

**Gwa'sala-'Nakwaxda'xw Nation
Consolidated Financial Statements**

March 31, 2019

Gwa'sala-'Nakwaxda'xw Nation

Contents

For the year ended March 31, 2019

	Page
Management's Responsibility	
Independent Auditor's Report	
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Changes in Net Financial Assets.....	3
Consolidated Statement of Cash Flows.....	4
Notes to the Consolidated Financial Statements.....	5
Schedules	
Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	18
Schedule 2 - Schedule of Consolidated Expenses by Object.....	21
Schedule 3 - Schedule of Revenue and Expenses - Administration.....	22
Schedule 4 - Schedule of Revenue and Expenses - Income Assistance.....	23
Schedule 5 - Schedule of Revenue and Expenses - Education.....	24
Schedule 6 - Schedule of Revenue and Expenses - Economic Development.....	25
Schedule 7 - Schedule of Revenue and Expenses - Community Infrastructure.....	26
Schedule 8 - Schedule of Revenue and Expenses - Natural Resources.....	27
Schedule 9 - Schedule of Revenue and Expenses - Capital Projects.....	28
Schedule 10 - Schedule of Revenue and Expenses - Community.....	29
Schedule 11 - Schedule of Revenue and Expenses - Health.....	30
Schedule 12 - Schedule of Revenue and Expenses - Gwa'sala-'Nakwaxda'xw School.....	31
Schedule 13 - Schedule of Revenue and Expenses - CMHC Social Housing.....	32
Schedule 14 - Schedule of Revenue and Expenses - Trust.....	33
Schedule 15 - Schedule of Revenue and Expenses - Treaty.....	34
Schedule 16 - Schedule of Revenue and Expenses - 1139401 BC Ltd.....	35

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 fulfills 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 25, 2019



Band Manager

Independent Auditor's Report

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

Opinion

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

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

Basis for Opinion

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Nanaimo, British Columbia

July 25, 2019

MNP LLP
Chartered Professional Accountants

MNP
LLP

Gwa'sala-'Nakwaxda'xw Nation
Consolidated Statement of Financial Position
As at March 31, 2019

	2019	2018
Financial assets		
Cash resources	2,405,900	3,683,416
Accounts receivable (Note 4)	887,503	1,019,417
Advances to related Nation entities (Note 5)	1,934,419	1,920,926
Portfolio investments (Note 6)	28,693,146	28,332,169
Investments in Nation partnerships (Note 7)	799,846	198,749
Investment (loss) in Nation business entities (Note 7)	(108,845)	(107,042)
Funds held in trust (Note 8)	328,214	318,589
Funds held in trust - Big House (Note 9)	3,614,473	3,654,858
Investment in Treaty (Note 10)	10,151,305	9,649,001
Restricted cash (Note 11)	265,418	265,584
Total financial assets	48,961,373	48,933,685
Liabilities		
Accounts payable and accruals	829,212	296,208
Deferred revenue	325,247	204,408
Long-term debt (Note 12)	4,728,465	4,582,768
First Nation Loan Agreement (Note 10)	7,845,713	7,845,713
Due to partner Nations (Note 13)	-	289,784
Total liabilities	13,728,637	13,218,879
Net financial assets	35,232,736	35,714,786
Contingencies (Note 15)		
Non-financial assets		
Tangible capital assets (Schedule 1)	15,329,628	13,222,882
Prepaid expenses	72,421	8,247
Total non-financial assets	15,402,049	13,231,129
Accumulated surplus (Note 16)	50,634,785	48,945,915

Approved on behalf of the Chief and Council

Thomas Jack : Acting Chief

J. C. G. Councillor

Gwa'sala-'Nakwaxda'xw Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2019

	Schedules	2019 Budget (Note 21)	2019	2018
Revenue				
Indigenous Services Canada (Note 20)	3,204,740	3,957,481	4,782,610	
First Nations Health Authority	-	1,402,515	1,287,754	
Other revenue	-	731,014	855,436	
First Nations Education Steering Committee	-	659,239	511,953	
Canada Mortgage and Housing Corporation	-	159,629	279,995	
Department of Fisheries and Oceans Canada	-	90,720	-	
Province of BC	-	1,430,735	2,204,399	
Interest income	-	1,808,618	1,752,062	
British Columbia Treaty Commission (Note 10)	-	639,095	98,750	
Earnings from investment in Nation partnerships (Note 7)	-	594,097	292,413	
School District 85	-	288,126	285,505	
Forestry income	-	1,022,297	1,503,447	
Rental income	-	239,115	195,923	
Coast Opportunity Fund	-	180,000	334,756	
Fishing income	-	128,215	194,621	
Marine services and fisheries	-	109,869	213,313	
Earnings (loss) from investment in Nation business entities (Note 7)	-	(2,803)	790,284	
	3,204,740	13,437,962	15,583,221	
Program expenses				
Administration	3	302,756	1,160,374	1,002,664
Income Assistance	4	1,007,305	902,110	1,009,820
Education	5	263,210	1,042,365	671,529
Economic Development	6	149,788	275,355	274,186
Community Infrastructure	7	56,036	169,246	175,069
Natural Resources	8	-	919,511	920,793
Capital Projects	9	-	656,515	591,496
Community	10	106,600	902,335	889,015
Health	11	-	1,215,465	1,193,519
Gwa'sala-'Nakwaxda'xw School	12	1,218,278	2,860,433	2,703,974
CMHC Social Housing	13	-	424,693	230,492
Trust	14	-	976,768	1,276,328
1139401 BC Ltd.	16	-	2,424	-
	3,103,973	11,507,592	10,938,885	
Annual surplus		100,767	1,930,370	4,644,336
Accumulated surplus, beginning of year		48,945,914	48,945,915	44,286,935
Distribution to members		-	(241,500)	(234,500)
Settlement of funds		-	241,892	249,144
Resettlement of funds		-	(241,892)	-
Accumulated surplus, end of year		49,046,681	50,634,785	48,945,915

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, 2019

	2019 <i>Budget</i> <i>(Note 21)</i>	2019	2018
Annual surplus	100,767	1,930,370	4,644,336
Purchases of tangible capital assets	(100,767)	(2,744,388)	(2,582,814)
Amortization of tangible capital assets	-	637,642	591,414
Distribution to members	-	(241,500)	(234,500)
Settlement of funds	-	241,892	249,144
Resettlement of funds	-	(241,892)	-
Acquisition (use) of prepaid expenses	-	(64,174)	13,974
 Increase (decrease) in net financial assets	 -	 (482,050)	 2,681,554
Net financial assets, beginning of year	35,714,785	35,714,786	33,033,232
 Net financial assets, end of year	 35,714,785	35,232,736	35,714,786

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, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	1,930,370	4,644,336
Non-cash items		
Amortization	637,642	591,414
Bad debts	-	2,122
Earnings from investment in Nation partnerships	(594,097)	(292,413)
Loss (earnings) from investment in Nation businesses	2,803	(790,284)
Big house funds held in Trust	-	(1,000,000)
Settlement of funds	241,892	249,144
Resettlement of funds	(241,892)	-
Change in investment in Nation business entities	-	1,734,500
	1,976,718	5,138,819
Changes in working capital accounts		
Accounts receivable	131,914	(389,789)
Prepaid expenses	(64,174)	13,974
Accounts payable and accruals	533,006	(162,357)
Deferred revenue	120,839	29,561
Funds held in trust	(9,625)	(9,191)
	2,688,678	4,621,017
Financing activities		
Advances of First Nation Loan Agreement	-	395,000
Advances of long-term debt	342,311	2,412,048
Repayment of long-term debt	(196,614)	(109,323)
Distribution to members	(241,500)	(234,500)
	(95,803)	2,463,225
Capital activities		
Purchases of tangible capital assets	(2,744,388)	(2,582,814)
Investing activities		
Advances to related Nation entities	(13,493)	(1,436,864)
Repayment of advances from partner Nations	(289,784)	-
Change in restricted cash	166	5,105
Change in investment in Treaty	(502,304)	(551,780)
Net change in portfolio investments	(360,971)	(145,905)
Change in funds held in Trust - Big House	40,383	(2,124,856)
Distributions from investment in Nation partnerships	-	540,281
	(1,126,003)	(3,714,019)
Increase (decrease) in cash resources	(1,277,516)	787,409
Cash resources, beginning of year	3,683,416	2,896,007
Cash resources, end of year	2,405,900	3,683,416

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, 2019

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 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

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 Social Housing
- Gwa'sala-'Nakwaxda'xw Treaty
- Gwa'sala-'Nakwaxda'xw Hi'l'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
- Nanwakolas Offset 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'l'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, 2019

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.

	Method	Rate
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	10-40 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 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 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.

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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.

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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, 2019.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at March 31, 2019, no liability for contaminated site exists.

Segments

The Nation conducts its business through a number of reportable segments as described in Note 22. 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 3430 Restructuring Transactions

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

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

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

4. Accounts receivable

	2019	2018
Tenant receivables	115,368	94,762
School District No. 85	540	78,564
Indigenous Services Canada	-	44,621
Member loans	21,062	35,808
Canada Mortgage and Housing Corporation operating subsidy	12,841	12,841
Department of Fisheries and Oceans Canada	11,999	11,999
Other accounts receivable	725,693	740,822
	<hr/>	<hr/>
	887,503	1,019,417

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

5. Advances to related Nation entities

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

	2019	2018
k'awat'si Economic Development Limited Partnership	1,476,656	1,538,001
Gwa'Nak Resources Limited Partnership	122,711	122,711
0997211 Fisheries Limited Partnership	310,779	310,779
0997328 Marine Services Limited Partnership	13,426	13,426
0997330 Contracting Limited Partnership	8,658	(63,990)
Other	2,189	(1)
	1,934,419	1,920,926

6. Portfolio investments

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

	2019	2018
Bentall Kennedy Prime Can Property Fund	3,085,805	2,966,500
Fiera Capital - Fiera Active Fixed Income Fund (202)	8,338,340	8,121,914
Mawer Canadian Equity Pooled Fund (112)	8,179,876	7,607,434
Mawer Global Equity Fund (220)	9,089,119	9,636,321
	28,693,140	28,332,169

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 First Nation has investments in the following entities:

	<i>Investment cost</i>	<i>Share of earnings (loss)</i>	<i>Contributions/ (Withdrawals)</i>	2019 Total investment
Wholly-owned Businesses:				
k'awat'si Economic Development General Partner Corporation	(133,074)	(7,895)	-	(140,969)
<u>k'awat'si Economic Development Limited Partnership</u>	<u>26,032</u>	<u>5,092</u>	<u>-</u>	<u>31,124</u>
	(107,042)	(2,803)	-	(109,845)
First Nation Business Partnerships – Modified Equity:				
Nanwakolas Forestry Limited Partnership - 40.278%	168,196	1,555	-	169,751
Nanwakolas Carbon Credit Limited Partnership - 33.98%	28,553	185,161	-	213,714
<u>Nanwakolas Offset Limited Partnership - 26.18%</u>	<u>-</u>	<u>407,381</u>	<u>-</u>	<u>407,381</u>
	196,749	594,097	-	790,846
	89,707	591,294	-	681,001

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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

	<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	982,914	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)	198,749
	1,281,790	1,082,698	(2,274,781)	89,707

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.

The Nation holds units of Nanwakolas Offset Limited Partnership equal to 26.18% of the total partnership units outstanding. The investment in Nanwakolas Offset Limited Partnership was established to develop profitable ecosystem based management projects within the South Central Coast Region of the area commonly known as the Great Bear Rainforest in British Columbia.

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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

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'awet'si Economic Development Limited Partnership</i> As at December 31, 2018	<i>K'awet'si Economic Development General Partner Corporation</i> As at December 31, 2018	<i>Nanwakolas Forestry Limited Partnership</i> As at March 31, 2019	<i>Nanwakolas Carbon Credit Limited Partnership</i> As at March 31, 2019	<i>Nanwakolas Offset Limited Partnership</i> As at March 31, 2019
Assets					
Cash	451,367	-	347,716	162,224	258,373
Accounts receivable	1,157,852	-	67,356	-	2,305,680
Costs in excess of billings	48,767	-	-	-	-
Prepaid expenses and deposits	38,307	-	-	-	-
Property, plant and equipment	12,338,283	-	-	-	-
Inventory	60,356	-	-	-	77,055
Advances to related parties	212,812	7	-	529,487	-
Investment in related parties	-	1,417	-	-	-
Total assets	14,307,744	1,424	415,072	691,711	2,841,106
Liabilities					
Accounts payable and accruals	1,253,915	7,532	-	64,522	155,536
Bank indebtedness	752,856	-	-	-	-
Advances from related parties	1,928,162	134,554	-	-	629,477
Demand loans	10,341,456	-	-	-	-
Liability for investment in related party	-	300	-	-	-
Total liabilities	14,276,389	142,386	-	64,522	785,013
Partners' capital/ Retained earnings (deficit)					
	31,355	(140,962)	415,072	627,189	1,856,095
Total revenue	10,720,000	5	5,855	623,022	2,195,400
Total expenses	10,714,907	7,900	1,995	78,110	626,050
Comprehensive income (loss)	5,093	(7,895)	3,860	544,912	1,569,350

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

7. 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, 2019. The First Nation uses the investees' year-end financial statements to account for its investment in these investees.

Name of investee	Year-end	Significant events and transactions
K'awat'si Economic Development Limited Partnership	December 31, 2018	No significant events or transactions noted from January 1, 2019 to March 31, 2019
K'awat'si Economic Development General Partner Corporation	December 31, 2018	No significant events or transactions noted from January 1, 2019 to March 31, 2019

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.

	2019	2018
Capital Trust	138,158	138,158
Revenue Trust		
Balance, beginning of year	180,431	171,240
Interest	9,625	9,191
Balance, end of year	190,056	180,431
Total	328,214	318,589

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:

	2019	2018
Balance, beginning of year	3,654,856	530,000
Additions	-	3,184,499
Withdrawals	(71,921)	(60,081)
Interest	31,538	438
Balance, end of year	3,614,473	3,654,856

A portion of the funds held in trust for the purposes of constructing a Big House are held in Guaranteed Investment Certificates with interest rates ranging from 1.35%-1.50%.

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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 \$639,095 (2018 - \$98,750) contributed funds and loans in the amount of \$nil (2018 - \$395,000) resulting in a cumulative loan balance of \$7,845,713 (2018 - \$7,845,713).

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 \$502,304 (2018 - \$551,780). The Nation is in Stage 4 of treaty negotiation, which is the Negotiation of an Agreement in Principle stage.

11. Restricted cash

	2019	2018
Replacement reserve	156,136	182,993
Operating reserve	109,282	82,591
	265,418	265,584

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 \$37,330 (2018 - \$29,505) 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 \$39,949 (2018 - underfunded by \$29,882).

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 \$28,778 (2018 - underfunded by \$149,714).

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

12. Long-term debt

	2019	2018
Bank of Montreal demand loan - Interest at prime plus 1% per annum, monthly blended payments of \$12,013, secured by a general security agreement.	1,438,655	1,500,000
Post 96 - Phase 2 - All Nations Trust - repayable at \$5,252 per month including interest at 2.39% per annum; secured by a Ministerial Guarantee. Matures March 1, 2033 and renewing on March 1, 2023.	749,833	794,442
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.	355,687	382,031
Post 96 - Phase 5 - All Nations Trust - repayable at \$988 per month including interest at 1.84% per annum; secured by a Ministerial Guarantee. Matures September 1, 2037 and renewing on September 1, 2022.	185,921	194,288
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 December 1, 2021.	771,040	799,959
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 March 1, 2043 and renewing on March 1, 2023.	885,018	912,048
Post 96 - Phase 8 - All Nations Trust - interest rate and repayment terms to be determined upon interest adjustment date.	<u>342,311</u>	-
	4,728,465	4,582,768

The Bank of Montreal prime rate at March 31, 2019 is 3.95%.

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

	Principal
2020	211,898
2021	218,250
2022	224,845
2023	231,696
2024	238,814

13. Due to partner Nations

During the March 31, 2015 fiscal year, the Nation made the decision to withdraw from the Gwabalis Fisheries Group. There was no formal agreement in place that describes how funds held on behalf of the group were to be distributed between the five member Nations. During the year, the funds were distributed in full.

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

14. Loan guarantees

As at March 31, 2019, 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 (2018 - \$1,143,000), bearing interest at prime plus 0.5%, secured by a general security agreement. As at March 31, 2019, \$722,031 (2018 - \$745,601) has been drawn.

0997329 Tourism Services Limited Partnership

Available credit facility demand loan of \$10,444,865 (2018 - \$10,444,865), bearing interest at prime plus 0.5%, secured by a general security agreement. As at March 31, 2019, \$9,496,092 (2018 - \$9,926,920) has been drawn on the demand loan.

As at March 31, 2019, no liability has been recorded associated with the above noted guarantees.

The Bank of Montreal prime rate at March 31, 2019 is 3.95%.

15. 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.

16. Accumulated surplus

Accumulated surplus consists of the following:

	2019	2018
Equity in Gwa'sala-'Nakwaxda'xw Hll'gam	28,922,583	28,472,928
Equity in Treaty	2,305,592	1,803,288
Equity in funds held in trust	328,214	318,589
Operating surplus	6,032,274	7,675,948
Equity in tangible capital assets	12,039,817	10,140,115
Social Housing Replacement and Operating Reserves	334,304	445,340
Investment in Nation business entities	681,001	89,707
	<hr/> 50,643,785	<hr/> 48,945,915

17. 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 First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these agreements.

18. Comparative figures

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

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

19. Trust

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

	2019	2018
Financial Assets	29,374,362	28,558,570
Liabilities	(451,779)	(85,642)
Net Financial Assets and Accumulated Surplus	28,922,583	28,472,928
Revenue	1,765,172	1,740,946
Expenses	(1,074,017)	(1,499,054)
Annual Surplus	691,155	241,892

20. Indigenous Services Canada ("ISC") funding reconciliation

	2019	2018
ISC revenue per confirmation	4,200,454	4,750,819
NP5A - Post Secondary recovery (2016-17)	-	(26,987)
NP87 - COPH 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 COPH Allowance (2017-18)	-	(7,603)
Anticipated clawback in Special Needs (2017-18)	-	(2,628)
NP85- Basic Needs recovery (2017-18)	(144,448)	-
NP8L - Special Needs recovery (2017-18)	(1,701)	-
Audit reimbursement (2017-18)	(86,200)	-
Anticipated clawback in Child Out of Home Allowance (2018-19)	(10,624)	-
	3,957,481	4,782,610

21. 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 18, 2018.

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:

	2019
Budgeted deficit approved by Chief and Council	-
Adjusted for:	
Capital purchases	100,767
Budgeted annual surplus per the consolidated financial statements	100,767

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

22. 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.

1139401 BC Ltd.

Includes operations relating to land development for Park Drive.