



Halfway River First Nation

March 31, 2020

Melissa K. Riechel CPA, CGA, CAFM

T: 604.536.7614

E: melissa.riechel@mnp.ca



KINCENTRIC
Best Employer
CANADA 2019



Wherever business takes you

[MNP.ca](https://mnp.ca)

May 31, 2021

Chief Darlene Hunter
Halfway River First Nation
P.O. Box 59
Wonowon, BC V0C 2N0

Dear Chief Hunter:

RE: Fiscal Year-end March 31, 2020

We have completed our audit of the financial statements of Halfway River First Nation ("the First Nation") for the year ended March 31, 2020 and enclose the following:

1. One bound client year-end information package containing the March 31, 2020 audited financial statements. Per your request, we have also provided a digital copy of the year-end information package.
2. The following documents are enclosed for your records:

The Program Schedules prepared on a Notice to Reader basis;

The "Schedule of Remuneration and Expenses paid to Chief and Councilors" along with a copy of our Review Engagement report as required by Indigenous Services Canada ("ISC");

The "Schedule of Remuneration and Expenses paid to Unelected Senior Officials" along with a copy of our Review Engagement report as required by ISC;

The "Reconciliation of ISC Revenue from the Consolidated Financial Statements to the ISC Funding Confirmation" for the 2019/2020 fiscal year;

The BC First Nations Gaming Revenue Sharing Limited Partnership audited Report on Compliance, as required by BC First Nations Gaming Revenue Sharing Limited Partnership;

The Social Housing Project Pre 1997 Subsidy program audited financial statements for the year ended March 31, 2020;

The Social Housing Project Post 1996 Subsidy program audited financial statements for the year ended March 31, 2020;

The Pre 1997 Schedule of Replacement Reserve Expenditures and Auditor's Confirmation, as required by Canada Mortgage and Housing Corporation; and

The Post 1996 Schedule of Replacement Reserve Expenditures and Auditor's Confirmation, as required by Canada Mortgage and Housing Corporation.

OTHER ENCLOSURES

1. A copy of the Management Representation Letter, previously provided to you.
2. Our Audit Findings Report.
3. Our Independence Letter.

4. A copy of our Management Letter. Please distribute to the appropriate Chief and Council.
5. One copy of the year-end journal entries as previously reviewed and approved by you and one copy of the closing trial balance for your records. Please ensure that these journal entries are posted to your general ledger, the general ledger is properly closed and your retained earnings balance agrees to the enclosed financial statements.

All records and documents should be retained in safekeeping for a minimum of seven years in the event that the Indigenous Services Canada demands them for audit purposes. This seven-year period is by Statute and, even after this time, the Indigenous Services Canada's permission to destroy records should be obtained.

We thank you for appointing our Firm as your auditors. Please contact us at any time if you have questions on accounting, finance, tax or other general business concerns. We would also be pleased to discuss our suite of services with your friends and business associates. We appreciate your business and any referrals you may make to our Firm.

If you have any questions or comments, or if we can be of additional assistance, please feel free to contact us at (604) 536-7614.

Yours truly,

MNP LLP



Melissa K. Riechel, CPA, CGA, CAFM

Encls.

Halfway River First Nation
Consolidated Financial Statements
March 31, 2020

Halfway River First Nation

Contents

For the year ended March 31, 2020

	Page
Management's Responsibility	
Independent Auditor's Report	
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Changes in Net Financial Assets.....	3
Consolidated Statement of Cash Flows.....	4
Notes to the Consolidated Financial Statements	5
Schedules	
Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	16
Schedule 2 - Consolidated Schedule of Expenses by Object.....	17
Schedule 3 - Schedule of Revenue and Expenses - Administration.....	18
Schedule 4 - Schedule of Revenue and Expenses - Child and Family Development.....	19
Schedule 5 - Schedule of Revenue and Expenses - Community Activities.....	20
Schedule 6 - Schedule of Revenue and Expenses - Education.....	21
Schedule 7 - Schedule of Revenue and Expenses - First Nation Businesses.....	22
Schedule 8 - Schedule of Revenue and Expenses - Health.....	23
Schedule 9 - Schedule of Revenue and Expenses - Housing.....	24
Schedule 10 - Schedule of Revenue and Expenses - Lands.....	25
Schedule 11 - Schedule of Revenue and Expenses - Operations and Maintenance.....	26
Schedule 12 - Schedule of Revenue and Expenses - Social Assistance.....	27
Schedule 13 - Schedule of Revenue and Expenses - Treaties and Claims.....	28

Management's Responsibility

To the Members of Halfway River First Nation:

The accompanying consolidated financial statements of Halfway River First Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Halfway River First Nation's Chief and Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Chief and Council fulfil these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Chief and Council are also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP is appointed by Chief and Council 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 and separately with, both Chief and Council and management to discuss their audit findings.

 E-SIGNED by Greg Diemer

Chief Financial
Officer

To the Members of Halfway River First Nation:

Qualified Opinion

We have audited the consolidated financial statements of Halfway River First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, cash flows and the related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible 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 First Nation as at March 31, 2020, and the results of its consolidated operations, changes in its consolidated 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

As explained in Note 14, the First Nation has not disclosed the budget information as required by Canadian Public Sector Accounting Standards.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

Surrey, British Columbia

May 18, 2021

MNP LLP

Chartered Professional Accountants

Halfway River First Nation

Consolidated Statement of Financial Position

As at March 31, 2020

	2020	2019
Financial assets		
Cash resources (Note 3)	6,743,307	8,899,165
Accounts receivable (Note 4)	2,806,481	2,337,467
Investment in First Nation partnerships and business entities (Note 5)	15,889,863	10,121,147
Funds held in trust (Note 6)	3,201,653	3,048,161
Total of financial assets	28,641,304	24,405,940
Financial Liabilities		
Accounts payable and accruals (Note 7)	975,550	1,112,025
Deferred revenue (Note 8)	6,065,421	7,079,810
Promissory notes payable (Note 9)	3,323,685	3,323,685
Long-term debt (Note 10)	1,457,558	1,599,416
Total of financial liabilities	11,822,214	13,114,936
Net financial assets	16,819,090	11,291,004
Contingent liabilities (Note 11)		
Significant event (Note 21)		
Non-financial assets		
Tangible capital assets (Note 12) (Schedule 1)	13,770,341	9,099,577
Prepaid expenses	115,147	108,064
Total non-financial assets	13,885,488	9,207,641
Accumulated surplus (Note 13)	30,704,578	20,498,645

Approved on behalf of the Council



Councilor



Councilor

Halfway River First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2020

	<i>Schedules</i>	2020	2019
Revenue			
Indigenous Services Canada		1,541,963	923,210
First Nations Health Authority		700,573	534,459
Province of British Columbia		4,061,562	3,743,644
Canada Mortgage and Housing Corporation		67,924	102,071
Oil and gas and mining revenue		1,341,002	1,361,563
Industry agreement revenue		3,591,413	2,734,476
BC First Nation Gaming Revenue Sharing LP		301,853	-
Rental income		383,539	401,580
Interest income		175,083	66,752
Donations		150,950	115,910
Other revenue		1,057,564	1,090,022
Earnings from investment in First Nation partnerships and business entities		5,811,919	3,702,324
		19,185,345	14,776,011
Expenses			
Administration	3	2,289,112	2,129,858
Child and Family Development	4	213,273	86,066
Community Activities	5	738,028	588,513
Education	6	580,220	492,642
First Nation Businesses	7	197,872	408,932
Health	8	681,488	521,995
Housing	9	631,440	595,578
Lands	10	2,255,562	3,158,574
Operations and Maintenance	11	557,708	498,499
Social Assistance	12	361,525	249,604
Treaties and Claims	13	473,184	1,655,044
		8,979,412	10,385,305
Surplus		10,205,933	4,390,706
Accumulated surplus, beginning of year		20,498,645	16,107,939
Accumulated surplus, end of year		30,704,578	20,498,645

The accompanying notes are an integral part of these financial statements

Halfway River First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2020

	2020	2019
Annual surplus	10,205,933	4,390,706
Acquisition of tangible capital assets	(5,521,376)	(955,957)
Proceeds on disposal of tangible capital assets	-	136,500
Amortization of tangible capital assets	850,612	810,420
Addition of prepaid expenses	(7,083)	(97,329)
Increase in net financial assets	5,528,086	4,284,340
Net financial assets, beginning of year	11,291,004	7,006,664
Net financial assets, end of year	16,819,090	11,291,004

The accompanying notes are an integral part of these financial statements

Halfway River First 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		
Surplus	10,205,933	4,390,706
Non-cash items		
Amortization	850,612	810,420
Earnings from investment in First Nation partnerships and business entities	(5,811,919)	(3,702,324)
	5,244,626	1,498,802
Changes in working capital accounts		
Accounts receivable	(469,014)	686,077
Accounts payable and accruals	(136,475)	(6,505,320)
Deferred revenue	(1,014,389)	3,967,274
Prepaid expenses	(7,083)	(97,329)
	3,617,665	(450,496)
Financing activities		
Repayments of long-term debt	(141,858)	(139,286)
Capital activities		
Acquisition of tangible capital assets	(5,521,376)	(955,957)
Proceeds on disposal of tangible capital assets	-	136,500
	(5,521,376)	(819,457)
Investing activities		
Advances from First Nation partnerships and business entities	43,203	351,565
Increase in funds held in trust	(153,492)	(21,605)
	(110,289)	329,960
Decrease in cash resources	(2,155,858)	(1,079,279)
Cash resources, beginning of year	8,899,165	9,978,444
Cash resources, end of year	6,743,307	8,899,165

The accompanying notes are an integral part of these financial statements

Halfway River First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2020

1. Operations

The Halfway River First Nation (the "First Nation") is located in the province of British Columbia, and provides various services to its members. The First Nation is responsible for the well-being of its community and enacts legal policies and programs in the areas of Administration, Child and Family Development, Education, Economic Development, Health, Housing, Lands and Social Assistance. The First Nation is also mandated to take actions to protect the well-being of members and the community, and to establish cultural programs and undertake initiatives in economic development.

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards established by the Chartered Professional Accountants of Canada and are consistent with the accounting policies set out by Indigenous Services Canada. Significant aspects of the accounting policies adopted by the First Nation are as follows:

Reporting entity

The First Nation reporting entity includes the First Nation's government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

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

- Six Nations Ventures Limited Partnership
- Halfway River Ventures Ltd.
- Halfway River Resources Ltd.
- Halfway River Limited Partnership
- Halfway River Holdings Ltd.

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as they become 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.

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.

Cash resources

Cash resources include cash and term deposit securities with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash as disclosed in *Note 3*.

Tangible capital assets

Tangible capital assets are initially recorded at cost which includes all amounts that are directly attributed to acquisition, construction, development or betterment of the assets.

Contributed tangible assets are recorded at their fair value at the date of contribution.

Halfway River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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

All intangibles and items inherited by right of the First Nation, such as reserve lands, forests, water, and mineral resources, are not recognized as assets in the First Nation's consolidated financial statements.

Historic works of art and treasures are not recorded as assets in these consolidated financial statements.

Amortization

Tangible capital assets are amortized annually on a straight line basis over their estimated useful lives. In the year of acquisition, one-half the annual amortization is applied.

	Rate
Buildings and infrastructure	20 - 25 years
Automotive equipment	3 - 10 years
Furniture and equipment	5 years

Assets under construction are not amortized until the asset is available for productive use.

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in operations for the year.

Net financial assets

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of consolidated financial position. The consolidated financial assets of the First Nation are determined by its consolidated financial assets less its liabilities. Consolidated net financial assets combined with non-financial assets comprise a second indicator of consolidated financial position, accumulated surplus.

Revenue recognition

Funding

Revenue is recognized as it becomes receivable under the terms of 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.

Government transfers

The First Nation recognizes a government transfer, including Indigenous Services Canada, First Nations Health Authority, and Province of British Columbia, as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Externally restricted revenue

The First Nation recognizes externally restricted inflows as revenue in the period the resources are used for the purpose specified in accordance with an agreement or legislation. Until this time, the First Nation records externally restricted inflows in deferred revenue.

Funds held in trust

The First Nation recognizes revenue of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

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

Other revenue

Other revenue is recognized when services have been provided, all significant contractual obligations have been satisfied and collectability is reasonably assured.

Oil and gas royalties are paid in trust to the Government of Canada on behalf of the Halfway River First Nation pursuant to the provision of the *Indian Oil and Gas Act* and Regulations. This revenue is recognized in the accounts of Halfway River First Nation when reported by the Government of Canada.

Oil and gas company revenue regarding monitoring invoices issued by Halfway River First Nation are recorded when the amounts to be received can be reasonably estimated and collections are reasonably assured. Rental and other revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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 collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amounts due from First Nation members and investments in First Nation partnerships and business entities are stated after evaluation as to their collectability and recoverability and an appropriate allowance for impairment is provided where considered necessary. Deferred revenue is based upon estimates of unexpended amounts and amounts required to complete specific projects. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the First Nation is responsible for. These estimates and assumptions 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 contamination site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2020.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for when the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at March 31, 2020, there is no liability for contaminated sites accrued in these consolidated financial statements.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Halfway River First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2020

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

Segments

The First Nation conducts its business through eleven reportable segments: Administration, Education, First Nation Businesses, Health, Housing, Lands, Social Assistance, Operations and Maintenance, Treaties and Claims, Community Activities and Child and Family Development. These operating segments are established by senior management to:

- facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance;
- help users of the consolidated financial statements identify the resources allocated to support the major activities of the First Nation;
- help users of the consolidated financial statements make more informed judgments about the First Nation and about its major activities;
- helps users of the consolidated financial statements better understand the manner in which the organizations in the First Nation are organized and how the First Nation discharges its accountability obligations;
- enhance the transparency of financial reporting; and
- help users of the consolidated financial statements better understand performance of the segments and the First Nation.

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. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed above.

3. Cash resources

	2020	2019
Externally restricted	5,949,522	7,281,179
Unrestricted	793,785	1,617,986
	6,743,307	8,899,165

Externally restricted cash resources consist of funded housing reserves and funds held in trust by a third party. The funds held in trust by a third party are released as certain agreements or conditions are met and reports are submitted for approval.

The First Nation has available a \$250,000 (2019 - \$250,000) revolving demand facility with an authorized limit of \$250,000 bearing interest at the Royal Bank of Canada's prime plus 2.11% (2019 - prime plus 2.11%). As at March 31, 2020 the prime rate was 2.45% (2019 - 3.95%). At March 31, 2020, the outstanding demand facility balance was \$NIL (2019 - \$NIL).

Security for the demand facility includes band council resolutions signed by a quorum of the Chief and Council of the First Nation authorizing the borrowings as contemplated in the credit facilities agreement. The First Nation is subject to certain covenants. As at March 31, 2020 the First Nation is in compliance with all such covenants.

Halfway River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

4. Accounts receivable

	2020	2019
Indigenous Services Canada	157,934	26,295
Canada Mortgage and Housing Corporation	62,139	38,222
First Nations Health Authority	153,873	35,335
Province of British Columbia	570,000	927,333
Due from members	325,828	174,456
Rent receivable	895,533	702,771
Other receivables	871,897	663,778
Allowance for doubtful accounts	(230,723)	(230,723)
	2,806,481	2,337,467

5. Investment in First Nation partnerships and business entities

The First Nation has investments in the following entities:

			2020	
	Investment cost	Loans / advances	Cumulative share of earnings (loss)	Total investment
Wholly-owned Businesses - Modified Equity:				
Halfway River Ventures Ltd.	3	100,459	3,055,080	3,155,542
Halfway River Resources Ltd.	3	1,809	(14,398)	(12,586)
Halfway River Holdings Ltd.	3	3,346	(42,128)	(38,779)
Halfway River Limited Partnership	1	-	12,382,831	12,382,832
	10	105,614	15,381,385	15,487,009
First Nation Business Partnership - Modified Equity:				
Six Nations Ventures Limited Partnership - 16.67%	20	-	402,834	402,854
	30	105,614	15,784,219	15,889,863
				2019
	Investment cost	Loans / advances	Cumulative share of earnings (loss)	Total investment
Wholly-owned Businesses - Modified Equity:				
Halfway River Ventures Ltd.	3	143,662	2,598,381	2,742,046
Halfway River Resources Ltd.	3	1,809	-	1,812
Halfway River Holdings Ltd.	3	3,346	(30,953)	(27,604)
Halfway River Limited Partnership	1	-	6,861,346	6,861,347
	10	148,817	9,428,774	9,577,601
First Nation Business Partnership – Modified Equity:				
Six Nations Ventures Limited Partnership - 16.67%	20	-	543,526	543,546
	30	148,817	9,972,300	10,121,147

The First Nation's investment in Six Nations Ventures Limited Partnership was established for the purposes of operating as a log sort yard on a contract basis and providing contract hauling and janitorial services in the Fort St. John area.

The First Nation's investment in Halfway River Limited Partnership was established for the purposes of carrying on the business of pursuing, on a non-exclusive basis, economic and business opportunities.

Halfway River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

5. Investment in First Nation partnerships and business entities *(Continued from previous page)*

The First Nation's investment in Halfway River Ventures Ltd. was established for the purposes of offering right of way clearing, and clean up services for utility and oil companies.

During the year, Halfway River Ventures Ltd. billed the First Nation management fees in the amount of \$NIL (2019 - \$212,456). This transaction is in the the normal course of operations and is recorded at the exchange amount.

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

	<i>Halfway River Ventures Ltd. As at March 31, 2020</i>	<i>Halfway River Resources Ltd. As at March 31, 2020</i>	<i>Halfway River Holdings Ltd. As at March 31, 2020</i>	<i>Six Nations Ventures Limited Partnership As at March 31, 2020</i>
Assets				
Cash	2,059,512	-	-	618,086
Accounts receivable	1,843,323	-	-	6,653
Inventory	113,454	-	-	-
Prepaid expenses	21,890	-	-	16,904
Property and equipment	161,793	-	-	1,767,258
Other assets	153,738	1,236	-	7,955
Total assets	4,353,710	1,236	-	2,416,856
Liabilities				
Accounts payable and accruals	1,124,137	2,100	2,100	9,151
Other liabilities	174,490	13,531	40,025	-
Total liabilities	1,298,627	15,631	42,125	9,151
Equity	3,055,083	(14,395)	(42,125)	2,407,705
 Total revenue	 24,855,736	 547	 -	 1,029,025
Total expenses	24,032,788	1,250	1,350	1,873,173
	822,948	(703)	(1,350)	(844,148)

	<i>Halfway River Limited Partnership As at March 31, 2020</i>
Assets	
Cash	10,864,274
Accounts receivable	728,413
Inventory	399,814
Prepaid expenses	75,541
Property and equipment	289,271
Other assets	43,950
Total assets	12,401,263
Liabilities	
Accounts payable and accruals	97,486
Other liabilities	-
Total liabilities	97,486
Equity	12,303,777
 Total revenue	 6,370,030
Total expenses	896,648
	5,473,382

Halfway River First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2020

6. Funds held in trust

Funds held in trust include the Ottawa Trust accounts which arise from moneys 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*. Capital and revenue trust moneys are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the First Nation's Council.

	2020	2019
Capital Trust		
Balance, beginning of year	2,116,471	2,062,440
Additions	54,708	54,031
Balance, end of year	2,171,179	2,116,471
Revenue Trust		
Balance, beginning of year	931,690	964,116
Additions	98,784	49,562
Withdrawals	-	(81,988)
Balance, end of year	1,030,474	931,690
	3,201,653	3,048,161

7. Accounts payable and accruals

	2020	2019
Other accounts payable and accrued liabilities	940,659	1,071,860
First Nations Health Authority	33,493	33,493
Indigenous Services Canada	1,398	6,672
	975,550	1,112,025

8. Deferred revenue

Deferred revenue consists of funds received for specific purposes which were not completed at the end of the fiscal year. The major categories are:

	<i>Balance, beginning of year</i>	<i>Revenue received</i>	<i>Transferred to revenue</i>	<i>Balance, end of year</i>
Indigenous Services Canada	111,425	365,467	339,444	137,448
Other deferred revenue	6,968,385	4,200,572	5,240,984	5,927,973
	7,079,810	4,566,039	5,580,428	6,065,421

Other deferred revenue consists of funds received for various industry agreements. The First Nation recognizes revenue in the period the resources are used for purposes specified in accordance with the underlying agreements.

Halfway River First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2020

9. Promissory notes payable

The Council has filed a specific claim in the British Columbia Supreme Court for damage for injunctive relief, infringement of Treaty Rights and for related declaration of rights pursuant to Treaty 8 and Trapline Registration System. Negotiations towards an out of court settlement are currently in progress. The outcome is not certain and presently undeterminable. The Council received funding from Indigenous Services Canada as advance for the negotiation of this claim. Under the terms of the funding agreement, these advances are to be repaid by the Council out of their claim settlements. These advances have been recorded as a liability, as the Council has provided promissory notes to the Government of Canada in 2015 in accordance with the Native Claims Loan Agreement. The first note of \$2,927,071 (2019 - \$2,927,071) is non-interest bearing, unsecured and is due on the earlier of March 31, 2021 or date on which the Specified Claim is settled. The second note of \$396,614 (2019 - \$396,614) is non-interest bearing, unsecured and is due on the earlier of March 31, 2021 or date on which the Specified Claim is settled.

10. Long-term debt

	2020	2019
ANTCO Mortgage bearing interest at 4.74% per annum, repayable in monthly payments of \$1,218 including interest. The loan is secured by a Government of Canada ministerial guarantee. The loan matures on February 1, 2032.	133,079	141,281
RBC Mortgage bearing interest at 2.60% per annum, repayable in monthly payments of \$1,224 including interest. The loan is secured by a Government of Canada ministerial guarantee. The loan matures on January 1, 2021.	138,380	149,296
RBC Mortgage bearing interest at 2.29% per annum, repayable in monthly payments of \$1,911 including interest. The loan is secured by a Government of Canada ministerial guarantee. The loan matures on May 24, 2021.	135,148	154,745
ANTCO Mortgage bearing interest at 1.39% per annum, repayable in monthly payments of \$1,550 including interest. The loan is secured by a Government of Canada ministerial guarantee. The loan matures on May 1, 2020.	3,095	21,533
ANTCO Mortgage bearing interest at 2.24% per annum, repayable in monthly payments of \$1,661 including interest. The loan is secured by a Government of Canada ministerial guarantee. The loan matures on February 1, 2022.	37,376	56,354
ANTCO Mortgage bearing interest at 1.05% per annum, repayable in monthly payments of \$2,328 including interest. The loan is secured by a Government of Canada ministerial guarantee. The loan matures on August 1, 2026.	300,526	325,459
ANTCO Mortgage bearing interest at 1.11% per annum, repayable in monthly payments of \$4,018 including interest. The loan is secured by a Government of Canada ministerial guarantee. The loan matures on April 1, 2036.	709,954	750,748
	1,457,558	1,599,416

Halfway River First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2020

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

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

2021	127,803
2022	124,995
2023	109,038
2024	111,018
2025	113,047
Thereafter	871,657
Total	1,457,558

11. Contingent liabilities

The First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

Included in the First Nation's tangible capital assets are costs related to sewer upgrades completed in 2018 which may potentially be impaired. There has not been any formal assessment conducted to support impairment or to estimate the costs required to rectify the potential impairment. Accordingly, as at the date of these consolidated financial statements, the First Nation was unable to reasonably estimate the potential liability and accordingly no provision has been made in the consolidated financial statements.

The First Nation is contingently liable for decommissioning costs that will be incurred at the end of the operating life of the First Nation's gas station which is still under construction (Note 12). The ultimate decommissioning liability is uncertain and can vary in response to many factors including environmental factors, new restorative techniques and changes in legal requirements. As a result, the First Nation is unable to measure the potential liability at the date of these consolidated financial statements and, accordingly, no provision has been made in the accounts.

12. Tangible capital assets

Tangible capital asset additions for the year includes the following construction projects that are in progress at March 31, 2020 and are therefore not being amortized.

	2020	2019
Gas station	3,246,963	68,722
Access road	702,661	32,564
Six plex module homes	-	364,200
Other construction	139,358	46,974
Less - completed construction projects	(411,169)	-
	3,677,813	512,460

Halfway River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

13. Accumulated surplus

	2020	2019
Restricted cash	5,949,522	7,281,179
Trust Funds held by Federal Government - capital and revenue account	3,201,653	3,048,161
Investment in tangible capital assets	12,312,783	7,500,161
Investment in First Nation business entities	15,889,863	10,121,147
Deferred revenue	6,065,421	7,079,810
Unrestricted operating deficit	(12,714,664)	(14,531,813)
	30,704,578	20,498,645

14. Budget information

Canadian public sector accounting standards require the disclosure of budget information for comparison to the First Nation's actual revenue and expenses. The consolidated budgeted revenue and expenses, and surplus have not been reported in these consolidated financial statements. While having no effect on reported revenue, expenses and surplus, omission of this information is considered a departure from Public Sector Accounting standards.

15. Defined contribution pension plan

The First Nation provides a defined contribution pension plan covering substantially all full-time employees. Members are required to contribute 5.5% of their salary up to a maximum of 18.0% (2019 - 18.0%). The First Nation contributes 5.5% (2019 - 5.5%) and the contributions are directed to the member's contribution account. Pension expense in the amount of \$126,985 (2019 - \$137,032) is included in salaries and benefits. There were no changes to the pension plan during the year.

16. Trust funds

Halfway River First Nation Trust

The Halfway River First Nation Trust ("the Trust") was established on October 18, 2007. As at March 31, 2020, the balance of funds held in trust was \$19,984,742 (2019 - \$19,544,670) and the fair market value of the investments held in trust was \$19,523,769 (2019 - \$20,093,025).

Halfway River First Nation G2G Escrow

The Halfway River First Nation G2G Escrow agreement was established on November 2, 2017 with the Royal Trust Corporation of Canada ("RTC") appointed as the escrow agent. As at March 31, 2020, the balance of funds held in trust by RTC on behalf of the First Nation was \$2,430,547 (2019 - \$3,487,820). The First Nation's revenue for the year included distributions from funds held in trust by RTC of \$1,160,000 (2019 - \$1,160,000).

Under Canadian Public Sector Accounting Standards, these trusts are not recorded as assets with the corresponding equity in accumulated surplus of the First Nation as the trusts are not controlled by the First Nation, they are controlled by a third party for the benefit of the First Nation membership.

17. Compliance with laws and regulations

The First Nation is required by the First Nations Financial Transparency Act to submit its consolidated financial statements to Indigenous Services Canada, and post its consolidated financial statements on a website, within 120 days of year-end. As the First Nation had not done this, it is not in compliance with this law. The potential effect of the non-compliance is unknown.

18. Segments

During year, the First Nation had eleven reportable segments listed below. These segments are differentiated by major activities.

Administration - This segment provides band support and administrative services for the operations of the First Nation, including various financial functions such as payroll, accounts receivable and accounts payable.

Community Activities - This segment provides community programs and activities which are internally funded.

Child and Family Development - This segment is comprised of programs that promote early childhood development, and culture to children and young families.

Education - This segment is responsible for managing and delivering K to grade 12 education programs and services both on and off reserve. This includes language and culture, employment counselling services and the management of post-secondary student funding and support programs.

First Nation Businesses - This segment is comprised of business activities that are performed in the pursuit of economic and business development. This includes community economic development planning and capacity building initiatives pursued to benefit the First Nation's community by enhancing employment, income generation activities, economic infrastructure and business opportunities.

Health - This segment administers the delivery of the health programs and services.

Housing - This segment activities reflect housing rental units and repairs.

Lands - This segment is responsible for ensuring that interests of the First Nation are represented in matters of lands and natural resources.

Operations and Maintenance - This segment implements capital projects undertaken by the First Nation and maintains community infrastructure. Community infrastructure includes buildings, roads and bridges, fire protection, water and electrical systems and wastewater treatment.

Social Assistance - This segment administers benefits and services to individuals and families living on reserve who are in need of support. Department services include income assistance, assisted living, family violence prevention and awareness, and low income family immediate needs.

Treaties and Claims - This segment reflects the activities of treaty and claim negotiations which are ongoing with the Government of Canada.

19. Economic dependence

Halfway River First Nation receives a significant portion of its revenue from the Province of British Columbia and Indigenous Services Canada as a result of funding agreements. The ability of the First Nation to continue operations is dependent upon the Province of British Columbia and Indigenous Services Canada's continued financial commitments.

20. Comparative figures

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

21. Significant event

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the First Nation in future periods.