

Homalco First Nation
Consolidated Financial Statements
March 31, 2019

Homalco First Nation
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For the year ended March 31, 2019

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Management's Responsibility

To the Members of Homalco First Nation:

The accompanying consolidated financial statements of Homalco 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 the consolidated financial statements.

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

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

February 18, 2020

Signed by: Susan Hanley

Administrator

Independent Auditor's Report

To the Members of Homalco First Nation:

Qualified Opinion

We have audited the consolidated financial statements of Homalco First Nation (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated deficit, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters 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, 2019, and the results of its consolidated operations, changes in its consolidated net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Homalco First Nation did not prepare an approved budget for the year ending March 31, 2019. Canadian public sector accounting standards requires the approved budget to be presented in the consolidated statements of operations and accumulated deficit and changes in net debt.

Financial information for Homalco Holdings Limited Partnership, Homalco Wildlife Tours Inc., and Homalco Resources Management Limited Partnership for the years ended March 31, 2019 and March 31, 2018, was not audited. In addition, we were unable to verify the ownership structure of Homalco Resources Management Limited Partnership for the years ended March 31, 2019 and March 31, 2018. As a result, we were unable to determine whether adjustments to investment in Nation business entities, earnings (loss) from investment in Nation business entities, annual surplus (deficit) and accumulated deficit were necessary.

In the prior year, our independent auditor's report included a disclaimer of opinion due to a lack of appropriate audit evidence. Our opinion on the current year's financial statements is modified because of the possible effects of these matters on the comparability of the current period's figures and comparative information. We were unable to obtain sufficient appropriate audit evidence about the completeness, accuracy, and occurrence of \$100,000 of other revenue, \$126,509 of administration expenses and \$216,398 of accumulated surplus (deficit) due to adjustments made during the year. In addition, the prior year includes \$604,677 of other adjustment expenses which we were unable to verify the correct classification of on the statement of operations.

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 cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Nanaimo, British Columbia

February 18, 2020

MNP LLP

Chartered Professional Accountants

Homalco First Nation

Consolidated Statement of Financial Position

As at March 31, 2019

	2019	2018 <i>Restated (Note 19)</i>
Financial assets		
Cash and cash equivalents	632,000	461,529
Accounts receivable (Note 4)	449,361	323,894
Funds held in trust (Note 5)	8,604	7,452
Investment in Nation business entities (Note 6)	764,395	159,682
Advances to related Nation entities (Note 7)	-	34,423
Total financial assets	1,854,360	986,980
Liabilities		
Bank indebtedness (Note 8)	62,300	225,300
Accounts payable and accruals (Note 9)	835,875	550,871
Advances from related Nation entities (Note 7)	111,025	-
Long-term debt (Note 10)	781,677	865,694
First Nation loan agreement (Note 11)	8,284,361	8,284,361
Total liabilities	10,075,238	9,926,226
Net debt	(8,220,878)	(8,939,246)
Contingencies (Note 18)		
Non-financial assets		
Tangible capital assets (Schedule 1)	6,416,105	6,581,448
Prepaid expenses	1,470	51,423
Total non-financial assets	6,417,575	6,632,871
Accumulated deficit (Note 12)	(1,803,303)	(2,306,375)
Approved by Chief and Council		
Signed by: Darren Blaney	Chief	Signed by: John Blaney Councilor

Homalco First Nation
Consolidated Statement of Operations and Accumulated Deficit
For the year ended March 31, 2019

	<i>Schedule</i>	2019	<i>2018 Restated (Note 19)</i>
Revenue			
Indigenous Services Canada (Note 13)		2,417,584	1,775,723
Province of British Columbia		257,348	142,288
Department of Fisheries and Oceans Canada		143,669	85,946
First Nations Health Authority		96,746	-
Canadian Mortgage and Housing Corporation		62,351	178,787
Ottawa Trust		1,153	1,521
Other revenue		670,268	499,033
Earnings (loss) from investment in Nation business entities (Note 6)		604,713	(1,223,845)
BC Treaty Commission		452,512	144,253
Inter Tribal Health Authority		345,155	265,689
Rental income		140,761	294,222
First Peoples Cultural Council		111,808	-
Interest income		2,614	1,232
		5,306,682	2,164,849
Expenses (Schedule 2)			
Band Government	3	1,854,157	786,362
Community Services	4	48,171	2,981
Economic Development	5	314,740	242,749
Education	6	758,713	377,347
Employment	7	-	45,654
Health	8	436,166	311,613
Housing	9	327,681	384,539
Public Works	10	291,796	115,733
Social Services	11	717,498	1,025,200
		4,748,922	3,292,178
Surplus (deficit) before other items		557,760	(1,127,329)
Other items			
Distributions		(45,300)	-
Provision for impairment of advances from related Nation entities		(9,388)	(155,349)
		(54,688)	(155,349)
Annual surplus (deficit)		503,072	(1,282,678)
Accumulated deficit, beginning of year, as previously stated		(59,552)	(947,492)
Prior period adjustments - Nation (Note 19)		(1,879,345)	(76,205)
Prior period adjustment - Treaty (Note 19)		(367,478)	-
Accumulated deficit, beginning of year, as restated		(2,306,375)	(1,023,697)
Accumulated deficit, end of year		(1,803,303)	(2,306,375)

The accompanying notes are an integral part of these financial statements

Homalco First Nation
Consolidated Statement of Changes in Net Debt
For the year ended March 31, 2019

	2019	<i>2018 Restated (Note 19)</i>
Annual surplus (deficit)	503,072	(1,282,678)
Purchases of tangible capital assets	(168,095)	(28,437)
Amortization of tangible capital assets	333,438	385,531
Acquisition of prepaid expenses	-	(6,683)
Use of prepaid expenses	49,953	-
Decrease (increase) in net debt	718,368	(932,267)
Net debt, beginning of year	(8,939,246)	(8,006,979)
Net debt, end of year	(8,220,878)	(8,939,246)

Homalco First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2019

	2019	<i>2018 Restated (Note 19)</i>
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus (deficit)	503,072	(1,282,678)
Non-cash items		
Amortization	333,438	385,531
Loss (earnings) from investment in Band business entities	(604,713)	1,223,845
	231,797	326,698
Changes in working capital accounts		
Accounts receivable	(125,467)	165,716
Accounts payable and accruals	285,004	365
Prepaid expenses	49,953	(6,683)
Funds held in trust	(1,152)	38,479
	440,135	524,575
Financing activities		
Advances of long-term debt	-	357,758
Repayment of long-term debt	(84,017)	(142,958)
	(84,017)	214,800
Capital activities		
Purchases of tangible capital assets	(168,095)	(28,437)
Investing activities		
Advances (to) from related parties	145,448	(329,253)
Increase in cash resources	333,471	381,685
Cash resources, beginning of year	236,229	(145,456)
Cash resources, end of year	569,700	236,229
Cash resources are composed of:		
Cash and cash equivalents	632,000	461,529
Bank indebtedness	(62,300)	(225,300)
	569,700	236,229

Homalco First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

1. Operations

Homalco First Nation (the "Nation") is located in the province of British Columbia, and provides various services to its members. Homalco First Nation includes the Nation's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

2. Significant accounting policies

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

Reporting entity consolidated

These financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity. Trusts administered on behalf of third parties by Homalco First Nation are excluded from the Nation reporting entity.

The Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Operating fund
- Business enterprise fund
- Capital fund
- Ottawa trust fund
- CMHC Social Housing
- Homalco Treaty
- Bute Inlet Development Corporation
- Homalco Holdings Inc.
- Homalco Trust

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Homalco First Nation business entities, owned or controlled by the Nation's Chief and Council but not dependent on the 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 business entity accounting principles are not adjusted to conform to those of the Nation. Thus, the Nation's investment in these entities are 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:

- Homalco Holdings Limited Partnership (99.99%)
- Homalco Wildlife Tours Inc. (100%)
- Port Neville Logging Company (100%)
- Homalco Resources Management 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.

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

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of one year or less at acquisition which are held for the purpose of meeting short-term cash commitments.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Contributed tangible capital assets are recorded at their fair market value at the time of acquisition.

Amortization is provided on a declining balance basis over the estimated useful life of the assets. In the year of acquisition amortization commences in the month following the purchase of the asset. See below for amortization rates of specific asset categories.

Amortization

All intangible assets and items inherited by the right of the Nation, such as reserve land, forests, water and mineral resources, are not recognized in the Nation's consolidated financial statements. Amortization is not taken on assets which have been acquired but not put to use. Amortization for other tangible capital assets is provided using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	<i>Method</i>	<i>Rate</i>
Buildings	declining balance	4 %
Automotive equipment	declining balance	30 %
Equipment	declining balance	20 %
Boats	declining balance	5 %
Infrastructure	declining balance	5 %
Salmon hatchery	declining balance	10 %
Housing	declining balance	5 %
Computer software	declining balance	55 %

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 deficit. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions 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 debt

The Nation's consolidated financial statements are presented so as to highlight net debt as the measurement of consolidated financial position. The net debt of the Nation is determined by its financial assets less its liabilities. Net debt is comprised of two components, non-financial assets and accumulated deficit.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

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

Revenue recognition

i) Indigenous Services Canada ("ISC")

ISC revenue is recognized as it becomes receivable under the terms of the "Comprehensive Funding Agreement". Funding is based on an annual budget which is agreed to by the parties and consists of fixed contribution payments and set contribution payments. In the case of the fixed contribution payments, the Nation is permitted to use surpluses at its own discretion provided the terms and conditions of the agreement are met but must take responsibility for any deficits. In the case of the set contribution payments, any surpluses must be returned to ISC and deficits are recoverable.

ii) 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.

iii) Ottawa Trust Funds

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

iv) Rental income

Rental income 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 and other revenue

Own source and other revenue are recognized as services are rendered or goods are sold, once amounts can be reasonably measured, and collectibility is reasonably assured, on an accrual basis.

Measurement uncertainty

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 and advances to related Nation entities 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 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 annual deficit 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, 2019.

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, 2019, no liability for contaminated sites exists.

Homalco First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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

Segments

The Nation conducts its business through a number of reportable segments as described in Note 15. 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 as disclosed in Note 2, *Significant accounting policies*.

3. Change in accounting policies

PS 3430 Restructuring Transactions

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

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

There was no material impact on the consolidated financial statement of adopting the new Section.

4. Accounts receivable

	2019	<i>2018 Restated (Note 19)</i>
CMHC operating subsidy assistance receivable	2,746	5,673
Indigenous Services Canada	281,776	-
Accounts receivable	139,070	292,452
Social housing rent receivable	578,292	578,292
Rent receivable	103,624	103,624
	1,105,508	980,041
Less: allowance for doubtful accounts	656,147	656,147
	449,361	323,894

Homalco First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

5. Funds held in trust

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

	2019	2018
Capital Trust	3,452	3,452
Revenue Trust		
Balance, beginning of year	4,000	42,479
Interest	1,152	1,521
Withdrawal	-	(40,000)
Balance, end of year	5,152	4,000
	8,604	7,452

Ottawa Trust Funds

The Ottawa Trust accounts 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*.

Homalco First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

6. Investment in Nation business entities

The Nation has investments in the following entities:

	<i>Investment cost</i>	<i>Share of earnings (loss)</i>	<i>2019 Total investment</i>
Wholly-owned Businesses:			
Homalco Holdings Inc. (100%)	1	-	1
Homalco Wildlife Tours Inc. (100%)	86,555	(1,856)	84,699
Port Neville Logging Company (100%)	1	-	1
	86,557	(1,856)	84,701
Business Partnerships:			
Homalco Holdings Limited Partnership (99.99%)	17,735	606,569	624,304
Homalco Resources Management Limited Partnership	55,390	-	55,390
	73,125	606,569	679,694
	159,682	604,713	764,395

	<i>Investment cost</i>	<i>Share of earnings (loss)</i>	<i>2018 Restated (Note 19) Total investment</i>
Wholly-owned Businesses:			
Homalco Holdings Inc. (100%)	1	-	1
Homalco Wildlife Tours Inc. (100%)	86,555	-	86,555
Port Neville Logging Company (100%)	1	-	1
	86,557	-	86,557
Business Partnerships:			
Homalco Holdings Limited Partnership (99.99%)	1,241,580	(1,223,845)	17,735
Homalco Resources Management Limited Partnership	55,390	-	55,390
	1,296,970	(1,223,845)	73,125
	1,383,527	(1,223,845)	159,682

Summary financial information for each Nation business entity, accounted for using the modified equity method, has not been disclosed for their respective year-ends.

The Nation's investees have different year-ends than March 31, 2019. The Nation uses the investees' year-end financial statements to account for its investment in these investees. The investees are unaudited.

7. Advances to (from) related Nation entities

Advances to (from) related Nation entities are unsecured, non-interest bearing and due on demand. These entities are related by virtue of common control or joint control by the Nation.

Homalco First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

8. Bank indebtedness

	2019	<i>2018 Restated (Note 19)</i>
TD Canada Trust, operating line of credit, bearing no interest.	57,300	73,300
TD Canada Trust, line of credit, bearing interest at prime plus 1.0%	5,000	152,000
	62,300	225,300

Prime rate at March 31, 2019 was 3.95% (March 31, 2018 - 3.45%).

9. Accounts payable and accruals

	2019	<i>2018 Restated (Note 19)</i>
Accrued accounts payable	480,024	303,870
Indigenous Services Canada	245,150	222,897
Wages and employee deductions payable	110,701	24,104
	835,875	550,871

10. Long-term debt

	2019	<i>2018</i>
TD Canada Trust loan, repayable in monthly installments of \$2,115 plus interest, bearing interest at prime plus 0.50% per annum, secured by a general security agreement, maturing October 15, 2027.	217,868	243,251
All Nations Trust Company - repayable at \$2,512 per month including interest at 1.30% per annum; secured by a guarantee of the Nation and the Government of Canada. Maturing on June 1, 2032 and renewing on June 1, 2022.	366,831	392,044
All Nations Trust Company - repayable at \$2,327 per month including interest at 1.05% per annum; secured by a guarantee of the Nation and the Government of Canada. Maturing on July 1, 2026 and renewing on August 1, 2021.	196,978	222,685
All Nations Trust Company - repaid during the year	-	7,714
	781,677	865,694

Prime rate at March 31, 2019 was 3.95% (March 31, 2018 - 3.45%).

Homalco First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

11. First Nation loan agreement

Homalco First Nation receives interest free advances from Indigenous Services Canada pursuant to an agreement with the British Columbia Treaty Commission and Indigenous Services Canada. Under the terms of the agreement the Nation receives both loaned and contributed funds.

The cumulative loan balance as at March 31, 2019 is \$8,284,361 (2018 - \$8,284,361).

The funds are to be used solely for the purposes of treaty negotiations. The loan proceeds are non-interest bearing and become due and payable upon the earlier of:

- a) the date a treaty signed by the Negotiating Parties takes effect unless otherwise agreed in the treaty;
- b) the later of;
 - the twelfth anniversary of the date of the first Loan Advance by Canada to the First Nation under the earliest First Nation Funding Agreement; or
 - the Extended Due Date; and
- c) the date the Federal Minister demands payment of the Loan due to an event of default under the agreement or under any First Nation Funding Agreement.

12. Accumulated deficit

Accumulated deficit consists of the following:

	2019	<i>2018 Restated (Note 19)</i>
Equity in business enterprise fund	764,395	159,682
Equity in tangible capital assets	5,634,428	5,715,754
Equity in Ottawa trust fund	8,604	7,452
Social Housing Replacement and Operating reserves	447,704	626,070
Deficit in Treaty	(8,349,104)	(8,420,087)
Operating deficit	(309,330)	(395,246)
	(1,803,303)	(2,306,375)

13. Indigenous Services Canada

	2019	2018
ISC Revenue per Funding Confirmation Report and Payables at Year End	2,662,734	1,797,557
Basic Needs recovery (2015-16)	(149,826)	-
Basic Needs recovery (2017-18)	(73,071)	(21,834)
Compliance review recovery (2017-18)	(22,253)	-
	2,417,584	1,775,723

14. Economic dependence

Homalco First Nation receives a significant portion of its revenue from Indigenous Services Canada ("ISC") as a result of funding 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.

15. Segments

During the year, the Nation had 9 reportable segments. These segments are differentiated by factors such as major activities, service lines, accountability and control relationships. For management and reporting purposes, the revenues, expenses and surpluses or deficits are organized by the following segments:

Band Government:

This segment includes general operations, support and financial management of the Nation.

Community Services:

This segment includes revenue and expenses from dealing with the management of land, Fisheries and Oceans Canada, as well as other functions which benefit the community at large.

Economic Development:

This segment includes activities related to the growth of revenue producing projects within the Nation.

Education:

This segment includes revenue and expenses relating to the primary, secondary and post-secondary education of the members of the Nation.

Employment:

This segment includes revenue and expenses associated with employment services provided to members of the Nation.

Health:

This segment includes activities related to the provision of health services within the Nation.

Housing:

This segment includes activities related to the provision of housing within the Nation.

Public Works:

This segment includes revenue and expenses associated with municipal services and the maintenance of roads, water and community buildings within the Nation.

Social Services:

This segment includes revenue and expenses relating to social assistance and other family services provided to the members of the Nation.

16. Budget information

Canadian public sector accounting standards ("PSAS") requires the disclosure of budget information for comparison to the Nation's actual revenue and expenses. The consolidated budgeted revenue and expenses, and annual surplus (deficit) have not been reported in these consolidated financial statements. While having no effect on reported revenue, expenses, and annual surplus (deficit), omission of this information is considered a departure from PSAS.

17. Comparative figures

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

18. Contingencies

The financial results of the CMHC Social Housing program are subject to review by CMHC. It is possible that adjustments could be made based on the results of their review.

The Nation may be contingently liable with respect to Ministerial guarantees for "On Reserve Housing Loans" to various financial institutions in the amount of \$52,457. These loan guarantees are in addition to CMHC mortgages.

The Nation may also be contingently liable for \$328,331 in Indigenous Services Canada ("ISC") recoveries as part of a forensic audit recovery related to the period covering April 2012 to November 2017. These recoveries are still under negotiation with ISC.

19. Prior period adjustments

During the year, the Nation determined:

- \$357,758 of Government of Canada loan related to BC Treaty Commission was incorrectly recorded as revenue in the 2018 fiscal year. For the year ended March 31, 2018 the impact of this adjustment is a decrease in BC Treaty Commission revenue, a decrease in advances to related Nation entities and a decrease in accumulated surplus (deficit) of \$357,758.
- \$1,223,493 of loss from investment in Nation business entities was not previously recorded in the financial statements. For the year ended March 31, 2018, the impact of this adjustment is a decrease in earnings (loss) from investment in Nation business entities of \$1,690,106, a decrease in investment in Nation business entities of \$1,223,493, a decrease in advances to related Nation entities of \$466,613, and a decrease in accumulated surplus (deficit) of \$1,690,106.
- Homalco Trust was not consolidated into the Homalco First Nation consolidated financial statements for the year ended March 31, 2018. For 2018, the impact of this adjustment was an increase in cash and cash equivalents of \$4,882, an increase in prepaid expenses of \$1,470, an increase in tangible capital assets of \$714,287, an increase in accounts payable and accruals of \$2,200, a decrease in advances to related Nation entities of \$51,263, and an increase in accumulated surplus (deficit) of \$667,176. In addition, \$28,961 of amortization expense related to the Homalco Trust tangible capital assets was not previously recorded in the financial statements. For the year ended March 31, 2018, the impact of this adjustment is a decrease in tangible capital assets and a decrease in accumulated surplus (deficit) of \$28,961.
- Bute Inlet Development Corporation was not consolidated into the Homalco First Nation consolidated financial statements in the year ended March 31, 2018. For the year ended March 31, 2018, the impact of this adjustment was an increase in cash and cash equivalents of \$261, an increase in bank indebtedness of \$67,000, an increase in accounts payable and accruals of \$600, a decrease in advances to related Nation entities of \$660,505, a decrease in investment in Nation business entities of \$20,466 and a decrease in accumulated surplus (deficit) of \$748,310.
- Homalco Treaty financial statements had been amended for the 2018 fiscal year. For the year ended March 31, 2018, the impact of this adjustment was a decrease in advances to related Nation entities of \$9,720, an increase in expenses of \$9,720 and a decrease in accumulated surplus (deficit) of \$9,720.
- Advances to Port Neville Logging Ltd. in the amount of \$155,349 for the year ended March 31, 2018 were not considered collectible. For the year ended March 31, 2018, the impact of this adjustment was a decrease in advances to related Nation entities of \$155,349 and a decrease in accumulated surplus (deficit) of \$155,349.

Homalco First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

19. Prior period adjustments *(Continued from previous page)*

	<i>2018 Previously stated</i>	<i>Adjustments</i>	<i>2018 Restated</i>
Cash and cash equivalents	456,386	5,143	461,529
Accounts receivable	323,894	-	323,894
Funds held in trust	7,452	-	7,452
Investment in Nation business entities	1,392,685	(1,233,003)	159,682
Advances to related Nation entities	1,746,587	(1,712,164)	34,423
	3,927,004	(2,940,024)	986,980
Bank indebtedness	158,300	67,000	225,300
Accounts payable and accruals	547,871	3,000	550,871
Deferred revenue	200	(200)	-
Long-term debt	9,150,055	-	9,150,055
	9,856,426	69,800	9,926,226
Tangible capital assets	5,896,122	685,326	6,581,448
Prepaid expenses	49,953	1,470	51,423
	5,946,075	686,796	6,632,871
Accumulated deficit, as restated	(947,492)	(76,205)	(1,023,697)
Annual surplus (deficit)	964,145	(2,246,823)	(1,282,678)
Accumulated surplus (deficit), end of year	16,653	(2,323,028)	(2,306,375)