5,342,269	5,158,242
Investment in government business entities	7	3,140,832	2,973,908
		<u>13,247,376</u>	<u>13,834,086</u>
Liabilities			
Accounts payable and accrued liabilities	8	320,309	609,398
Employee benefit obligations	9	60,640	68,895
Due to related entities	10	1,595	1,595
Deferred revenues	11	642,736	461,273
Long-term debt	12	804,246	2,698,175
		<u>1,829,526</u>	<u>3,839,336</u>
Net financial assets		<u>11,417,850</u>	<u>9,994,750</u>
Non-financial assets			
Deferred expenditures	13	169,357	306,497
Tangible capital assets	14	10,109,763	10,141,543
		<u>10,279,120</u>	<u>10,448,040</u>
Accumulated surplus	15	<u>21,696,970</u>	<u>20,442,790</u>

Contingent liabilities (Note 16)

APPROVED ON BEHALF OF THE COUNCIL OF CHIEFS





MOWACHAHT/MUCHALAHT FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2020

	2020 Budget (Note 20) \$	2020 \$	2019 \$
Revenues			
Nuu-chah-nulth Tribal Council	2,313,025	2,401,497	2,642,308
Gain on forgiveness of Treaty Loan	0	1,839,801	0
Province of British Columbia	707,522	583,077	491,519
First Nations Health Authority	98,008	97,008	2,500
CMHC	69,027	69,027	77,216
First People's Heritage, Language & Cultural	42,240	43,685	48,790
First Nations Education Steering Committee	0	11,992	5,000
Other sources:			
Government business entities	0	982,160	109,415
BC gaming revenue sharing	0	380,054	0
Cooperation agreements	256,830	258,070	302,277
Marina & tourism revenue	0	236,036	39,054
Interest income	80,000	176,864	228,647
Rental income	170,040	170,240	171,200
Miscellaneous	50,803	113,443	106,852
Road use permits	80,000	99,482	106,052
Subsidies and user fees	30,000	87,150	72,028
Licenses and lease income	0	25,897	0
Contracts and fees	0	12,455	11,824
	<u>3,897,495</u>	<u>7,587,938</u>	<u>4,414,682</u>
Expenses			
Administration	1,266,675	1,342,409	1,183,863
Public works	466,222	485,116	367,147
Health & social development programs	869,071	946,005	798,374
Education programs	465,928	452,334	354,744
Culture & community development	333,254	305,283	279,311
Economic development	0	340,374	95,235
Intergovernmental issues	300,975	352,603	397,111
Resource management & development	888,276	857,229	441,463
Capital projects	139,209	172,564	188,161
Housing programs	220,135	400,309	272,030
Treaty negotiations	0	0	6,833
Government business entities	0	3,599	223,029
Amortization and loss on disposal of assets	0	675,933	756,791
	<u>4,949,745</u>	<u>6,333,758</u>	<u>5,364,092</u>
Annual surplus (deficit)	<u>(1,052,250)</u>	<u>1,254,180</u>	<u>(949,410)</u>
Accumulated surplus, beginning of Year	<u>20,442,790</u>	<u>20,442,790</u>	<u>21,392,200</u>
Accumulated surplus, end of year	<u><u>19,390,540</u></u>	<u><u>21,696,970</u></u>	<u><u>20,442,790</u></u>

MOWACHAHT/MUCHALAHT FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2020

	2020 Budget (Note 20) \$	2020 \$	2019 \$
Annual surplus (deficit)	<u>(1,052,250)</u>	<u>1,254,180</u>	<u>(949,410)</u>
Tangible capital assets			
Acquisition of capital assets	(543,320)	(644,153)	(1,078,583)
Amortization of capital assets	0	617,433	564,157
Proceeds on disposal of capital assets	0	0	11,000
Loss (gain) on disposal of capital assets	0	58,500	190,134
	<u>(543,320)</u>	<u>31,780</u>	<u>(313,292)</u>
 Consumption (acquisition) of deferred expenses	 <u>0</u>	 <u>137,140</u>	 <u>(236,123)</u>
	<u>0</u>	<u>137,140</u>	<u>(236,123)</u>
 Change in net financial assets	 (1,595,570)	 1,423,100	 (1,498,825)
 Net financial assets, beginning of year	 <u>9,994,750</u>	 <u>9,994,750</u>	 <u>11,493,575</u>
Net financial assets, end of year	<u><u>8,399,180</u></u>	<u><u>11,417,850</u></u>	<u><u>9,994,750</u></u>

MOWACHAHT/MUCHALAHT FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2020

	2020 \$	2019 \$
Operating transactions		
Annual surplus (deficit) ¹	1,254,180	(949,410)
Non-cash items included in annual surplus (deficit)	(2,326,455)	645,839
Changes in working capital accounts	(217,440)	(16,167)
	<u>(1,289,715)</u>	<u>(319,738)</u>
Capital transactions		
Purchase of capital assets	(644,153)	(1,078,583)
Proceeds on sale of capital assets	0	11,000
	<u>(644,153)</u>	<u>(1,067,583)</u>
Investing transactions		
Investment in Nation business entities	(363)	(1,014)
Recovery from Nation business entities	812,000	2,529,000
	<u>811,637</u>	<u>2,527,986</u>
Financing transactions		
Repayment of long term debt	(54,129)	(53,180)
	<u>(54,129)</u>	<u>(53,180)</u>
Increase (decrease) in cash and equivalents	(1,176,360)	1,087,485
Cash and equivalents, beginning of year	<u>5,357,281</u>	<u>4,269,796</u>
Cash and equivalents, end of year	<u><u>4,180,921</u></u>	<u><u>5,357,281</u></u>
Represented by:		
Cash and cash equivalents	4,180,921	2,828,503
Short term investments	0	2,528,778
	<u><u>4,180,921</u></u>	<u><u>5,357,281</u></u>

¹ Interest received outside of Ottawa Trust accounts during the year was \$144,275 (2019 - \$114,015). Interest paid during the year was \$15,154 (2019 - \$16,165). Interest received is made up of the interest income from the Statement of Operations. Interest paid is made up of the interest on long term debt portion of the interest expense from the Statement of Operations in the amount of \$15,135 (2019 - \$16,083) plus the change in the accrued interest payable in the amount of \$19 (2019 - \$82).

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting Entity

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

b) Principles of Consolidation

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

Consolidation Method

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

- Mowachaht/Muchalaht First Nation government administration
- Mowachaht/Muchalaht First Nation housing programs

Modified Equity Method

This method reports only a Government's investment in and the net income or loss of the organization. No adjustment is made for accounting policies of the enterprise that are different from those of the Nation. In addition, any amounts receivable or payable are consolidated in the financial statements after eliminating any intercompany transactions and balances. The organizations included through the modified equity method are:

- 447839 BC Ltd.
- 1008653 BC Ltd.
- 1129958 BC Ltd.
- 1198759 BC Ltd.
- Matchlee General Partner Ltd.
- Matchlee Limited Partnership
- Nu-u-chah-nulth Seafood Limited Partnership (disposed during the year)

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Asset Classification

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

d) Cash

Cash and cash equivalents include cash on hand, balances with banks net of bank overdraft and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments. Cash and cash equivalents are recorded at cost.

e) Portfolio investments

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

- Nuu-chah-nulth Seafood Development Corp. (disposed during the year)
- BCFN GRS GP Inc.

f) Financial Instruments

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

g) Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation with a corresponding amount recorded as revenue. Tangible capital assets under construction are not amortized until the asset is available or use.

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets are amortized annually over their expected useful lives using the straight-line method at the following rates:

Community buildings	40 years
Housing and minor buildings	15-25 years
Community infrastructure	20-40 years
Equipment and furnishings	5-15 years
Computer and technology equipment	5 years
Automotive & vessels	5-10 years

When management determines that a tangible capital asset no longer contributes to the Nation's ability to provide goods and services or that the value of future benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is written down.

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

h) Employee Benefit Obligations

The Nation maintains a defined contribution pension plan for its staff. Expenses for this plan are equal to the Nation's required contribution for the year.

i) Net Debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

j) Revenue Recognition

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

Non-government Funding - Revenue is recognized as it becomes receivable under the terms of 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.

Funds held in trust - The Nation recognizes revenue of the Capital and Revenue Trust Fund at the time funds are contributed to the accounts held in Ottawa. Road use fees and interest revenue are recognized when earned..

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sales - Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer and collection is reasonably assured.

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.

Other Revenue - Other revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the Nation and when the amount of revenue can be reliably measured and collectibility is reasonably assured. Revenue is measured at the fair value of the consideration received or receivable.

k) Comparative Figures

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

l) Measurement Uncertainty

In preparing the consolidated financial statements for the Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include valuation allowances for accounts receivable and amortization of capital assets. Actual results could differ from these estimates.

m) Liability for Contaminated Sites

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the Nation is directly responsible or accepts responsibility
- (iv) it is expected that future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

As at March 31, 2019 and 2020, no liability for contaminated sites has been recorded.

2. ECONOMIC DEPENDENCE

The First Nation receives the major portion of its operating revenues pursuant to an agreement with Indigenous Services Canada and the Nuu-chah-nulth Tribal Council referred to as "Canada First Nation Funding Agreement" (CFNFA).

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

3. CASH AND CASH EQUIVALENTS

Replacement Reserve - Under the terms of agreements with Canada Mortgage and Housing Corporation, Mowachaht/Muchalaht First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement Reserve Fund.

Operating Reserve - Under the terms of the agreements with Canada Mortgage and Housing Corporation, excess federal assistance payments received are to be retained in subsidy surplus and operating reserve accounts. The reserves are to be comprised of monies deposited 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 this account may only be used to meet future program requirements.

Cash and cash equivalents is comprised of the following:

	2020	2019
	\$	\$
Externally restricted		
Replacement reserve	83,287	78,741
Operating reserve	1,940	23,871
	<u>85,227</u>	<u>102,612</u>
Unrestricted		
General accounts	3,770,593	2,406,395
Cash and other accounts	325,101	319,496
	<u>4,095,694</u>	<u>2,725,891</u>
Total Cash and Cash Equivalents	<u><u>4,180,921</u></u>	<u><u>2,828,503</u></u>

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2020	2019
	\$	\$
Due from members:		
Member loans and advances	15,614	15,953
Member rent and utility arrears	164,322	127,461
	179,936	143,414
Less: Allowance for doubtful accounts	(179,936)	(143,414)
	0	0
Due from others:		
Nuu-chah-nulth Tribal Council	415,382	139,595
Government ministries and agencies	38,875	170,059
C.M.H.C.	34,513	5,752
Sales tax recoveries	36,510	19,397
General receivables	58,074	9,852
	583,354	344,655
Less: Allowance for doubtful accounts	0	0
	583,354	344,655
Net accounts receivable	583,354	344,655

5. SHORT TERM INVESTMENTS

	2020	2019
	\$	\$
Term deposit - 12 month 2 day term to November 18, 2019 with interest at 2.43% per annum	0	655,842
Term deposit - 12 month 2 day term to November 18, 2019 with interest at 2.43% per annum	0	655,842
Term deposit - 12 month 2 day term to November 18, 2019 with interest at 2.43% per annum	0	706,291
Term deposit - 36 month term to January 8, 2021 with interest at 2.05% and escalating annually.	0	510,803
	0	2,528,778

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

6. FUNDS HELD IN TRUST BY GOVERNMENT

Trust fund accounts arise from funds derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Section 63 to 69 of the Indian Act.

	2019 \$	Income \$	Received \$	Withdrawals \$	2020 \$
Revenue accounts:					
Cash account	4,901,312	104,027	96,257	0	5,101,596
Receivable	56,717	0	(16,257)	0	40,460
Deferred revenue	(60,000)	80,000	(80,000)	0	(60,000)
Capital accounts:					
Cash account	260,213	0	0	0	260,213
	<u>5,158,242</u>	<u>184,027</u>	<u>0</u>	<u>0</u>	<u>5,342,269</u>

7. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES & PARTNERSHIPS

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

	2020 \$	2019 \$
Portfolio Investments		
Nuu-chah-nulth Seafood Development Corporation	0	21
BCFN GRS GP Inc.	110	0
Government Business Enterprises		
447839 BC Ltd.	6	6
1008653 BC Ltd.	5	5
1129958 BC Ltd.	1	1
1198759 BC Ltd.	5	5
Matchlee General Partner Ltd.	4,797	3,856
Government Business Partnerships		
Matchlee Limited Partnership	3,135,908	2,495,736
Nuu-chah-nulth Seafood Limited Partnership	0	474,278
	<u>3,140,832</u>	<u>2,973,908</u>

The Nation owned 16.67% of the shares of Nuu-chah-nulth Seafood Development Corporation which were sold during the year. The Nation acquired shares in BCFN GRS GP Inc. (below 1%) during the year.

The Nation owns 100% of the shares of 447839 BC Ltd., 1008653 BC Ltd., 1129958 BC Ltd., 1198759 BC Ltd., and Matchlee General Partner Ltd..

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

7. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES & PARTNERSHIPS (continued)

The Nation has limited partner interests of 99.9% in the Matchlee Limited Partnership and had a 16.67% in the Nuu-chah-nulth Seafood Limited Partnership which was sold during the year.

The following table presents condensed and summarized financial information for the most recent year ends for these commercial enterprises:

DESCRIPTION	Government Business Enterprises	Government Business Partnerships
Assets		
Current	3,619,003	11
Capital & Other	103,509	7,798
	<u>3,722,512</u>	<u>7,809</u>
Liabilities		
Current	181,218	3,001
Long Term	399,867	565,919
	<u>581,085</u>	<u>568,920</u>
Partner's Interest	<u>7,798</u>	<u>0</u>
Net Assets (Liabilities)	<u><u>3,133,629</u></u>	<u><u>(561,111)</u></u>
Total Revenues	8,893,197	941
Total Expenses	<u>7,955,430</u>	<u>253</u>
Net Income (Loss) for the Year	<u><u>937,767</u></u>	<u><u>688</u></u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020 \$	2019 \$
Trade payables	131,904	271,617
Accrued salaries and benefits payable	68,477	104,417
Nuu-chah-nulth Tribal Council	0	14,066
Other accrued liabilities	<u>119,928</u>	<u>219,298</u>
	<u><u>320,309</u></u>	<u><u>609,398</u></u>

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

9. EMPLOYEE BENEFIT OBLIGATIONS

	2020	2019
	\$	\$
Vacation and overtime	60,640	62,580
Pension plan contributions	0	6,315
	<u>60,640</u>	<u>68,895</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 5% of their salary. The Nation contributes 5% which contributions are directed to the member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. The Nation contributed during the year \$68,062 (2019- \$58,377) for retirement benefits. The Nation does not have any other obligations with regards to the pension plan as at March 31, 2020.

10. DUE TO RELATED ENTITIES

	2020	2019
	\$	\$
Current Operating Advances due to (from):		
Matchlee Limited Partnership	0	0
447839 BC Ltd.	1,589	1,589
1129958 BC Ltd.	1	1
1198759 BC Ltd.	5	5
	<u>1,595</u>	<u>1,595</u>

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

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

11. DEFERRED REVENUES

	2019 \$	Funding received \$	Revenue Recognized \$	2020 \$
Nuu-chah-nulth Tribal Council				
Specific Claims	6,226	0	(533)	5,693
Capital Infrastructure	230,909	128,665	(101,300)	258,274
	<u>237,135</u>	<u>128,665</u>	<u>(101,833)</u>	<u>263,967</u>
Provincial Government				
Ministry of Forests, Lands, Natural Resource Operations & Rural Development	81,968	0	0	81,968
Strategic Forestry Initiative	74,752	0	(74,752)	0
Rural Dividend Grant	7,614	0	(6,320)	1,294
Strategic Forestry Envelope	0	200,000	(9,154)	190,846
BCCF MYAP	30,000	0	0	30,000
Other agencies	29,804	49,750	(4,893)	74,661
	<u>224,138</u>	<u>249,750</u>	<u>(95,119)</u>	<u>378,769</u>
	<u>461,273</u>	<u>378,415</u>	<u>(196,952)</u>	<u>642,736</u>

12. LONG-TERM DEBT

	2020 \$	2019 \$
All Nations Trust Company		
Term Loan (CMHC Phase 2)	100,862	113,290
Term Loan (CMHC Phase 3)	703,384	745,084
Nuu-chah-nulth Tribal Council (BC Treaty Commission)		
Treaty Negotiation Loan	0	1,839,801
	<u>804,246</u>	<u>2,698,175</u>

a) All Nations Trust Company - Term Loan (CMHC Phase 2)

The Nation has entered into a loan for the construction of 6 housing units referred to as CMHC Phase 2 with the All Nations Trust Company which is repayable in monthly blended payments of \$1,199, including interest based on 120 month amortization with an interest rate of 1.84% per annum. The loan is due for renewal on September 1, 2022. The net book value of the housing units at March 31, 2020 is \$284,978

b) All Nations Trust Company - Term Loan (CMHC Phase 3)

The Nation has entered into a loan for the construction of 9 housing units referred to as CMHC Phase 3 with the All Nations Trust Company which is repayable in monthly blended payments of \$4,573, including interest based on 238 month amortization with an interest rate of 1.83% per annum. The loan is due for renewal on December 1, 2024. The net book value of the housing units at March 31, 2020 is \$759,746

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

12. LONG-TERM DEBT (continued)

c) Nuu-chah-nulth Tribal Council (BC Treaty Commission)- Treaty Negotiation Loan

The Nation had entered into a loan for funding of treaty negotiations with the BC Treaty Commission through the Nuu-chah-nulth Tribal Council. During the year the loan principal has been forgiven in full resulting in a gain on forgiveness of debt of \$1,839,801.

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:

Year ended March 31, 2021	\$55,052
Year ended March 31, 2022	\$57,039
Year ended March 31, 2023	\$57,136
Year ended March 31, 2024	\$58,187
Year ended March 31, 2025	\$59,258

13. DEFERRED EXPENDITURES

Deferred expenditures represent payments made before March 31, 2020 which will be funded from future year's revenues.

	2020	2019
	\$	\$
Prepaid Social Assistance payments	22,323	18,817
Prepaid expenditures	147,034	287,680
	<u>169,357</u>	<u>306,497</u>

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

14. TANGIBLE CAPITAL ASSETS

	Community Infrastructure Systems \$	Community Buildings \$	Housing \$	Vehicles, Vessels & Equipment \$	Total \$
Year ended March 31, 2020					
Cost					
Opening	7,664,138	6,699,925	3,513,956	776,720	18,654,739
Acquisitions	110,974	17,655	0	515,524	644,153
Disposals	0	0	0	(128,948)	(128,948)
Closing	<u>7,775,112</u>	<u>6,717,580</u>	<u>3,513,956</u>	<u>1,163,296</u>	<u>19,169,944</u>
Accumulated amortization					
Opening	3,178,798	2,662,311	2,262,200	409,887	8,513,196
Amortization	209,988	177,741	140,559	89,145	617,433
Disposals	0	0	0	(70,448)	(70,448)
Closing	<u>3,388,786</u>	<u>2,840,052</u>	<u>2,402,759</u>	<u>428,584</u>	<u>9,060,181</u>
Net book value	<u>4,386,326</u>	<u>3,877,528</u>	<u>1,111,197</u>	<u>734,712</u>	<u>10,109,763</u>
Year ended March 31, 2019					
Cost					
Opening	7,365,105	6,611,126	3,513,956	573,954	18,064,141
Acquisitions	299,033	538,799	0	240,751	1,078,583
Disposals	0	(450,000)	0	(37,985)	(487,985)
Closing	<u>7,664,138</u>	<u>6,699,925</u>	<u>3,513,956</u>	<u>776,720</u>	<u>18,654,739</u>
Accumulated amortization					
Opening	2,972,724	2,746,225	2,121,641	395,300	8,235,890
Amortization	206,074	169,211	140,559	48,313	564,157
Disposals	0	(253,125)	0	(33,726)	(286,851)
Closing	<u>3,178,798</u>	<u>2,662,311</u>	<u>2,262,200</u>	<u>409,887</u>	<u>8,513,196</u>
Net book value	<u>4,485,340</u>	<u>4,037,614</u>	<u>1,251,756</u>	<u>366,833</u>	<u>10,141,543</u>

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

15. ACCUMULATED SURPLUS

	2020	2019
	\$	\$
Externally Restricted:		
Funds held in trust by government	5,342,269	5,158,242
Housing replacement reserve	83,287	78,741
Housing operating reserve	1,940	23,871
	<u>5,427,496</u>	<u>5,260,854</u>
Internally Restricted:		
Invested in tangible capital assets	9,305,517	7,443,368
Invested in government business entities	3,140,832	2,973,908
Other internally restricted:		
Public Works - Covid19	6,326	0
Health & Social Development	288,061	332,502
Education	121,932	235,310
Gaming Revenue Sharing	373,603	0
Fisheries Litigation	0	42,424
Residential Housing	106,202	35,283
	<u>13,342,473</u>	<u>11,062,795</u>
Unrestricted surplus	2,927,001	4,119,141
Accumulated surplus at end of year	<u><u>21,696,970</u></u>	<u><u>20,442,790</u></u>

16. CONTINGENT LIABILITIES

The Nation has entered into contribution agreements with the Nuu-chah-nulth Tribal Council and various federal and provincial government departments. Funding received under these contribution agreements is subject to repayment if the Nation fails to comply with the terms and conditions of the agreements.

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

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

17. SCHEDULE OF EXPENDITURES BY OBJECT

The following is a summary of expenses by object:

	2020	2019
	\$	\$
Wages and payroll costs	2,242,183	1,780,723
Contract and subcontract costs	779,998	488,703
Direct member benefits	411,506	390,476
Repairs and maintenance	305,454	154,296
Consulting and professional fees	295,306	332,802
Travel	275,429	257,888
Materials and supplies	219,534	117,491
Medical travel	148,669	90,965
Utilities	113,122	146,407
Insurance	105,368	97,658
Equipment costs	100,968	61,864
Meeting and workshop costs	93,843	47,803
Dues, fees, licenses & subscriptions	86,208	9,192
Vehicle & vessel costs	83,284	22,508
Funeral support, donations and gifts	77,538	75,375
Honoraria	74,170	52,878
Telecommunications	58,524	40,445
Training	38,306	51,641
Allowance for doubtful accounts	36,862	10,729
Social Program costs	36,062	42,996
Interest and bank charges	28,101	21,381
Residential construction costs	25,393	84,375
Rent	17,080	1,708
Miscellaneous	1,318	3,968
Amortization	617,433	564,157
Loss on disposal of assets	58,500	192,634
Investments - Share of net loss	3,599	223,029
	6,333,758	5,364,092

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

18. GOVERNMENT TRANSFERS

	2020	2019
	\$	\$
Revenue		
Nuu-chah-nulth Tribal Council	2,401,497	2,642,308
Canada Mortgage and Housing Corporation	69,027	77,216
Canadian Food Inspection Agency	20,290	13,135
Province of British Columbia	583,077	491,519
	<u>3,073,891</u>	<u>3,224,178</u>

19. RELATED PARTY TRANSACTIONS

The following summarizes the Nation's related party transactions for the year:

	2020	2019
	\$	\$
Revenue		
Contracts and fees		
Matchlee Limited Partnership	12,000	0

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of services or supply of product or services.

20. BUDGET FIGURES

Unaudited budgeted figures have been provided for comparison purposes and have been derived from contracts and agreements approved by the Council of Chiefs.

21. SIGNIFICANT EVENT

In March 2020, the World Health Organization declared a global pandemic related to the disease known as COVID-19 for which the financial and economic impacts are expected to be far reaching.

As the impacts of COVID-19 continue, there could be further impact on the Nation, its members, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the Nation's assets and future ability to deliver services and projects. The Nation understands this health and economic crisis presents uncertainty over future cash flows and expects a material decrease in the BC Gaming revenue sharing revenue. An estimate of the amount cannot be determined at this time.

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

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:

General Administration

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

Public Works

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

Housing

Housing contains activities that relate to on reserve housing.

Health & Social Development

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

Education

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

Culture & Community Development

Culture & Community Development contains activities that are involved in the development of the cultural and interpersonal aspects of the community.

Economic Development

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

Intergovernmental Issues

Intergovernmental Issues contains activities that are involved in negotiation and litigation between the Nation and other levels of government outside of the Treaty process.

Resource Management & Development

Resource Management & Development contains activities that are involved in the management and development of natural resource opportunities and areas of interest.

**MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020**

22. SEGMENT DISCLOSURE (continued)

Treaty

Treaty contains activities associated with the treaty negotiations between the Nation, the province and the federal government.

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

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

22. SEGMENT DISCLOSURE (continued)

	General Administration		Public Works		Housing		Health & Social Development	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Tribal Council	765,589	844,155	151,322	325,292	96,312	95,592	829,291	792,056
Federal	0	0	0	0	69,027	77,216	0	0
Provincial	0	0	6,320	156,542	0	0	42,000	30,000
Other	2,163,171	349,388	88,900	101,273	160,112	163,410	97,511	9,845
	<u>2,928,760</u>	<u>1,193,543</u>	<u>246,542</u>	<u>583,107</u>	<u>325,451</u>	<u>336,218</u>	<u>968,802</u>	<u>831,901</u>
Expenses								
Salaries & benefits	878,513	860,879	135,012	107,259	115,963	88,961	218,121	191,684
Interest	0	0	0	0	15,135	16,083	0	0
Amortization	0	0	476,874	423,598	140,559	140,559	0	0
Loss on disposal	0	0	0	192,634	0	0	0	0
Other	463,896	322,984	497,275	367,500	321,604	280,661	793,622	673,772
	<u>1,342,409</u>	<u>1,183,863</u>	<u>1,109,161</u>	<u>1,090,991</u>	<u>593,261</u>	<u>526,264</u>	<u>1,011,743</u>	<u>865,456</u>
Transfers	94,908	113,786	372,894	534,287	146,475	215,130	0	(24,055)
Annual Surplus (Deficit)	<u>1,681,259</u>	<u>123,466</u>	<u>(489,725)</u>	<u>26,403</u>	<u>(121,335)</u>	<u>25,084</u>	<u>(42,941)</u>	<u>(57,610)</u>

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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22. SEGMENT DISCLOSURE (continued)

	Education		Culture & Community Development		Economic Development		Intergovernmental Issues	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Tribal Council	265,358	285,813	62,795	14,655	0	0	533	89,946
Federal	0	0	0	53,323	0	0	0	0
Provincial	0	0	0	0	278,904	294,096	0	0
Other	141,098	124,283	16,491	14,697	1,877,808	452,496	0	0
	<u>406,456</u>	<u>410,096</u>	<u>79,286</u>	<u>82,675</u>	<u>2,156,712</u>	<u>746,592</u>	<u>533</u>	<u>89,946</u>
Expenses								
Salaries & benefits	312,605	221,238	78,189	77,243	115,735	16,980	83,825	41,463
Interest	0	0	0	0	0	0	0	0
Amortization	0	0	0	0	0	0	0	0
Loss on disposal	0	0	0	0	58,500	0	0	0
Other	207,229	220,341	227,094	202,068	278,128	352,284	268,778	355,648
	<u>519,834</u>	<u>441,579</u>	<u>305,283</u>	<u>279,311</u>	<u>452,363</u>	<u>369,264</u>	<u>352,603</u>	<u>397,111</u>
Transfers	0	29,055	235,058	196,636	(1,443,851)	(1,869,770)	179,525	448,037
Annual Surplus (Deficit)	<u>(113,378)</u>	<u>(2,428)</u>	<u>9,061</u>	<u>0</u>	<u>260,498</u>	<u>(1,492,442)</u>	<u>(172,545)</u>	<u>140,872</u>

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

22. SEGMENT DISCLOSURE (continued)

	Resource Management & Development		Treaty		Elimination of inter segment transactions		Consolidated Total	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Revenue								
Tribal Council	230,297	191,199	0	0	0	0	2,401,497	2,638,708
Federal	50,290	13,135	0	0	0	0	119,317	143,674
Provincial	255,853	10,881	0	0	0	0	583,077	491,519
Other	230,944	245,467	0	0	(291,988)	(320,078)	4,484,047	1,140,781
	<u>767,384</u>	<u>460,682</u>	<u>0</u>	<u>0</u>	<u>(291,988)</u>	<u>(320,078)</u>	<u>7,587,938</u>	<u>4,414,682</u>
Expenses								
Salaries & benefits	304,220	175,016	0	0	0	0	2,242,183	1,780,723
Interest	0	0	0	0	0	0	15,135	16,083
Amortization	0	0	0	0	0	0	617,433	564,157
Loss on disposal	0	0	0	0	0	0	58,500	192,634
Other	634,869	348,482	0	6,833	(291,988)	(320,078)	3,400,507	2,810,495
	<u>939,089</u>	<u>523,498</u>	<u>0</u>	<u>6,833</u>	<u>(291,988)</u>	<u>(320,078)</u>	<u>6,333,758</u>	<u>5,364,092</u>
Transfers	414,991	389,279	0	(32,385)	0	0	0	0
Annual Surplus (Deficit)	<u>243,286</u>	<u>326,463</u>	<u>0</u>	<u>(39,218)</u>	<u>0</u>	<u>0</u>	<u>1,254,180</u>	<u>(949,410)</u>