

Gwa'sala-'Nakwaxda'xw Nation
Consolidated Financial Statements
March 31, 2020

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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.

January 7, 2021

Signed by: Leslie Dickie

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 "Nation"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations, 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 Nation as at March 31, 2020, 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 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 Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Nation or to cease operations, or has no realistic alternative but to do so.

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

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

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 Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Nation's ability to continue as a going concern. If 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 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 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

January 7, 2021

MNP LLP

Chartered Professional Accountants

Gwa'sala-'Nakwaxda'xw Nation
Consolidated Statement of Financial Position
As at March 31, 2020

	2020	2019
Financial assets		
Cash	4,572,284	2,405,900
Accounts receivable (Note 3)	4,567,916	887,503
Advances to related Nation entities (Note 4)	1,859,214	1,934,419
Portfolio investments (Note 5)	28,688,910	28,693,140
Investments in Nation partnerships (Note 6)	28,787	790,846
Investment (loss) in Nation business entities (Note 6)	539,282	(109,845)
Funds held in trust (Note 7)	335,832	328,214
Funds held in trust - Big House (Note 8)	2,978,486	3,614,473
Investment in Treaty (Note 9)	-	10,151,305
Restricted cash (Note 10)	262,864	265,418
Total financial assets	43,833,575	48,961,373
Liabilities		
Accounts payable and accruals	501,898	829,212
Deferred revenue (Note 11)	699,602	325,247
Long-term debt (Note 12)	5,082,074	4,728,465
First Nation Loan Agreement (Note 9)	-	7,845,713
Total liabilities	6,283,574	13,728,637
Net financial assets	37,550,001	35,232,736
Contingencies (Note 14)		
Significant event (Note 21)		
Non-financial assets		
Tangible capital assets (Schedule 1)	16,687,070	15,329,628
Prepaid expenses	93,654	72,421
Total non-financial assets	16,780,724	15,402,049
Accumulated surplus (Note 15)	54,330,725	50,634,785
Approved on behalf of the Chief and Council		
Signed by: Chief 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, 2020

	<i>Schedules</i>	<i>2020 Budget (Note 19)</i>	<i>2020</i>	<i>2019</i>
Revenue				
Indigenous Services Canada (Note 18)		3,611,333	8,067,044	3,957,481
First Nations Health Authority		-	1,697,736	1,402,515
Other revenue		-	1,171,163	731,014
Canada Mortgage and Housing Corporation		-	248,587	159,629
First Nations Education Steering Committee		-	80,177	659,239
Department of Fisheries and Oceans Canada		-	-	90,720
Interest income		-	1,969,186	1,808,618
Province of BC		-	1,674,746	1,430,735
Forestry income		-	1,612,052	1,022,297
Earnings (loss) from investment in Nation business entities (Note 6)		-	649,127	(2,803)
British Columbia Treaty Commission		-	632,953	639,095
BC First Nations Gaming		-	486,185	-
Marine services and fisheries		-	341,718	109,869
School District 85		-	327,734	288,126
Rental income		-	225,425	239,115
Fishing income		-	87,470	128,215
Coast Opportunity Fund		-	-	180,000
Earnings (loss) from investment in Nation partnerships (Note 6)		-	(411,786)	594,097
		3,611,333	18,859,517	13,437,962
Program expenses				
Administration	3	436,025	658,632	1,160,374
Income Assistance	4	952,957	1,030,522	902,110
Education	5	526,235	1,175,550	1,042,365
Economic Development	6	-	317,746	277,779
Community Infrastructure	7	57,257	150,643	169,246
Natural Resources	8	-	1,055,570	919,511
Capital Projects	9	104,308	377,245	656,515
Community	10	29,356	1,261,537	902,335
Health	11	-	1,291,208	1,215,465
Gwa'sala-'Nakwaxda'xw School	12	1,505,195	3,070,299	2,860,433
CMHC Social Housing	13	-	351,554	424,693
Trust	14	-	1,147,683	976,766
Treaty	15	-	686,196	-
		3,611,333	12,574,385	11,507,592
Annual surplus before other items		-	6,285,132	1,930,370
Other items				
Write down of investment in Treaty (Note 9)		-	(10,151,305)	-
Treaty loan forgiveness (Note 9)		-	7,845,713	-
Annual surplus		-	3,979,540	1,930,370

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Gwa'sala-'Nakwaxda'xw Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2020

	<i>2020 Budget (Note 19)</i>	<i>2020</i>	<i>2019</i>
Annual surplus <i>(Continued from previous page)</i>	-	3,979,540	1,930,370
Accumulated surplus, beginning of year	50,634,785	50,634,785	48,945,915
Distribution to members	-	(283,600)	(241,500)
Settlement of funds	-	706,246	241,892
Resettlement of funds	-	(706,246)	(241,892)
Accumulated surplus, end of year	50,634,785	54,330,725	50,634,785

Gwa'sala-'Nakwaxda'xw Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2020

	<i>2020 Budget (Note 19)</i>	<i>2020</i>	<i>2019</i>
Annual surplus	-	3,979,540	1,930,370
Purchases of tangible capital assets	-	(2,014,682)	(2,744,388)
Amortization of tangible capital assets	-	657,240	637,642
Distribution to members	-	(283,600)	(241,500)
Settlement of funds	-	706,246	241,892
Resettlement of funds	-	(706,246)	(241,892)
Prepaid expenses	-	(21,233)	(64,174)
Increase (decrease) in net financial assets	-	2,317,265	(482,050)
Net financial assets, beginning of year	35,232,736	35,232,736	35,714,786
Net financial assets, end of year	35,232,736	37,550,001	35,232,736

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, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	3,979,540	1,930,370
Non-cash items		
Amortization	657,240	637,642
Loss (earnings) from investment in Nation partnerships	411,786	(594,097)
Earnings (loss) from investment in Nation businesses	(649,127)	2,803
Settlement of funds	706,246	241,892
Resettlement of funds	(706,246)	(241,892)
Change in investment in Treaty	10,151,305	(502,304)
Forgiveness of treaty loan	(7,845,713)	-
	6,705,031	1,474,414
Changes in working capital accounts		
Accounts receivable	(3,680,413)	131,914
Prepaid expenses	(21,233)	(64,174)
Accounts payable and accruals	(327,314)	533,006
Deferred revenue	374,355	120,839
Funds held in trust	(7,618)	(9,625)
	3,042,808	2,186,374
Financing activities		
Advances of long-term debt	556,805	342,311
Repayment of long-term debt	(203,196)	(196,614)
Distribution to members	(283,600)	(241,500)
	70,009	(95,803)
Capital activities		
Purchases of tangible capital assets	(2,014,682)	(2,744,388)
Investing activities		
Advances to related Nation entities	-	(13,493)
Repayment of advances to related Nation entities	75,205	-
Repayment of advances from partner Nations	350,273	(289,784)
Change in restricted cash	2,554	166
Net change in portfolio investments	4,230	(360,971)
Change in funds held in Trust - Big House	635,987	40,383
	1,068,249	(623,699)
Increase (decrease) in cash	2,166,384	(1,277,516)
Cash, beginning of year	2,405,900	3,683,416
Cash, end of year	4,572,284	2,405,900

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, 2020

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 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. Ltd.
- Gwa'sala-'Nakwaxda'xw Big House Society

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.

Gwa'sala-'Nakwaxda'xw Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2020

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

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.

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.

	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 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.

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 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, 2020

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 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, 2020.

At each financial reporting date, the 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 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, 2020, no liability for contaminated site exists.

Segments

The Nation conducts its business through a number of reportable segments as described in Note 20. 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. Accounts receivable

	2020	2019
Tenant receivables	382,574	409,092
School District No. 85	-	540
Indigenous Services Canada	3,741,999	-
Member loans	16,855	21,062
Canada Mortgage and Housing Corporation operating subsidy	19,156	12,841
Department of Fisheries and Oceans Canada	12,000	12,000
Goods and Services Tax receivable	16,277	2,569
Other accounts receivable	672,779	723,123
	4,861,640	1,181,227
Less: Allowance for doubtful accounts	293,724	293,724
	4,567,916	887,503

4. Advances to related Nation entities

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

	2020	2019
k'awat'si Economic Development Limited Partnership	1,401,451	1,476,656
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	8,658
Other	2,189	2,189
	1,859,214	1,934,419

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

5. Portfolio investments

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

	2020	2019
Bentall Kennedy Prime Can Property Fund	3,198,191	3,085,805
Fiera Capital - Fiera Active Fixed Income Fund (202)	8,616,359	8,338,340
Mawer Canadian Equity Pooled Fund (112)	8,311,589	8,179,876
Mawer Global Equity Fund (220)	8,562,771	9,089,119
	28,688,910	28,693,140

6. Investments in 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>2020 Total investment</i>
Wholly-owned Businesses:				
k'awat'si Economic Development General Partner Corporation	(140,969)	(7,835)	-	(148,804)
k'awat'si Economic Development Limited Partnership	31,124	656,962	-	688,086
	(109,845)	649,127	-	539,282
First Nation Business Partnerships – Modified Equity:				
Nanwakolas Forestry Limited Partnership - 40.278%	169,751	(2,704)	(162,720)	4,327
Nanwakolas Carbon Credit Limited Partnership - 33.98%	213,714	(1,701)	(187,553)	24,460
Nanwakolas Offset Limited Partnership- 26.18%	407,381	(407,381)	-	-
	790,846	(411,786)	(350,273)	28,787
	681,001	237,341	(350,273)	568,069

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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

	<i>Investment cost</i>	<i>Share of earnings (loss)</i>	<i>Contributions/ (Withdrawals)</i>	<i>2019 Total investment</i>
Wholly-owned Businesses:				
k'awat'si Economic Development General Partner	(133,074)	(7,895)	-	(140,969)
k'awat'si Economic Development Limited Partnership	26,032	5,092	-	31,124
	(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
Nanwakolas Offset Limited Partnership- 26.18%	-	407,381	-	407,381
	196,749	594,097	-	790,846
	89,707	591,294	-	681,001

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.

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements

For the year ended March 31, 2020

6. Investments in 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'awat'si Economic Development Limited Partnership As at December 31, 2019</i>	<i>k'awat'si Economic Development General Partner Corporation As at December 31, 2019</i>	<i>Nanwakolas Forestry Limited Partnership As at March 31, 2020</i>	<i>Nanwakolas Carbon Credit Limited Partnership As at March 31, 2020</i>
Assets				
Cash	668,125	-	5,799	69,547
Accounts receivable	626,317	-	600	-
Costs in excess of billings	304,289	-	-	-
Prepaid expenses and deposits	40,518	-	-	-
Property, plant and equipment	11,639,155	-	-	-
Right of use assets	27,360	-	-	-
Inventory	79,258	-	-	-
Advances to related parties	280,230	7	-	1,010
Investment in related parties	-	1,804	-	-
Total assets	13,665,252	1,811	6,399	70,557
Liabilities				
Accounts payable and accruals	662,770	7,530	1,704	-
Bank indebtedness	517,405	-	-	-
Advances from related parties	1,864,578	142,639	325	-
Demand loans	9,903,964	-	-	-
Liability for investment in related party	-	436	-	-
Right of use lease	28,153	-	-	-
Total liabilities	12,976,870	150,605	2,029	-
Partners' capital/ Retained earnings (deficit)	688,382	(148,794)	4,370	70,557
Total revenue	10,867,065	251	15	-
Total expenses	10,210,038	8,085	6,725	5,006
Comprehensive income (loss)	657,027	(7,834)	(6,710)	(5,006)

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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

Certain of the Nation's investees have a different year-end than March 31, 2020. 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, 2019	No significant events or transactions noted from January 1, 2020 to March 31, 2020
k'awat'si Economic Development General Partner Corporation	December 31, 2019	No significant events or transactions noted from January 1, 2020 to March 31, 2020

7. 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.

	<i>2020</i>	<i>2019</i>
Capital Trust	138,158	138,158
Revenue Trust		
Balance, beginning of year	190,056	180,431
Interest	7,618	9,625
Balance, end of year	197,674	190,056
Total	335,832	328,214

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*.

8. 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:

	<i>2020</i>	<i>2019</i>
Balance, beginning of year	3,614,473	3,654,856
Withdrawals	(691,623)	(71,921)
Interest	55,636	31,538
Balance, end of year	2,978,486	3,614,473

A portion of the funds held in trust for the purposes of constructing the Big House are held in Guaranteed Investment Certificates with interest rate of 1.5%.

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

9. First Nation Loan Agreement

The Nation received funds negotiated with ISC and the provincial British Columbia Treaty Commission. Under the terms of that agreement, the Nation had received both loaned and contributed funds. Effective March 31, 2020, \$7,845,713 in comprehensive land claim negotiation debt owed to Canada by the Nation was forgiven.

The Nation previously capitalized all expenses related to the Treaty process as management expected the future settlement to exceed the investment in Treaty balance. During the year, the Nation wrote down \$10,151,305 of the investment in Treaty due to the corresponding debt being forgiven. The Nation is in Stage 4 of treaty negotiation, which is the Negotiation of an Agreement in Principle stage.

10. Restricted cash

	2020	2019
Replacement reserve	153,636	156,136
Operating reserve	109,228	109,282
	262,864	265,418

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 \$40,030 (2019 - \$37,330) 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 \$71,559 (2019 - underfunded by \$39,949).

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 \$54 (2019 - underfunded by \$28,778).

11. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each funding source:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Amount Spent</i>	<i>Balance, end of year</i>
FNHA-AHSOR-Expansion Funding & OTF	121,056	179,200	68,651	231,605
FNHA-Home & Comm. Care	13,858	111,889	104,063	21,684
FNHA-Health Benefits/Medical Transportation	16,333	-	16,333	-
FNHA-AHSOR-Expansion Funding-Capital	-	600,000	153,687	446,313
Minister of Education	174,000	-	174,000	-
	325,247	891,089	516,734	699,602

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

12. Long-term debt

	2020	2019
Bank of Montreal demand loan - Interest at prime plus 1% per annum, monthly blended payments of \$12,013, secured by a general security agreement.	1,363,450	1,438,655
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.	704,190	749,833
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.	329,079	355,687
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.	177,407	185,921
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.	741,764	771,040
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.	857,384	885,018
Post 96 - Phase 8 - All Nations Trust - repayable at \$3,809 per month including interest at 1.83%, secured by a Ministerial Guarantee. Matures December 1, 2044 and renewing on December 1, 2024.	908,800	342,311
	5,082,074	4,728,465

The Bank of Montreal prime rate at March 31, 2020 is 2.45%.

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

	Principal
2021	247,549
2022	254,686
2023	262,087
2024	269,765
2025	277,732
Thereafter	3,771,321

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

13. Loan guarantees

As at March 31, 2020, 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 (2019 - \$1,143,000), bearing interest at prime plus 0.5%, secured by a general security agreement. As at March 31, 2020, \$700,182 (2019 - \$722,031) has been drawn.

0997329 Tourism Services Limited Partnership

Available credit facility demand loan of \$10,444,865 (2019 - \$10,444,865), bearing interest at prime plus 0.5%, secured by a general security agreement. As at March 31, 2020, \$9,122,446 (2019 - \$9,926,920) has been drawn on the demand loan.

K'awat'si Economic Development Limited Partnership

Subsequent to year end in July 2020, the Nation guaranteed an \$600,000 BMO credit facility for K'awat'si Economic Development Limited Partnership.

Individual First Nation Member

The Nation has guaranteed a \$117,645 loan for an individual First Nation Member from Costal Community Credit Union.

As at March 31, 2020, no liability has been recorded associated with the above noted guarantees.

14. 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.

15. Accumulated surplus

Accumulated surplus consists of the following:

	2020	2019
Equity in Gwa'sala-'Nakwaxda'xw Hi'li'gam	28,728,764	28,922,583
Equity in Treaty	-	2,305,592
Equity in funds held in trust	335,832	328,214
Operating surplus	11,394,980	6,032,274
Equity in tangible capital assets	12,968,443	12,039,817
Social Housing Replacement and Operating Reserves	334,637	334,304
Investment in Nation business entities	568,069	681,001
	54,330,725	50,643,785

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.

Gwa'sala-'Nakwaxda'xw Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2020

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:

	2020	2019
Financial Assets	28,833,268	29,374,362
Liabilities	(104,504)	(451,779)
Net Financial Assets and Accumulated Surplus	28,728,764	28,922,583
Revenue	1,898,702	1,765,172
Expenses	(1,808,921)	(1,074,017)
Annual Surplus	89,781	691,155

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

	2020	2019
ISC revenue per confirmation	8,155,655	4,200,454
NTPF- Special Needs recovery (2017-2018)	(65,162)	-
Anticipated clawback in Adult In-Home Care	(23,449)	-
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)
	8,067,044	3,957,481

19. 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 January 7, 2021.

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:

	2020
Budgeted surplus (deficit) approved by Chief and Council	-
Adjustment for revenue	789,457
Adjustment for expense	(789,457)
Revised budgeted annual surplus per the consolidated statement of Operations and Accumulated Surplus	-

20. 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.

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.

Treaty

Includes revenue and expenditures related to the negotiation of treaty.

21. Significant event

In early 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Nation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and isolation/quarantine measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

Gwa'sala-'Nakwaxda'xw Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2020

	<i>Land</i>	<i>Buildings</i>	<i>Paving</i>	<i>Bridges</i>	<i>Computers and IT hardware</i>	<i>Computer software</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	2,056,290	14,739,269	565,792	1,404,461	946,368	83,305	19,795,485
Acquisition of tangible capital assets	42,293	481,621	-	-	-	-	523,914
Transfer of tangible capital assets	-	(1,079,590)	-	-	-	-	(1,079,590)
Balance, end of year	2,098,583	14,141,300	565,792	1,404,461	946,368	83,305	19,239,809
Accumulated amortization							
Balance, beginning of year	-	7,361,088	321,000	1,132,625	944,698	56,427	9,815,838
Annual amortization	-	332,859	16,176	35,112	1,670	4,887	390,704
Balance, end of year	-	7,693,947	337,176	1,167,737	946,368	61,314	10,206,542
Net book value of tangible capital assets	2,098,583	6,447,353	228,616	236,724	-	21,991	9,033,267
2019 Net book value of tangible capital assets	2,056,290	7,378,181	244,792	271,836	1,670	26,878	9,979,647

Gwa'sala-'Nakwaxda'xw Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2020

	<i>Subtotal</i>	<i>Furniture and fixtures</i>	<i>Boats</i>	<i>Vehicles</i>	<i>CMHC housing</i>	<i>Infrastructure</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	19,795,485	1,217,424	386,875	295,713	4,717,342	1,235,838	27,648,677
Acquisition of tangible capital assets	523,914	-	-	-	-	-	523,914
Transfer of tangible capital assets	(1,079,590)	-	-	-	1,079,590	-	-
Balance, end of year	19,239,809	1,217,424	386,875	295,713	5,796,932	1,235,838	28,172,591
Accumulated amortization							
Balance, beginning of year	9,815,838	1,057,284	273,977	162,871	944,988	385,283	12,640,241
Annual amortization	390,704	42,835	26,889	14,383	136,569	29,270	640,650
Balance, end of year	10,206,542	1,100,119	300,866	177,254	1,081,557	414,553	13,280,891
Net book value of tangible capital assets	9,033,267	117,305	86,009	118,459	4,715,375	821,285	14,891,700
2019 Net book value of tangible capital assets	9,979,647	160,140	112,898	132,842	3,772,354	850,555	15,008,436

Gwa'sala-'Nakwaxda'xw Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2020

	<i>Subtotal</i>	<i>Docks and wharfs</i>	<i>Assets under construction (work in progress)</i>	<i>Equipment</i>	<i>2020</i>	<i>2019</i>
Cost						
Balance, beginning of year	27,648,677	126,727	132,021	102,536	28,009,961	25,265,573
Acquisition of tangible capital assets	523,914	-	1,490,768	-	2,014,682	2,744,388
Transfer of tangible capital assets	-	-	-	-	-	-
Balance, end of year	28,172,591	126,727	1,622,789	102,536	30,024,643	28,009,961
Accumulated amortization						
Balance, beginning of year	12,640,241	28,511	-	11,581	12,680,333	12,042,691
Annual amortization	640,650	6,336	-	10,254	657,240	637,642
Balance, end of year	13,280,891	34,847	-	21,835	13,337,573	12,680,333
Net book value of tangible capital assets	14,891,700	91,880	1,622,789	80,701	16,687,070	15,329,628
2019 Net book value of tangible capital assets	15,008,436	98,216	132,021	90,955	15,329,628	