

**Gwa'Sala-Nakwaxda'xw Nation**  
**Consolidated Financial Statements**  
*March 31, 2017*

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# Gwa'Sala-Nakwaxda'xw Nation

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For the year ended March 31, 2017

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## **Management's Responsibility**

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To the Members of Gwa'Sala-Nakwaxda'xw Nation:

The accompanying consolidated financial statements of Gwa'Sala-Nakwaxda'xw 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 consolidated 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 consolidated 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 consolidated financial statements.

The Gwa'Sala-Nakwaxda'xw Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated 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 Nation's external auditors.

MNP LLP is appointed by the Members to audit the consolidated 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 Council and management to discuss their audit findings.

July 27, 2017



Band Manager

## Independent Auditors' Report

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To the Members of Gwa'Sala-Nakwaxda'xw Nation:

We have audited the accompanying consolidated financial statements of Gwa'Sala-Nakwaxda'xw Nation, which comprise the consolidated statement of financial position as at March 31, March 31, 2017, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, cash flows and the related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gwa'Sala-Nakwaxda'xw Nation as at March 31, 2017 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Nanaimo, British Columbia

July 27, 2017

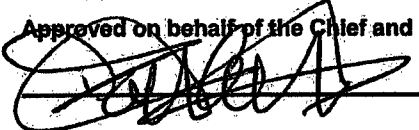
**MNP LLP**

Chartered Professional Accountants

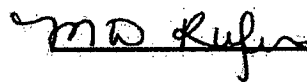
**Gwa'Sala-Nakwaxda'xw Nation**  
**Consolidated Statement of Financial Position**  
*As at March 31, 2017*

	2017	2016
<b>Financial assets</b>		
Cash resources	2,896,007	1,152,873
Accounts receivable (Note 3)	631,750	620,223
Advances to related Nation entities (Note 4)	484,061	483,559
Portfolio investments (Note 5)	28,186,264	28,184,153
Investments in Nation partnerships (Note 6)	444,617	238,948
Investment in Nation business entities (Note 6)	555,544	2,137,450
Funds held in trust (Note 7)	309,398	301,332
Investment in Treaty (Note 8)	9,097,221	8,446,596
Restricted cash (Note 9)	270,692	243,969
<b>Total financial assets</b>	<b>42,875,554</b>	<b>41,809,103</b>
<b>Liabilities</b>		
Accounts payable and accruals	458,562	389,194
Deferred revenue	174,847	222,685
Long-term debt (Note 10)	2,280,043	1,539,074
First Nation Loan Agreement (Note 8)	7,450,714	6,905,754
Due to partner Nations (Note 11)	289,784	289,784
<b>Total liabilities</b>	<b>10,653,950</b>	<b>9,346,491</b>
<b>Net financial assets</b>	<b>32,221,604</b>	<b>32,462,612</b>
<b>Contingencies (Note 19)</b>		
<b>Subsequent event (Note 20)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	11,115,918	9,923,467
Prepaid expenses	22,221	17,449
<b>Total non-financial assets</b>	<b>11,138,139</b>	<b>9,940,916</b>
<b>Accumulated surplus (Note 13)</b>	<b>43,359,743</b>	<b>42,403,528</b>

Approved on behalf of the Chief and Council



Chief



Councilor

**Gwa'Sala-Nakwaxda'xw Nation**  
**Consolidated Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2017*

	<i>Schedules</i>	<i>2017 Budget (Note 18)</i>	<i>2017</i>	<i>2016</i>
<b>Revenue</b>				
Indigenous and Northern Affairs Canada (Note 16)		4,950,778	5,652,769	5,382,202
First Nations Health Authority		-	1,159,906	1,152,887
Other revenue		49,020	412,917	475,413
First Nation Education Steering Committee		162,000	358,368	401,204
Department of Fisheries and Oceans Canada		-	100,799	217,541
Canada Mortgage and Housing Corporation		1,200	218,571	86,526
Province of British Columbia		925,000	2,245,874	1,265,796
Interest income		11,000	1,575,456	2,865,197
Rental income		11,400	202,468	215,452
School District 85		-	289,807	226,103
British Columbia Treaty Commission		-	248,740	186,240
Marine services and fisheries		-	242,428	55,620
Fishing Income		-	135,459	-
Earnings from investment in Nation partnerships		-	205,669	279,092
Earnings (loss) from investment in Nation business entities		-	(1,581,906)	568,440
Coast Opportunity Fund		-	-	1,116,192
Nanwakolas distributions		-	-	5,000
		<b>6,110,398</b>	<b>11,467,325</b>	<b>14,498,905</b>
<b>Program expenses</b>				
Administration	3	622,959	993,569	969,461
Income Assistance	4	898,474	1,042,897	941,588
Education	5	341,758	544,618	610,901
Economic Development	6	144,494	404,958	1,547,512
Community Infrastructure	7	50,547	151,317	196,785
Natural Resources	8	-	593,910	268,655
Capital Projects	9	338,692	392,399	279,923
Community	10	64,698	1,241,765	944,731
Health	11	-	1,098,175	919,692
Gwa'Sala'Nakwaxda'xw School	12	2,168,654	2,598,197	2,559,389
CMHC Social Housing	13	-	317,712	232,068
Trust	14	-	896,343	875,732
		<b>4,630,276</b>	<b>10,275,860</b>	<b>10,346,437</b>
<b>Annual surplus</b>		<b>1,480,122</b>	<b>1,191,465</b>	<b>4,152,468</b>
<b>Accumulated surplus, beginning of year</b>		<b>42,403,528</b>	<b>42,403,528</b>	<b>38,483,260</b>
<b>Distribution to members</b>		<b>-</b>	<b>(235,250)</b>	<b>(232,200)</b>
<b>Accumulated surplus, end of year</b>		<b>43,883,650</b>	<b>43,359,743</b>	<b>42,403,528</b>

The accompanying notes are an integral part of these financial statements

**Gwa'Sala-Nakwaxda'xw Nation**  
**Consolidated Statement of Changes in Net Financial Assets**  
*For the year ended March 31, 2017*

	<b>2017 Budget (Note 18)</b>	<b>2017</b>	<b>2016</b>
<b>Annual surplus</b>	<b>1,480,122</b>	<b>1,191,465</b>	<b>4,152,468</b>
Purchases of tangible capital assets	(1,655,864)	(1,737,210)	(2,049,440)
Amortization of tangible capital assets	-	544,759	509,333
Distribution to members	-	(235,250)	(232,200)
Acquisition of prepaid expenses	-	(4,772)	-
Use of prepaid expenses	-	-	46,028
<b>Increase (decrease) in net financial assets</b>	<b>(175,742)</b>	<b>(241,008)</b>	<b>2,426,189</b>
<b>Net financial assets, beginning of year</b>	<b>32,462,612</b>	<b>32,462,612</b>	<b>30,036,423</b>
<b>Net financial assets, end of year</b>	<b>32,286,870</b>	<b>32,221,604</b>	<b>32,462,612</b>

*The accompanying notes are an integral part of these financial statements*

**Gwa'Sala-Nakwaxda'xw Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2017*

	2017	2016
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual surplus	1,191,465	4,152,468
Non-cash items		
Amortization	544,759	509,333
Earnings from investment in Nation partnerships	(205,669)	(279,092)
Loss (earnings) from investment in Nation businesses	1,581,906	(568,440)
	3,112,461	3,814,269
Changes in working capital accounts		
Accounts receivable	(11,527)	148,296
Prepaid expenses	(4,772)	46,028
Accounts payable and accruals	69,368	(69,909)
Deferred revenue	(47,838)	78,002
	3,117,692	4,016,686
<b>Financing activities</b>		
Advances of First Nation Loan Agreement	544,960	544,960
Advances of long-term debt	833,789	-
Repayment of long-term debt	(92,820)	(91,552)
Distribution to members	(235,250)	(232,200)
	1,050,679	221,208
<b>Capital activities</b>		
Purchases of tangible capital assets	(1,737,210)	(2,049,440)
<b>Investing activities</b>		
Advances to related Nation entities	(502)	(522)
Change in funds held in Trust	(8,066)	(8,297)
Change in restricted cash	(26,723)	(29,331)
Change in investment in Treaty	(650,625)	(663,650)
Purchase of portfolio investments	(2,111)	(1,868,106)
Distributions from investment in Nation partnerships	-	367,196
	(688,027)	(2,202,710)
<b>Increase (decrease) in cash resources</b>	1,743,134	(14,256)
<b>Cash resources, beginning of year</b>	1,152,873	1,167,129
<b>Cash resources, end of year</b>	2,896,007	1,152,873

*The accompanying notes are an integral part of these financial statements*



**Gwa'Sala-Nakwaxda'xw Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**1. Operations**

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

**2. Significant accounting policies**

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

***Reporting entity consolidated consolidated***

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities. Trusts administered on behalf of third parties by Gwa'Sala-Nakwaxda'xw Nation are excluded from the First Nation reporting entity.

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

- Gwa'Sala-Nakwaxda'xw School
- CMHC Housing
- Gwa'Sala-Nakwaxda'xw Treaty
- Gwa'Sala-Nakwaxda'xw Band Trust

All inter-entity balances have been eliminated on consolidation.

Gwa'Sala-Nakwaxda'xw Nation business entities, owned or controlled by the Nation's Council but not dependent on the Nation for their continuing operations, are included in the consolidated financial statements using 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 Nation. Thus, the 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:

- K'awat'si Economic Development Limited Partnership
- K'awat'si Economic Development General Partner Corporation
- Nanwakolas Forestry Limited Partnership
- Nanwakolas Carbon Credit Limited Partnership

***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.

***Portfolio investments***

Portfolio investments in entities that are not owned, controlled or influenced 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. The intent of these investments is to be held in order to generate income for the purpose of funding the Trust's administrative expenditures and distributing funds to the Nation's members.

**Gwa'Sala-Nakwaxda'xw Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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

***Tangible capital assets***

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

All intangibles, and items inherited by right of the Nation, such as reserve lands, 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. Land and work-in-progress are not amortized. In the year of acquisition amortization is taken at one-half the rates.

	<b><i>Method</i></b>	<b><i>Rate</i></b>
Buildings	straight-line	40 years
Paving	straight-line	25 years
Bridges	straight-line	40 years
Computer and IT hardware	straight-line	4 years
Computer software	straight-line	10 years
Furniture and fixtures	straight-line	10 years
Boats	straight-line	10 years
Vehicles	straight-line	10 years
CMHC Housing	straight-line	25 years
Infrastructure	straight-line	40 years
Docks and wharfs	straight-line	20 years

***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 consolidated 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.

***Investment in Treaty***

The Nation is in negotiations with the Government of Canada to negotiate a treaty. Both funding and interest free loans are received from the federal government to assist in the process. Expenses pertaining to the negotiation are capitalized to reflect the amount of investment the Nation has made in the treaty process. The loan will be repaid as outlined in Note 8.

***Net financial assets***

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

***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.

**Gwa'Sala-Nakwaxda'xw Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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

**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 First 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 Ottawa Trust Fund at the time income is 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 Revenue

Revenue from own sources is recognized when performance is achieved, amounts can be reasonably estimated and collectibility is reasonably assured.

vi) Investment Income

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

**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 expenses 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. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the First Nation is responsible for.

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

**Gwa'Sala-Nakwaxda'xw Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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

***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, 2017.

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, 2017, no liability for contaminated site exists.

***Long-lived assets***

Long-lived assets consist 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 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. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in operations for the year.

The 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.

***Segments***

The Nation conducts its business through a number of reportable segments as described in Note 17. 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

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

**Recent accounting pronouncements**

**PS 2200 Related Party Disclosures**

In March 2015, as part of the CPA Canada Public Sector Accounting Handbook Revisions Release No. 42, the Public Sector Accounting Board ("PSAB") issued a new standard, PS 2200 Related Party Disclosures.

This new Section defines related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the consolidated financial statements.

This section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted. The Nation does not expect the application of the new Standard to have a material effect on the consolidated financial statements.

**PS 3210 Assets**

In June 2015, new PS 3210 Assets was included in the CPA Canada Public Sector Accounting Handbook ("PSA HB"). The new Section provides guidance for applying the definition of assets set out in PS 1000 Financial Statement Concepts. The main features of this standard are as follows:

Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained.

Economic resources can arise from such events as agreements, contracts, other government's legislation, the government's own legislation, and voluntary contributions.

The public is often the beneficiary of goods and services provided by a public sector entity. Such assets benefit public sector entities as they assist in achieving the entity's primary objective of providing public goods and services.

A public sector entity's ability to regulate an economic resource does not, in and of itself, constitute control of an asset, if the interest extends only to the regulatory use of the economic resource and does not include the ability to control access to future economic benefits.

A public sector entity acting as a trustee on behalf of beneficiaries specified in an agreement or statute is merely administering the assets, and does not control the assets, as future economic benefits flow to the beneficiaries.

An economic resource may meet the definition of an asset, but would not be recognized if there is no appropriate basis for measurement and a reasonable estimate cannot be made, or if another Handbook Section prohibits its recognition. Information about assets not recognized should be disclosed in the notes.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The Nation does not expect application of the new Standard to have a material effect on the consolidated financial statements.

**PS 3320 Contingent Assets**

In June 2015, new PS 3320 Contingent Assets was included in the CPA Canada Public Sector Accounting Handbook ("PSA HB"). The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.

Passing legislation that has retroactive application after the consolidated financial statement date cannot create an existing condition or situation at the consolidated financial statement date.

**Gwa'Sala-Nakwaxda'xw Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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

**Recent accounting pronouncements** *(Continued from previous page)*

Elected or public sector entity officials announcing public sector entity intentions after the consolidated financial statement date cannot create an existing condition or situation at the consolidated financial statement date.

Disclosures should include existence, nature, and extent of contingent assets, as well as the reasons for any non-disclosure of extent, and the bases for any estimates of extent made.

When a reasonable estimate can be made, disclosure should include a best estimate and a range of possible amounts (or a narrower range of more likely amounts), unless such a disclosure would have an adverse impact on the outcome.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The Nation does not expect application of the new Standard to have a material effect on the consolidated financial statements.

**PS 3380 Contractual Rights**

In June 2015, new PS 3380 Contractual Rights was included in the CPA Canada Public Sector Accounting Handbook ("PSA HB"). This new Section establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.

Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

Disclosures should include descriptions about nature, extent, and timing.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The Nation does not expect application of the new Standard to have a material effect on the consolidated financial statements.

**PS 3430 Restructuring Transactions**

In June 2015, new PS 3430 Restructuring Transactions was included in the CPA Canada Public Sector Accounting Handbook ("PSA HB"). The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

A restructuring transaction is defined separately from an acquisition. The key distinction between the two is the absence of an exchange of consideration in a restructuring transaction.

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.

The increase in net assets or net liabilities resulting from recognition and derecognition of individual assets and liabilities received from all transferors, and transferred to all recipients in a restructuring transaction, is recognized as revenue or as an expense.

Restructuring-related costs are recognized as expenses when incurred.

Individual assets and liabilities received in a restructuring transaction are initially classified based on the accounting policies and circumstances of the recipient at the restructuring date.

**Gwa'Sala-Nakwaxda'xw Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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

**Recent accounting pronouncements** *(Continued from previous page)*

The financial position and results of operations prior to the restructuring date are not restated.

Disclosure of information about the transferred assets, liabilities and related operations prior to the restructuring date by the recipient is encouraged but not required.

The Section is effective for new restructuring transactions that occur in fiscal periods beginning on or after April 1, 2018. Earlier application is encouraged. The First Nation does not expect application of the new Standard to have a material effect on the consolidated financial statements.

**PS 3420 Inter-entity Transactions**

In March 2015, the Public Sector Accounting Board ("PSAB") issued new PS 3420 Inter-entity Transactions.

The new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

The main features of the new Section are:

- Under a policy of cost allocation, revenue and expenses are recognized on a gross basis.
- Transactions are measured at the carrying amount, except in specific circumstances.
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice.
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.
- Inter-entity transactions are considered in conjunction with PS 2200 Related Party Disclosures.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The First Nation does not expect application of the new Standard to have a material effect on the consolidated financial statements.

**3. Accounts receivable**

	2017	2016
Indigenous and Northern Affairs Canada	61,386	202,230
CMHC subsidy assistance receivable	9,184	7,135
Department of Fisheries and Oceans Canada	125,809	93,302
School District No. 85	137,404	76,787
Members	34,677	92,131
Social housing rent	141,016	978
Other accounts receivable	122,274	71,312
Province of British Columbia	-	76,348
	<b>631,750</b>	<b>620,223</b>

**4. Advances to related Nation entities**

Advances to related Nation entities are unsecured, non-interest bearing and due on demand.

**Gwa'Sala-Nakwaxda'xw Nation**  
**Notes to the Consolidated Financial Statements**  
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**5. Portfolio Investments**

Portfolio investments are held in the following investments within Scotia Trust accounts:

	2017	2016
Bentall Kennedy Prime Can Property Fund	2,849,977	2,710,567
Fiera Capital - Fiera Active Fixed Income Fund (202)	7,901,445	7,677,639
Mawer Canadian Equity Pooled Fund (112)	7,175,462	8,095,878
Mawer Global Equity Fund (220)	10,259,380	9,700,069
	<b>28,186,264</b>	<b>28,184,153</b>

**6. Investments in First Nation partnerships and business entities**

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

The First Nation has investments in the following entities:

	<i>Investment cost</i>	<i>Share of earnings (loss)</i>	<i>Withdrawals</i>	<i>2017 Total Investment</i>
<b>Wholly-owned Businesses:</b>				
K'awat'si Economic Development General Partner	(112,477)	(13,264)	-	(125,741)
K'awat'si Economic Development Limited Partnership	2,249,927	(1,568,642)	-	681,285
	<b>2,137,450</b>	<b>(1,581,906)</b>	<b>-</b>	<b>555,544</b>
<b>First Nation Business Partnerships – Modified Equity:</b>				
Nanwakolas Forestry Limited Partnership - 40.278%	175,522	(4,343)	-	171,179
Nanwakolas Carbon Credit Limited Partnership - 33.98%	63,426	210,012	-	273,438
	<b>238,948</b>	<b>205,669</b>	<b>-</b>	<b>444,617</b>
	<b>2,376,398</b>	<b>(1,376,237)</b>	<b>-</b>	<b>1,000,161</b>
	<i>Investment cost</i>	<i>Share of earnings (loss)</i>	<i>Withdrawals</i>	<i>2016 Total Investment</i>
<b>Wholly-owned Businesses:</b>				
K'awat'si Economic Development General Partner	(104,804)	(7,673)	-	(112,477)
K'awat'si Economic Development Limited Partnership	1,673,814	576,113	-	2,249,927
	<b>1,569,010</b>	<b>568,440</b>	<b>-</b>	<b>2,137,450</b>
<b>First Nation Business Partnerships – Modified Equity:</b>				
Nanwakolas Forestry Limited Partnership - 40.278%	156,288	19,234	-	175,522
Nanwakolas Carbon Credit Limited Partnership - 33.98%	170,764	259,858	(367,196)	63,426
	<b>327,052</b>	<b>279,092</b>	<b>(367,196)</b>	<b>238,948</b>
	<b>1,896,062</b>	<b>847,532</b>	<b>(367,196)</b>	<b>2,376,398</b>



**Gwa'Sala-Nakwaxda'xw Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

**6. Investments in First Nation partnerships and business entities (Continued from previous page)**

The Nation's investment in k'awat'si Economic Development General Partner Corporation was established for the purposes of running the economic activities of various business endeavours for the Nation. It owns investments in Gwa'Nak Resources Ltd., 0997211 B.C. Ltd., 0997328 B.C. Ltd., 0997329 B.C. Ltd., 0997330 B.C. Ltd., and Pier Side Landing Ltd.

k'awat'si Economic Development Limited Partnership was established for the purposes of running the economic activities of various business endeavours for the Nation. It owns investments in Gwa'Nak Resources Limited Partnership, 09973211 Fisheries Limited Partnership, 0997328 Marine Services Limited Partnership, 0997329 Tourism Services Limited Partnership, 0997330 Contracting Limited Partnership, and Pier Side Landing Limited Partnership.

The Nation holds units of Nanwakolas Forestry Limited Partnership equal to 40.278% of the total partnership units outstanding. The investment in Nanwakolas Forestry Limited Partnership was established for the purpose of developing profitable forestry based activities within the Partners collective territories.

The Nation holds units of Nanwakolas Carbon Credit Limited Partnership equal to 33.98% of the total partnership units outstanding. The investment in Nanwakolas Carbon Credit Limited Partnership was established to develop profitable carbon credit projects within the South Central Coast Region of the area commonly known as the Great Bear Rainforest in British Columbia.

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

	<i>k'awat'si Economic Development Limited Partnership As at December 31, 2016</i>	<i>k'awat'si Economic Development General Partner Corporation As at December 31, 2016</i>	<i>Nanwakolas Forestry Limited Partnership As at March 31, 2017</i>	<i>Nanwakolas Carbon Credit Limited Partnership As at March 31, 2017</i>
<b>Assets</b>				
Cash	201,158	-	348,701	41,469
Accounts receivable	700,163	-	686	912,408
Costs in excess of billings	54,671	-	-	-
Prepaid expenses and deposits	28,514	-	71,941	-
Property, plant and equipment	11,629,751	-	-	-
Inventory	-	-	-	7,208
Advances to related parties	215,147	7	-	-
Investment in related parties	-	560	-	-
<b>Total assets</b>	<b>12,829,404</b>	<b>567</b>	<b>421,328</b>	<b>961,085</b>
<b>Liabilities</b>				
Accounts payable and accruals	913,768	7,532	2,709	157,480
Bank indebtedness	983,684	-	-	-
Advances from related parties	598,778	118,776	-	-
Demand loans	9,651,816	-	-	-
<b>Total liabilities</b>	<b>12,148,046</b>	<b>126,308</b>	<b>2,709</b>	<b>157,480</b>
<b>Partners' capital/Retained earnings (deficit)</b>	<b>681,358</b>	<b>(125,741)</b>	<b>418,619</b>	<b>803,605</b>
<b>Total revenue</b>	<b>6,336,764</b>	<b>2,876,731</b>	<b>2,936</b>	<b>868,950</b>
<b>Total expenses</b>	<b>7,905,562</b>	<b>2,889,995</b>	<b>13,718</b>	<b>250,905</b>
<b>Net income (loss)</b>	<b>(1,568,798)</b>	<b>(13,264)</b>	<b>(10,782)</b>	<b>618,045</b>
<b>Comprehensive income (loss)</b>	<b>(1,568,798)</b>	<b>(13,264)</b>	<b>(10,782)</b>	<b>618,045</b>

**Gwa'Sala-Nakwaxda'xw Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**6. Investments in First Nation partnerships and business entities** *(Continued from previous page)*

Certain of the First Nation's investees have a different year-end than March 31, 2017. The First Nation uses the investees' year-end financial statements to account for its investment in these investees.

<i>Name of Investee</i>	<i>Year-end</i>	<i>Significant events and transactions</i>
K'awat'si Economic Development Limited Partnership	December 31, 2016	No significant events or transactions noted from January 1, 2017 to March 31, 2017
K'awat'si Economic Development General Partner Corporation	December 31, 2016	No significant events or transactions noted from January 1, 2017 to March 31, 2017

**7. Funds held in trust**

Capital and revenue trust moneys are transferred to the Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada, with consent of the Nation's Council.

	<i>2017</i>	<i>2016</i>
<b>Capital Trust</b>	<b>138,158</b>	<b>138,158</b>
<b>Revenue Trust</b>		
Balance, beginning of year	163,174	154,877
Interest	8,066	8,297
<b>Balance, end of year</b>	<b>171,240</b>	<b>163,174</b>
<b>Total</b>	<b>309,398</b>	<b>301,332</b>

**Gwa'Sala-Nakwaxda'xw Nation**  
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**8. First Nation Loan Agreement**

Gwa'Sala-Nakwaxda'xw First Nation receives interest free advances from Indigenous and Northern Affairs Canada pursuant to an agreement with the British Columbia Treaty Commission and the Minister of Indigenous and Northern Affairs Canada. Under the terms of the agreement the Nation receives both loaned and contributed funds.

During the year the Nation received \$248,740 (2016 - \$186,240) contributed funds and loans in the amount of \$544,960 (2016 - \$544,960) resulting in a cumulative loan balance of \$7,450,714 (2016 - \$6,905,754).

The funds are to be used solely for the purposes of treaty negotiations. The loan proceeds are non-interest bearing and become due and payable upon the earlier of:

- a) the date a treaty signed by the Negotiating Parties takes effect unless otherwise agreed in the treaty;
- b) the later of;
  - the twelfth anniversary of the date of the first Loan Advance by Canada to the First Nation under the earliest First Nation Funding Agreement; or
  - the Extended Due Date; and
- c) the date the Federal Minister demands payment of the Loan due to an event of default under the agreement or under any First Nation Funding Agreement.

The Nation capitalizes all expenses related to the Treaty process as management expects the future settlement to exceed the investment in treaty balance. During the year, the Nation capitalized \$655,169 (2016 - \$663,650). The Nation is in Stage 4 of treaty negotiation, which is the Negotiation of an Agreement in Principle stage.

**9. Restricted cash**

	2017	2016
Replacement reserve	188,047	168,828
Operating reserve	82,645	75,141
	<b>270,692</b>	<b>243,969</b>

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 \$25,823 (2016 - \$24,985) 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 underfunded by \$27,427 (2016 - underfunded by \$26,798).

Under the terms of the agreements 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 underfunded by \$5,124 (2016 - over funded by \$8,458).

**Gwa'Sala-Nakwaxda'xw Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

**10. Long-term debt**

	2017	2016
Post 96 - Phase 2 - All Nations Trust - repayable at \$4,972 per month including interest at 1.62% per annum; secured by a Ministerial Guarantee. Matures March 1, 2033 and renewing on March 1, 2018.	840,875	886,596
Post 96 - Phase 1 - All Nations Trust - repayable at \$2,512 per month including interest at 1.03% per annum; secured by a Ministerial Guarantee. Matures October 1, 2031 and renewing on October 1, 2021.	408,105	433,021
Post 96 - Phase 5 - All Nations Trust - repayable at \$976 per month including interest at 1.71% per annum; secured by a Ministerial Guarantee. Matures September 1, 2037 and renewing on September 1, 2017.	202,561	210,756
Pre 1997 - Phase 9 - All Nations Trust - repaid during the year.	-	8,701
Post 96 - Phase 6 - All Nations Trust - repayable at \$3,266 per month including interest at 1.31% per annum; secured by a Ministerial Guarantee. Matures December 1, 2041 and renewing on September 1, 2021.	828,502	-
	<b>2,280,043</b>	<b>1,539,074</b>

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
2018	109,282
2019	110,828
2020	112,397
2021	113,988
2022	115,603

**11. Due to partner Nations**

During the March 31, 2015 fiscal year, the Nation made the decision to withdraw from the Gwabalish Fisheries Group and are currently holding funds on behalf of the group. There is no formal agreement in place that describes how these funds are to be distributed between the five member Nations.

**Gwa'Sala-Nakwaxda'xw Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

**12. Loan guarantees**

As at March 31, 2017, the First Nation has guaranteed credit facilities for the following Nation business enterprises:

**0997211 B.C. Ltd**

Available credit facility demand loan of \$1,143,000 (2016 - \$nil), bearing interest at prime plus 0.5%, secured by a general security agreement. As at March 31, 2017, \$773,188 (2016 - \$nil) has been drawn.

Available credit facility demand loan of \$800,000 and revolving line of credit of \$100,000, bearing interest at prime plus 1.5%, secured by a general security agreement. As at March 31, 2017, \$nil (2016 - \$800,000) has been drawn on the demand loan.

**0997329 Tourism Services Limited Partnership**

Available credit facility demand loan of \$10,444,865 (2016 - \$5,850,000), bearing interest at prime plus 0.5%, secured by a general security agreement. As at March 31, 2017, \$9,701,897 (2016 - \$525,000) has been drawn on the demand loan.

Available credit facility demand instalment loan of \$1,000,000 (2016 - \$1,000,000), bearing interest at prime plus 1.5%, secured by a general security agreement. As at March 31, 2017, \$nil (2015 - \$1,000,000) had been drawn.

As at March 31, 2017, no liability has been recorded associated with the above noted guarantees.

**13. Accumulated surplus**

Accumulated surplus consists of the following:

	2017	2016
Equity in Gwa'Sala-Nakwaxda'xw Band Trust	28,216,392	28,333,235
Equity in Treaty	1,648,507	1,540,842
Equity in funds held in trust	309,398	301,332
Operating surplus	3,053,773	1,233,576
Equity in tangible capital assets	8,835,875	8,384,393
Social Housing Replacement and Operating Reserves	297,637	233,752
Investment in Nation business entities	1,000,161	2,376,398
	<b>43,359,743</b>	<b>42,403,528</b>

**14. Economic dependence**

Gwa'Sala-Nakwaxda'xw Nation receives a significant portion of its revenue from Indigenous and Northern Affairs Canada ("INAC") as a result of agreements entered into with the Government of Canada. These agreements are administered by INAC 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.

**Gwa'Sala-Nakwaxda'xw Nation**  
**Notes to the Consolidated Financial Statements**  
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**15. Trust**

Funds held in trust on behalf of the Nation's members by the Gwa'Sala-Nakwaxda'xw Band Trust are reported on the consolidated statement of financial position and consolidated statement of operations and accumulated surplus as follows:

	<b>2017</b>	<b>2016</b>
Financial Assets	<b>28,287,021</b>	28,400,357
Liabilities	<b>(70,629)</b>	(67,522)
Net Financial Assets	<b>28,216,392</b>	28,332,835
Non Financial Assets	-	400
	<b>28,216,392</b>	28,333,235
Revenue	<b>1,565,458</b>	2,855,316
Expenses	<b>(1,433,159)</b>	(1,490,192)
Surplus	<b>132,299</b>	1,365,124

**16. Indigenous and Northern Affairs Canada funding reconciliation**

	<b>2017</b>	<b>2016</b>
INAC revenue per confirmation	<b>5,652,769</b>	5,495,297
Difference between estimated and actual recoveries	-	(113,095)
	<b>5,652,769</b>	5,382,202

**Gwa'Sala-Nakwaxda'xw Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**17. Segments**

The 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 segments. Schedules 3 to 15 disclose the details of the Nation's revenue and expenses by segment. The Nation is organized into the following segments:

**Administration**

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

**Treaty**

Includes revenue and expenditures related to the negotiation of treaty.

**Income Assistance**

Includes revenue and expenses relating to the social assistance of the members of Gwa'Sala-Nakwaxda'xw First Nation.

**Education**

Includes revenue and expenses related to primary, secondary and post secondary education of the members.

**Gwa'Sala-Nakwaxda'xw School**

Includes the operation of the school.

**Economic Development**

Includes activities related to the growth of revenue producing projects with the Nation.

**Community Infrastructure**

Includes the maintenance of infrastructure owned by the Nation.

**Natural Resources**

Includes revenue and expenditures related to conservation and stewardship of the Nation's land and resources.

**Capital Projects**

Includes revenue and expenditures related to capital projects.

**Community**

Includes revenue and expenditures related to the delivery of programs that support the Gwa'Sala-Nakwaxda'xw First Nation community.

**Health**

Includes activities related to the provision of health services within the Nation.

**CMHC social housing**

Includes rent collection and maintenance related to the mortgaged homes owned by the Nation.

**Trust**

Includes revenue and expenditures related to the financial settlement arising out the relocation of the Nation.

**Gwa'Sala-Nakwaxda'xw Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**18. Budget Information**

The disclosed budget information has been approved by the Chief and Council of the Gwa'Sala-Nakwaxda'xw Nation at the Chief and Council meeting held on October 4, 2016.

Approved budgets were not prepared for all programs of the Nation. As such, the budget figures in the Consolidated Statement of Operations and Accumulated Surplus are not presented for the same scope of activities as the actual results.

Budget figures on the Consolidated Statement of Operations and Accumulated Surplus are presented using the same basis of accounting as the actual results. A reconciliation of these amounts to the Chief and Council approved budget is as follows:

Budgeted annual surplus per the Consolidated Statement of Operations and Accumulated Surplus	\$1,480,122
Adjusted for:	
<u>Capital purchases</u>	<u>(\$1,655,864)</u>
Budgeted deficit approved by Chief and Council	(\$175,742)

**19. Contingencies**

The financial results of the CMHC Social Housing program are subject to review by CMHC. It is possible that adjustments could be made based on the results to their review.

**20. Subsequent event**

Subsequent to the year end, the Nation guaranteed an operating line of credit of \$200,000 for its Nation business entities.

**21. Comparative figures**

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