

Gwa'sala-'Nakwaxda'xw Nation
Consolidated Financial Statements
March 31, 2018

Gwa'sala-'Nakwaxda'xw Nation

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Management's Responsibility

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.

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. Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. 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 Council and management to discuss their audit findings.

July 19, 2018

Signed by: Roger Nopper

Band Manager

Independent Auditors' Report

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, 2018, 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, 2018 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 19, 2018

Chartered Professional Accountants

Gwa'sala-'Nakwaxda'xw Nation
Consolidated Statement of Financial Position
As at March 31, 2018

	2018	2017 <i>(Restated - Note 23)</i>
Financial assets		
Cash resources	3,683,416	2,896,007
Accounts receivable <i>(Note 4)</i>	1,019,417	631,750
Advances to related Nation entities <i>(Note 5)</i>	1,920,925	484,061
Portfolio investments <i>(Note 6)</i>	28,332,169	28,186,264
Investments in Nation partnerships <i>(Note 7)</i>	196,749	444,617
Investment (loss) in Nation business entities <i>(Note 7)</i>	(107,042)	837,173
Funds held in trust <i>(Note 8)</i>	318,589	309,398
Funds held in trust - Big House <i>(Note 9)</i>	3,654,856	530,000
Investment in Treaty <i>(Note 10)</i>	9,649,001	9,097,221
Restricted cash <i>(Note 11)</i>	265,584	270,692
Total financial assets	48,933,664	43,687,183
Liabilities		
Accounts payable and accruals	296,206	458,563
Deferred revenue	204,408	174,847
Long-term debt <i>(Note 12)</i>	4,582,768	2,280,043
First Nation Loan Agreement <i>(Note 10)</i>	7,845,713	7,450,714
Due to partner Nations <i>(Note 13)</i>	289,784	289,784
Total liabilities	13,218,879	10,653,951
Net financial assets	35,714,785	33,033,232
Contingencies <i>(Note 21)</i>		
Non-financial assets		
Tangible capital assets <i>(Schedule 1)</i>	13,222,882	11,231,482
Prepaid expenses	8,247	22,221
Total non-financial assets	13,231,129	11,253,703
Accumulated surplus <i>(Note 15)</i>	48,945,914	44,286,935

Approved on behalf of the Chief and Council

Signed by: Paddy Walkus

Chief

Signed by: Leslie Walkus

Councilor

Gwa'sala-'Nakwaxda'xw Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2018

	<i>Schedules</i>	<i>2018 Budget (Note 20)</i>	<i>2018</i>	<i>2017 (Restated - Note 23)</i>
Revenue				
Indigenous Services Canada (Note 18)		3,216,690	4,782,610	5,652,769
Other revenue		-	858,143	368,817
First Nations Health Authority		-	1,287,754	1,159,906
First Nations Education Steering Committee		325,814	511,953	358,368
Canada Mortgage and Housing Corporation		-	279,995	218,571
Department of Fisheries and Oceans Canada		-	-	100,799
Province of BC		725,049	3,439,724	2,245,874
Interest income		-	1,752,062	1,575,456
Earnings (loss) from investment in Nation business entities (Note 7)		-	790,284	(800,277)
Coast Opportunity Fund		-	334,756	-
Earnings from investment in Nation partnerships (Note 7)		-	292,413	205,669
School District 85		-	285,505	289,807
Forestry income		-	265,414	44,100
Marine services and fisheries		-	213,313	272,428
Rental income		-	195,923	202,468
Fishing income		-	194,621	135,459
British Columbia Treaty Commission (Note 10)		-	98,750	248,740
		4,267,553	15,583,220	12,278,954
Program expenses				
Administration	3	515,614	1,002,664	993,568
Income Assistance	4	926,247	1,009,820	1,042,897
Education	5	90,936	671,529	605,768
Economic Development	6	46,639	274,186	404,959
Community Infrastructure	7	-	175,069	151,317
Natural Resources	8	-	920,793	593,910
Capital Projects	9	-	591,496	276,835
Community	10	26,134	889,015	1,241,765
Health	11	-	1,193,519	1,098,175
CMHC Social Housing	13	-	230,492	317,712
Trust	14	-	1,276,328	896,343
Gwa'sala-'Nakwaxda'xw School	12	2,439,011	2,703,974	2,537,049
		4,044,581	10,938,885	10,160,298
Annual surplus		222,972	4,644,335	2,118,656
Accumulated surplus, beginning of year, as previously stated		44,286,935	43,359,742	42,403,529
Correction of errors (Note 23)		-	927,193	-
Accumulated surplus, beginning of year, as restated		44,286,935	44,286,935	42,403,529
Distribution to members		-	(234,500)	(235,250)
Settlement of funds		-	249,144	-
Accumulated surplus, end of year		44,509,907	48,945,914	44,286,935

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, 2018

	2018 Budget (Note 20)	2018	2017 (Restated - Note 23)
Annual surplus	222,972	4,644,335	2,118,656
Purchases of tangible capital assets	(329,372)	(2,582,814)	(1,852,774)
Amortization of tangible capital assets	-	591,414	544,759
Distribution to members	-	(234,500)	(235,250)
Settlement of funds	-	249,144	-
Acquisition (use) of prepaid expenses	-	13,974	(4,771)
Increase in net financial assets	(106,400)	2,681,553	570,620
Net financial assets, beginning of year	33,033,232	33,033,232	32,462,612
Net financial assets, end of year	32,926,832	35,714,785	33,033,232

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, 2018

	2018	2017 (Restated - Note 23)
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	4,644,335	2,118,656
Non-cash items		
Amortization	591,414	544,759
Bad debts	2,122	-
Earnings from investment in Nation partnerships	(292,413)	(205,669)
Loss (earnings) from investment in Nation businesses	(790,284)	800,277
Big house funds held in Trust	(1,000,000)	(530,000)
Settlement of funds	249,144	-
Increase in funds held in Trust	(9,191)	(8,066)
Change in investment in Nation business entities	1,734,500	500,000
	5,129,627	3,219,957
Changes in working capital accounts		
Accounts receivable	(389,789)	(11,527)
Prepaid expenses	13,971	(4,770)
Accounts payable and accruals	(162,357)	69,369
Deferred revenue	29,561	(47,838)
	4,621,013	3,225,191
Financing activities		
Advances of First Nation Loan Agreement	395,000	544,960
Advances of long-term debt	2,412,048	833,788
Repayment of long-term debt	(109,323)	(92,820)
Distribution to members	(234,500)	(235,250)
	2,463,225	1,050,678
Capital activities		
Purchases of tangible capital assets	(2,582,814)	(1,852,774)
Investing activities		
Advances to related Nation entities	(1,436,864)	(502)
Change in restricted cash	5,109	(26,723)
Change in investment in Treaty	(551,780)	(650,625)
Purchase of portfolio investments	(145,905)	(2,111)
Change in funds held in Trust - Big House	(2,124,856)	-
Distributions from investment in Nation partnerships	540,281	-
	(3,714,015)	(679,961)
Increase in cash resources	787,409	1,743,134
Cash resources, beginning of year	2,896,007	1,152,873
Cash resources, end of year	3,683,416	2,896,007

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, 2018

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 Nation reporting entity, except for Nation business entities. Trusts administered on behalf of third parties by Gwa'sala-'Nakwaxda'xw Nation are excluded from the 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 Social Housing
- Gwa'sala-'Nakwaxda'xw Treaty
- Gwa'sala-'Nakwaxda'xw Hi'li'gam
- 1139401 B.C. Limited

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 Gwa'sala-'Nakwaxda'xw Hi'li'gam'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, 2018

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.

	<i>Method</i>	<i>Rate</i>
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	40 years
Infrastructure	straight-line	40 years
Docks and wharfs	straight-line	20 years
Equipment	straight-line	10 years

Funds held in trust

Funds held in trust on behalf of 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 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 10.

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.

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

Revenue recognition

i) Government Funding

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.

ii) First Nation Capital and Revenue Trust Funds

The 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.

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, 2018.

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, 2018, no liability for contaminated site exists.

Segments

The Nation conducts its business through a number of reportable segments as described in Note 19. 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.

3. Change in accounting policy

PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions

Effective April 1, 2017, the First Nation adopted the recommendations relating to PS 2200 *Related Party Disclosures* and PS 3420 *Inter-Entity Transactions*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

These new Sections define a related party and establish disclosures required for related party transactions. Disclosure is required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, a material financial effect on the financial statements. They also establish 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.

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

PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights

Effective April 1, 2017, the First Nation adopted the recommendations relating to PS 3210 *Assets*, PS 3320 *Contingent Assets*, and PS 3380 *Contractual Rights*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

PS 3210 *Assets* provides additional guidance to clarify the definition of assets set out in PS 1000 *Financial Statement Concepts*.

PS 3320 *Contingent Assets* establishes disclosure standards on contingent assets.

PS 3380 *Contractual Rights* 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 Section 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.

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

3. Change in accounting policy *(Continued from previous page)*

- 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.

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

4. Accounts receivable

	2018	2017
Social housing rent	94,762	141,016
School District No. 85	78,564	137,404
Indigenous Services Canada	44,621	61,386
Members	35,808	34,677
CMHC subsidy assistance receivable	12,841	9,184
Department of Fisheries and Oceans Canada	11,999	125,809
Other accounts receivable	740,822	122,274
	1,019,417	631,750

5. Advances to related Nation entities

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

6. Portfolio investments

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

	2018	2017
Bentall Kennedy Prime Can Property Fund	2,966,500	2,849,977
Fiera Capital - Fiera Active Fixed Income Fund (202)	8,121,914	7,901,445
Mawer Canadian Equity Pooled Fund (112)	7,607,434	7,175,462
Mawer Global Equity Fund (220)	9,636,321	10,259,380
	28,332,169	28,186,264

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

7. 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 Nation has investments in the following entities:

	<i>Investment cost</i>	<i>Share of earnings (loss)</i>	<i>Contributions/ (Withdrawals)</i>	<i>2018 Total investment</i>
Wholly-owned Businesses:				
k'awat'si Economic Development General Partner	(125,741)	(7,333)	-	(133,074)
k'awat'si Economic Development Limited Partnership	962,914	797,618	(1,734,500)	26,032
	837,173	790,285	(1,734,500)	(107,042)
First Nation Business Partnerships – Modified Equity:				
Nanwakolas Forestry Limited Partnership - 40.278%	171,179	(2,983)	-	168,196
Nanwakolas Carbon Credit Limited Partnership - 33.98%	273,438	295,396	(540,281)	28,553
	444,617	292,413	(540,281)	196,749
	1,281,790	1,082,698	(2,274,781)	89,707
	<i>Investment cost</i>	<i>Share of earnings (loss)</i>	<i>Contributions/ (Withdrawals)</i>	<i>2017 Total investment (Restated - Note 23)</i>
Wholly-owned Businesses:				
k'awat'si Economic Development General Partner	(112,477)	(13,264)	-	(125,741)
k'awat'si Economic Development Limited Partnership	2,249,927	(787,013)	(500,000)	962,914
	2,137,450	(800,277)	(500,000)	837,173
First Nation Business Partnerships – Modified Equity:				
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
	238,948	205,669	-	444,617
	2,376,398	(594,608)	(500,000)	1,281,790

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

7. 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 Nation business entity and 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, 2017</i>	<i>k'awat'si Economic Development General Partner Corporation As at December 31, 2017</i>	<i>Nanwakolas Forestry Limited Partnership As at March 31, 2018</i>	<i>Nanwakolas Carbon Credit Limited Partnership As at March 31, 2018</i>
Assets				
Cash	385,151	-	346,646	126,245
Accounts receivable	446,272	-	2,908	10
Costs in excess of billings	232,448	-	-	-
Prepaid expenses and deposits	26,316	-	64,457	-
Property, plant and equipment	13,017,694	-	-	-
Inventory	44,762	-	-	11,841
Advances to related parties	376,459	7	-	-
Investment in related parties	-	1,332	-	-
Total assets	14,529,102	1,339	414,011	138,096
Liabilities				
Accounts payable and accruals	902,783	7,532	2,799	55,819
Bank indebtedness	833,533	-	-	-
Advances from related parties	1,962,460	126,654	-	-
Demand loans	10,804,044	-	-	-
Total liabilities	14,502,820	134,186	2,799	55,819
Partners' capital/ Retained earnings (deficit)	26,282	(132,847)	411,212	82,277
Total revenue	10,454,016	552	3,653	1,106,886
Total expenses	9,656,319	7,885	11,060	237,562
Comprehensive income (loss)	797,697	(7,333)	(7,407)	869,324

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

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

Certain of the Nation's investees have a different year-end than March 31, 2018. The 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, 2017	No significant events or transactions noted from January 1, 2018 to March 31, 2018
k'awat'si Economic Development General Partner Corporation	December 31, 2017	No significant events or transactions noted from January 1, 2018 to March 31, 2018

8. Funds held in trust

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

	2018	2017
Capital Trust	138,158	138,158
Revenue Trust		
Balance, beginning of year	171,240	163,174
Interest	9,191	8,066
Balance, end of year	180,431	171,240
Total	318,589	309,398

Ottawa Trust Funds

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

9. Funds held in trust - Big House

The Nation has funds held in trust for the purposes of constructing a Big House, the following outlines the changes in the funds held in trust during the year:

	2018	2017 <i>(Restated - Note 23)</i>
Balance, beginning of year	530,000	-
Additions	3,184,499	530,000
Withdrawals	(60,081)	-
Interest	438	-
Balance, end of year	3,654,856	530,000

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

10. First Nation Loan Agreement

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

During the year the Nation received \$98,750 (2017 - \$248,740) contributed funds and loans in the amount of \$395,000 (2017 - \$544,960) resulting in a cumulative loan balance of \$7,845,713 (2017 - \$7,450,714).

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 \$551,780 (2017 - \$655,169). The Nation is in Stage 4 of treaty negotiation, which is the Negotiation of an Agreement in Principle stage.

11. Restricted cash

	2017	2016
Replacement reserve	182,993	188,047
Operating reserve	82,591	82,645
	265,584	270,692

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 \$29,505 (2017 - \$25,823) 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 \$29,883 (2017 - underfunded by \$27,427).

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 \$149,714 (2017 - underfunded by \$5,124).

12. Long-term debt

	2018	2017
Bank of Montreal demand loan - interest only payments for the first 12 months, repayable in monthly blended payments thereafter. Bearing interest at prime plus 1% per annum, secured by a general security agreement.	1,500,000	-
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.	794,442	840,875

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

12. Long-term debt *(Continued from previous page)*

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.	382,031	408,105
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, 2022.	194,288	202,561
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.	799,959	828,502
Post 96 - Phase 7 - All Nations Trust - repayable at \$4,036 per month including interest at 2.39% per annum; secured by a Ministerial Guarantee. Matures January 3, 2043 and renewing on January 3, 2023.	912,048	-
	4,582,768	2,280,043

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
2019	195,898
2020	214,008
2021	212,464
2022	211,155
2023	210,072

13. Due to partner Nations

During the March 31, 2015 fiscal year, the Nation made the decision to withdraw from the Gwabal 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.

14. Loan guarantees

As at March 31, 2018, the Nation has guaranteed credit facilities for the following Nation business enterprises:

0997211 B.C. Ltd

Available credit facility demand loan of \$1,143,000 (2017 - \$1,143,000), bearing interest at prime plus 0.5%, secured by a general security agreement. As at March 31, 2018, \$745,601 (2017 - \$773,188) has been drawn.

0997329 Tourism Services Limited Partnership

Available credit facility demand loan of \$10,444,865 (2017 - \$10,444,865), bearing interest at prime plus 0.5%, secured by a general security agreement. As at March 31, 2018, \$9,926,920 (2017 - \$9,701,897) has been drawn on the demand loan.

As at March 31, 2018, no liability has been recorded associated with the above noted guarantees.

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

15. Accumulated surplus

Accumulated surplus consists of the following:

	2018	2017 (Restated - Note 23)
Equity in Gwa'sala-'Nakwaxda'xw Hi'li'gam	28,472,928	28,216,392
Equity in Treaty	1,803,288	1,646,507
Equity in funds held in trust	318,589	309,398
Operating surplus	7,675,947	3,583,772
Equity in tangible capital assets	10,140,115	8,951,439
Social Housing Replacement and Operating Reserves	445,340	297,637
Investment in Nation business entities	89,707	1,281,790
	48,945,914	44,286,935

16. Economic dependence

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

17. Trust

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

	2018	2017
Financial Assets	28,558,570	28,287,021
Liabilities	(85,642)	(70,629)
Net Financial Assets and Accumulated Surplus	28,472,928	28,216,392
Revenue	1,740,946	1,565,458
Expenses	(1,499,054)	(1,433,159)
Annual Surplus	241,892	132,299

18. Indigenous Services Canada funding reconciliation

	2018	2017
ISC revenue per confirmation	4,750,819	5,652,769
NP5A - Post Secondary recovery (2016-17)	(26,987)	-
NP87 - CPH Allowance recovery (2016-17)	(3,956)	-
NG85 - Negotiation Preparedness recovery (2016-17)	(405)	-
NP17 - Student Accommodation recovery (2016-17)	(12,830)	-
NP85 - Basic Needs reimbursement (2016-17)	86,200	-
Anticipated clawback in CPH Allowance (2017-18)	(7,603)	-
Anticipated clawback in Special Needs (2017-18)	(2,628)	-
	4,782,610	5,652,769

19. 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 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, 2018

20. 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 July 6, 2017.

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	\$222,972
Adjusted for:	
<u>Capital purchases</u>	<u>\$(329,372)</u>
Budgeted deficit approved by Chief and Council	\$(106,400)

21. 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 of their review.

22. Comparative figures

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

23. Correction of errors

During the year, the Nation determined that:

- A portion of property and equipment had not been capitalized in 2017. For 2017, the impact of this correction has resulted in an increase in property and equipment of \$115,564, a decrease in expenses of \$115,564, and an increase in accumulated surplus of \$115,564.
- During 2017, funds contributed from k'awat'si Economic Development Limited Partnership that were held in trust had not been recorded. For 2017, the impact of this correction has resulted in a decrease in the investment in Nation business entities of \$500,000, an increase in funds held in trust - Big House of \$530,000, an increase in revenue of \$30,000, and an increase in accumulated surplus of \$30,000.
- The investment in k'awat'si Economic Development Limited Partnership has been adjusted due to expenses capitalized in 2016 and a donation expense adjusted to a contribution from the Nation. For 2017, the impact of this correction has resulted in an increase in revenue of \$781,629, an increase in the investment in Nation business entities of \$781,629, and an increase in accumulated surplus of \$781,629.