

Gwa'sala-'Nakwaxda'xw Nation
Consolidated Financial Statements
March 31, 2023

Gwa'sala-'Nakwaxda'xw Nation

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For the year ended March 31, 2023

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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 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 27, 2023



Interim Band Manager



Independent Auditor's Report

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

Qualified Opinion

We have audited the consolidated financial statements of Gwa'sala-'Nakwaxda'xw Nation (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, changes in net financial assets, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Nation as at March 31, 2023, and the results of its consolidated operations, its remeasurement gains and losses, changes in its net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Canadian Public Sector Accounting Standards ("PSAS") Section PS 3280 Asset Retirements Obligations ("ARO") which was adopted by the Nation as of April 1, 2022 requires the recognition of an ARO liability when there is a legal obligation that establishes a clear responsibility to incur retirement costs in relation to a tangible capital asset. The Nation has not identified ARO liabilities as of March 31, 2023 and we were unable to satisfy ourselves concerning those liabilities by alternative means. Consequently, we were not able to determine whether any adjustments would be necessary to liabilities, net financial assets, tangible capital assets, accumulated surplus, expenses, annual surplus, change in net financial assets for the years-ended March 31, 2023 and 2022, and accumulated surplus as of April 1, 2021 and March 31, 2022 and 2023.

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 qualified 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

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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 consolidated 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

July 27, 2023

MNP LLP

Chartered Professional Accountants

MNP
LLP

Gwa'sala-'Nakwaxda'xw Nation
Consolidated Statement of Financial Position
As at March 31, 2023

	2023	2022
Financial assets		
Cash	16,461,137	5,626,113
Accounts receivable (Note 4)	5,176,982	2,275,599
Advances to related Nation entities (Note 5)	1,084,209	2,139,060
Portfolio investments (Note 6)	37,914,457	33,197,517
Investments in Nation partnerships (Note 7)	-	19,524
Investment in Nation business entities (Note 7)	(5,945,469)	(5,845,190)
Funds held in trust (Note 8)	364,183	350,985
Funds held in trust - Big House (Note 9)	1,795,362	1,791,593
Restricted cash (Note 10)	212,919	230,104
Total financial assets	57,063,780	39,785,305
Liabilities		
Accounts payable and accruals	1,335,157	834,240
Deferred revenue (Note 11)	802,011	718,024
Long-term debt (Note 12)	5,193,550	5,426,271
Total liabilities	7,330,718	6,978,535
Net financial assets	49,733,062	32,806,770
Guarantees (Note 13)		
Contingencies (Note 14)		
Non-financial assets		
Tangible capital assets (Schedule 1)	32,309,476	26,195,496
Prepaid expenses	146,533	183,653
Total non-financial assets	32,456,009	26,379,149
Accumulated surplus	82,189,071	59,185,919
Accumulated surplus is comprised of:		
Accumulated surplus (Note 15)	78,687,699	59,185,919
Accumulated remeasurement gains (losses)	3,501,372	-
	82,189,071	59,185,919

Approved on behalf of the Chief and Council



Chief



Councillor

Gwa'sala-'Nakwaxda'xw Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2023

	Schedules	2023 Budget (Note 19)	2023	2022
Revenue				
Indigenous Services Canada (Note 18)		15,943,317	22,286,863	8,943,076
First Nations Health Authority		-	3,889,286	2,174,622
Other revenue		-	4,245,150	2,530,483
Canada Mortgage and Housing Corporation		-	398,946	376,247
First Nations Education Steering Committee		-	461,142	137,602
Department of Fisheries and Oceans		-	750,382	203,988
Province of British Columbia		-	1,708,122	1,174,826
Interest income		-	2,929,639	3,854,773
Forestry income		-	1,367,970	1,238,885
British Columbia Treaty Commission		-	938,000	702,253
BC First Nations Gaming		-	700,903	486,406
School District 85		-	372,117	375,396
Rental income		-	262,556	186,120
Coast Opportunity Fund		-	125,000	125,000
Fishing income		-	77,663	86,189
Marine Services and fisheries		-	444,048	-
Loss from investment in Nation partnerships (Note 7)		-	-	(6,236)
Loss from investment in Nation business entities (Note 7)		-	(100,279)	(1,331,470)
		15,943,317	40,857,508	21,258,160
Program expenses				
Administration	3	1,103,771	1,909,396	1,432,172
Income Assistance	4	1,190,957	1,540,585	1,319,767
Education	5	1,848,991	1,912,644	1,853,592
Economic Development	6	197,646	241,301	147,387
Community Infrastructure	7	8,348,398	275,374	220,407
Natural Resources	8	-	2,153,427	2,175,627
Capital Projects	9	1,601,906	2,159,848	1,266,068
Community	10	276,742	1,668,694	1,507,226
Health	11	-	2,735,347	2,201,154
GNN School	12	1,887,847	3,504,691	3,042,381
CMHC Social Housing	13	-	365,294	372,684
Trust	14	-	1,313,297	985,113
Treaty	15	-	1,019,626	806,162
Big House Society	16	-	260,754	617,381
		16,456,258	21,060,278	17,947,121

Continued on next page

Gwa'sala-'Nakwaxda'xw Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2023

	<i>Schedules</i>	<i>2023 Budget (Note 19)</i>	<i>2023</i>	<i>2022</i>
Annual surplus <i>(Continued from previous page)</i>		(512,941)	19,797,230	3,311,039
Accumulated surplus, beginning of year		59,185,919	59,185,919	56,156,880
Distribution to members		-	(295,450)	(282,000)
Settlement of funds		-	-	2,792,962
Resettlement of funds		-	-	(2,792,962)
Accumulated surplus, end of year		58,672,978	78,687,699	59,185,919

Gwa'sala-'Nakwaxda'xw Nation
Consolidated Statement of Remeasurement Gains
For the year ended March 31, 2023

	2023	2022
Accumulated remeasurement gains, beginning of year	-	-
Unrealized gains attributable to:		
Designated fair value portfolio investments	3,501,372	-
Accumulated remeasurement gains, end of year	3,501,372	-

Gwa'sala-'Nakwaxda'xw Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2023

	2023 <i>Budget</i> <i>(Note 19)</i>	2023	2022
Annual surplus	(512,941)	19,797,230	3,311,039
Purchases of tangible capital assets	-	(7,152,263)	(7,356,680)
Amortization of tangible capital assets	-	1,038,283	812,905
Distribution to members	-	(295,450)	(282,000)
Settlement of funds	-	-	2,792,962
Resettlement of funds	-	-	(2,792,962)
Prepaid expenses	-	37,120	(46,864)
Change in remeasurement gains for the year	-	3,501,372	-
Increase (decrease) in net financial assets	(512,941)	16,926,292	(3,561,600)
Net financial assets, beginning of year	36,368,370	32,806,770	36,368,370
Net financial assets, end of year	35,855,429	49,733,062	32,806,770

Gwa'sala-'Nakwaxda'xw Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	19,797,230	3,311,039
Non-cash items		
Amortization	1,038,283	812,905
Bad debts	-	9,232
Loss from investment in Nation partnerships	19,524	(163,764)
Loss from investment in Nation businesses	100,279	1,331,470
Settlement of funds	-	2,792,962
Resettlement of funds	-	(2,792,962)
	20,955,316	5,300,882
Changes in working capital accounts		
Accounts receivable	(2,901,383)	98,176
Prepaid expenses	37,120	(46,863)
Accounts payable and accruals	500,917	(1,053,459)
Deferred revenue	83,987	(129,668)
Funds held in trust	(13,198)	(8,914)
	18,662,759	4,160,154
Financing activities		
Advances of long-term debt	-	821,347
Repayment of long-term debt	(232,721)	(263,557)
Distribution to members	(295,450)	(282,000)
	(528,171)	275,790
Capital activities		
Purchases of tangible capital assets	(7,152,263)	(7,356,680)
Investing activities		
Change in advances to related Nation entities	1,054,851	(165,729)
Change in restricted cash	17,185	8,045
Net change in portfolio investments (net of unrealized gains)	(1,215,568)	(1,974,177)
Change in funds held in Trust - Big House	(3,769)	1,230,652
	(147,301)	(901,209)
Increase (decrease) in cash resources	10,835,024	(3,821,945)
Cash, beginning of year	5,626,113	9,448,058
Cash, end of year	16,461,137	5,626,113

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

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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. Change in accounting policies

Financial instruments

Effective April 1, 2022, the Nation adopted the Public Sector Accounting Board's (PSAB) new recommendations for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities and derivatives under Section PS 3450 *Financial Instruments*. The new Section is applied prospectively, and prior periods have not been restated. There was no material impact on the financial statements from the prospective application of the new accounting recommendations.

Asset retirement obligations

Effective April 1, 2022, the Nation adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of a liability for asset retirement obligations under PS 3280 *Asset Retirement Obligations*. The new standard establishes when to recognize and how to measure a liability for an asset retirement obligation, and provides the related financial statement presentation and disclosure requirements. Pursuant to these recommendations, the change was applied prospectively, and prior periods have not been restated.

Before Section PS 3280 was issued, there was no specific guidance in PSAB addressing the accounting for various types of asset retirement obligations. Section PS 3260 Liability for Contaminated Sites deals with liabilities associated with the contamination of sites. PS 3270 Solid Waste Closure and Post-closure Liability covers closure and post-closure liabilities associated with a currently operating or closed solid waste landfill site. These two Sections did not have an effect on the Nation's consolidated financial statements in previous years. Under the new standard, a liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset when certain criteria are met, as described in Note 3.

There was no material impact on the consolidated financial statements from the prospective application of the new accounting recommendations.

3. Significant accounting policies

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

Reporting entity

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'l'i'gam
- 1139401 B.C. Ltd.
- Gwa'sala-'Nakwaxda'xw Big House Society

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

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 ("KEDLP")
- k'awat'si Economic Development General Partner Corporation
- Nanwakolas Forestry Limited Partnership
- Nanwakolas Carbon Credit Limited Partnership

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Portfolio investments

Portfolio investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment.

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 straight-line methods at rates intended to amortize the cost of the assets over their estimated useful lives. Land and work-in-progress are not amortized.

	Rate
Buildings	40 years
Paving	25 years
Bridges	40 years
Computer and IT hardware	4 years
Computer software	10 years
Furniture and fixtures	10 years
Boats	10 years
Vehicles	10 years
CMHC housing	10-40 years
Infrastructure	40 years
Docks and wharfs	20 years
Equipment	10 years

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

Funds held in Ottawa Trust Fund

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 operating surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on 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.

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.

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

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.

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, 2023.

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, 2023, 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.

Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the Nation to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at March 31, 2023. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

At each financial reporting date, the Nation reviews the carrying amount of the liability. The Nation recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

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.

Financial instruments

The Nation recognizes its financial instruments when the Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The Nation has made such an election during the year.

The Nation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the consolidated statement of remeasurement gains and losses, with the exception of gains and losses on externally restricted financial assets measured at fair value, which are recognized as an increase or decrease to the associated liability until the resources are used in accordance with their specified purpose. Interest income is recognized in the statement of operations; however, interest income on externally restricted financial assets is recognized as an increase or decrease to the associated liability until the resources are used in accordance with their specified purpose. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years, recent collection experience for the loan, such as a default or delinquency in interest or principal payments, in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Consolidated Statement of Remeasurement Gains and Losses

By presenting remeasurement gains (losses) separately, changes in the carrying value of financial instruments arising from fair value measurement, unrealized foreign exchange gains (losses) and other comprehensive income arising from investments in government business entities are distinguished from revenues and expenses reported in the consolidated statement of operations. The consolidated statement of operations reports the extent to which revenues raised in the period were sufficient to meet the expenses incurred. Remeasurement gains (losses) do not affect this assessment as they are recognized in the consolidated statement of remeasurement gains and losses. Taken together, the two statements account for changes in a Nation's net assets in the period.

Upon settlement, the cumulative gain (loss) is reclassified from the consolidated statement of remeasurement gains and losses and recognized in the consolidated statement of operations. Interest and dividends attributable to all financial instruments are reported in the consolidated statement of operations.

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

4. Accounts receivable

	2023	2022
Tenant receivables	550,421	425,753
Health and Welfare Canada	698,194	24,799
Indigenous Services Canada	44,701	43,552
Members loans	29,050	29,050
Canada Mortgage and Housing Corporation operating subsidy	119,114	119,114
Department of Fisheries and Oceans Canada	-	178,988
Goods and Services Tax receivable	99,853	58,526
Other accounts receivable	3,929,373	1,689,541
	5,470,706	2,569,323
Less: Allowance for doubtful accounts	293,724	293,724
	5,176,982	2,275,599

5. Advances to (from) related nation entities

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

	2023	2022
k'awat'si Economic Development Limited Partnership	1,623,941	1,265,801
KEDLP promissory note receivable	-	420,000
Gwa'Nak Resources Limited Partnership	122,711	122,711
0997211 Fisheries Limited Partnership	310,778	310,779
0997328 Marine Services Limited Partnership	13,426	13,426
0997330 Contracting Limited Partnership	8,658	8,658
Other	(2,315)	(2,315)
0997329 Tourism Services Limited Partnership	(992,990)	-
	1,084,209	2,139,060

6. Portfolio investments

Portfolio investments are financial instruments held at fair value in the following investments within Scotia Trust accounts:

	2023	2022
Bentall Kennedy Prime Can Property Fund	4,103,572	3,284,582
Bentall Greenoak Prime Can Property Pool	337,673	106,381
Fiera Capital - Fiera Active Fixed Income Fund	2,675,646	5,481,626
Mawer Canadian Equity Pooled Fund	1,277,148	3,625,787
Mawer Global Equity Fund	13,214,875	13,063,991
Cortland Credit Strategies LP	4,066,453	3,823,936
Fiera ACM Commercial Mortgage Fund	3,822,433	3,811,214
Brookfield Super Core US	8,416,657	-
	37,914,457	33,197,517

Publicly traded investments have an adjusted cost base of \$34,413,085 and unrealized gains of \$3,501,372.

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

7. 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 loss</i>	<i>Contributions/ (Withdrawals)</i>	2023 Total investment
Wholly-owned Businesses:				
k'awat'si Economic Development General Partner Corporation	(148,804)	-	-	(148,804)
k'awat'si Economic Development Limited Partnership	(5,696,386)	(100,279)	-	(5,796,665)
	(5,845,190)	(100,279)	-	(5,945,469)

First Nation Business Partnerships – Modified Equity:

	<i>Investment cost</i>	<i>Share of loss</i>	<i>Contributions/ (Withdrawals)</i>	2023 Total investment
Wholly-owned Businesses:				
Nanwakolas Carbon Credit Limited Partnership - 33.98%	19,524	-	(19,524)	-
	(5,825,666)	(100,279)	(19,524)	(5,945,469)

	<i>Investment cost</i>	<i>Share of loss</i>	<i>Contributions/ (Withdrawals)</i>	2022 Total investment
Wholly-owned Businesses:				
k'awat'si Economic Development General Partner Corporation	(148,804)	-	-	(148,804)
k'awat'si Economic Development Limited Partnership	(4,364,916)	(1,331,470)	-	(5,696,386)
	(4,513,720)	(1,331,470)	-	(5,845,190)

First Nation Business Partnerships – Modified Equity:

	<i>Investment cost</i>	<i>Share of loss</i>	<i>Contributions/ (Withdrawals)</i>	2022 Total investment
Wholly-owned Businesses:				
Nanwakolas Forestry Limited Partnership - 40.278%	2,569	(2,569)	-	-
Nanwakolas Carbon Credit Limited Partnership - 33.98%	23,191	(3,667)	-	19,524
	25,760	(6,236)	-	19,524
	(4,487,960)	(1,337,706)	-	(5,825,666)

Continued on next page

The Nation's investment in k'awat'si Economic Development General Partner Corporation was established as the General Partner for the purposes of running the economic activities of various business endeavours for the Nation through the Limited Partnerships. 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.

Nanwakolas Carbon Credit Limited Partnership was dissolved during the year.

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:

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

	<i>k'awat'si Economic Development Limited Partnership As at December 31, 2022</i>	<i>k'awat'si Economic Development General Partner Corporation As at December 31, 2022</i>
Assets		
Cash	350,922	-
Accounts receivable	1,118,978	-
Prepaid expenses and deposits	218,319	-
Property, plant and equipment	13,888,153	-
Right of use assets	620,331	-
Inventory	101,845	-
Advances to related parties	141,807	7
Investment in related parties	-	1,804
Total assets	16,440,355	1,811
Liabilities		
Accounts payable and accruals	2,559,444	7,530
Bank indebtedness	1,704,431	-
Advances from related parties	1,070,198	142,639
Demand loans	10,514,644	-
Liability for investment in related party	-	436
Long-term debt	4,168,747	-
Deferred revenue	1,571,914	-
Right of use leases	647,992	-
Total liabilities	22,237,370	150,605
Partners' capital/ Retained earnings (deficit)	(5,797,015)	(148,794)
Total revenue	22,180,675	-
Total expenses	22,280,964	-
Net income (loss)	(100,289)	-
Comprehensive income (loss)	(100,289)	-

Certain of the Nation's investees have a different year-end than March 31, 2023. 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, 2022	No significant events or transactions noted from January 1, 2023 to March 31, 2023
k'awat'si Economic Development General Partner Corporation	December 31, 2022	No significant events or transactions noted from January 1, 2023 to March 31, 2023

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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 the consent of the Nation's Council.

	2023	2022
Capital Trust	138,158	138,158
Revenue Trust		
Balance, beginning of year	212,827	203,913
Interest	13,198	8,914
Balance, end of year	226,025	212,827
Total	364,183	350,985

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:

	2023	2022
Balance, beginning of year	1,791,593	3,022,245
Withdrawals	-	(1,247,814)
Interest	3,769	17,162
Balance, end of year	1,795,362	1,791,593

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 1.0% and prime minus 2.20%. Prime rate at March 31, 2023 is 6.70%.

10. Restricted Cash

	2023	2022
Replacement reserve	103,817	121,002
Operating reserve	109,102	109,102
	212,919	230,104

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 \$52,380 (2022 - \$46,588) 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 \$800,604 (2022 - underfunded by \$229,718).

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

10. Restricted cash (Continued from previous page)

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 \$7,011 (2022 - underfunded by \$12,795).

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	273,260	201,210	287,150	187,320
FNHA-Home & Comm. Care	-	114,127	114,127	-
FNHA-Health Benefits/Medical Transportation	73,485	204,404	205,000	72,889
FNHA-AHSOR-Expansion Funding-Capital	339,456	-	1,194	338,262
FNHA-Children's Oral Health	9,037	9,316	9,113	9,240
NIB Trust Bakwamkala Immersion Program	22,786	-	-	22,786
Language Immersion Program	-	570,440	398,926	171,514
	718,024	1,099,497	1,015,510	802,011

12. Long-term debt

	2023	2022
Bank of Montreal demand loan - Interest at prime plus 1% per annum, monthly blended payments of \$11,261 (2022 - \$11,261), secured by a general security agreement.	1,165,940	1,227,800
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, 2026.	560,415	609,470
Post 96 - Phase 1 - All Nations Trust - repayable at \$2,523 per month including interest at 1.12% per annum; secured by a Ministerial Guarantee. Matures October 1, 2031 and renewing on October 1, 2026.	247,716	275,062
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, 2025.	151,344	159,882
Post 96 - Phase 6 - All Nations Trust - repayable at \$3,348 per month including interest at 1.57% per annum; secured by a Ministerial Guarantee. Matures December 1, 2041 and renewing on December 1, 2026.	652,466	682,179
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, 2026.	766,679	799,965
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.	820,115	850,566

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

	2023	2022
Post 96 - Phase 9 - All Nations Trust - repayable at \$3,586 per month including interest at 1.88%, secured by a Ministerial Guarantee. Matures February 1, 2047 and renewing on February 1, 2027.	828,875	821,347
	5,193,550	5,426,271

The Bank of Montreal prime rate at March 31, 2023 is 6.70% (2022 - 2.70%).

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
2024	272,611
2025	280,157
2026	288,530
2027	297,261
2028	854,495

13. Guarantees

As at March 31, 2023, the Nation has guaranteed credit facilities for the following Nation business enterprises:

0997211 Fisheries Limited Partnership

Available credit facility demand loan of \$1,143,000 (2022 - \$1,143,000), bearing interest at prime plus 0.5%, secured by a general security agreement. As at December 31, 2022, \$949,869 (2021 - \$983,802) has been drawn.

0997329 Tourism Services Limited Partnership

Available credit facility demand loan of \$10,444,865 (2022- \$10,444,865), bearing interest at prime plus 0.5%, secured by a general security agreement. As at December 31, 2022, \$8,635,999 (2021 - \$8,863,193) has been drawn on the demand loan.

0997330 Contracting Limited Partnership

Available credit facility demand loan of \$500,000 (2022 - \$500,000), bearing interest at prime plus 0.5% secured by a general security agreement. As at December 31, 2022, \$470,375 (2021 - \$422,028) has been drawn on the demand loan.

Marine Services Limited Partnership

Demand loan with a balance of \$4,802,416 as at December 31, 2022 (2021 - \$5,350,916), bearing interest at prime plus 0.5% per annum secured by a general security agreement.

k'awat'si Economic Development Limited Partnership

Available credit facility demand loan of \$500,000 (2022 - \$500,000), bearing interest at prime plus 0.5% secured by a general security agreement. As at December 31, 2022, \$448,243 (2021 - \$465,270) has been drawn on the demand loan.

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

14. Contingencies

The Nation has been named as a defendant in a lawsuit. The effects of any contingent claims relating to this lawsuit are not determinable at the date of this report.

The Nation may be contingently liable with respect to Ministerial guarantee for "On Reserve Housing Loans" to Coastal Community Credit Union in the amount of \$105,460. These loan guarantees are in addition to CMHC mortgages.

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:

	2023	2022
Equity in Gwa'sala-'Nakwaxda'xw Hi'li'gam	38,190,510	33,396,932
Equity in funds held in trust	364,182	350,985
Operating surplus	16,775,304	8,793,867
Equity in tangible capital assets	28,281,866	21,997,025
Social Housing Replacement and Operating Reserves	1,021,306	472,776
Investment in Nation business entities	(5,945,469)	(5,825,666)
	78,687,699	59,185,919

16. Economic dependence

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

17. Trust

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

	2023	2022
Financial Assets	38,338,395	33,595,422
Liabilities	(147,885)	(208,490)
Net Financial Assets and Accumulated Surplus	38,190,510	33,386,932
Revenue	2,911,052	3,752,800
Expense	(1,313,297)	(1,225,113)
Annual Surplus	1,597,755	2,527,687

Gwa'sala-'Nakwaxda'xw Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

	2023	2022
ISC revenue per confirmation	22,286,863	8,934,130
Anticipated clawback in Adult In-Home Care	-	29,982
ISC reimbursement - 2019-20 Basic Needs; recorded in 2021	-	(38,703)
Revenue from amendment recorded in 2021	-	17,667
	22,286,863	8,943,076

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 March 3, 2022.

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.

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 16 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.

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 expenses related to conservation and stewardship of the Nation's land and resources.

Capital Projects - Includes revenue and expenses related to capital projects.

Community - Includes revenue and expenses related to the delivery of programs that support the Gwa'sala-'Nakwaxda'xw Nation community.

Gwa'sala-'Nakwaxda'xw School - Includes the operation of the school.

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 expenses related to the financial settlement arising out the relocation of the Nation.

Treaty - Includes revenue and expenses related to the negotiation of treaty.

Big House Society - Includes revenue and expenses related to the Big House.