

Homalco First Nation
Consolidated Financial Statements
March 31, 2020

Homalco First Nation

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For the year ended March 31, 2020

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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.

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.

November 19, 2020

Signed by Sue Hanley

Administrator

Independent Auditor's Report

To the Members of Homalco First Nation:

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, 2020, and the consolidated statements of operations and accumulated surplus (deficit), changes in net financial assets (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, 2020, and the results of its consolidated operations, changes in its consolidated net assets 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, 2020. Canadian public sector accounting standards requires the approved budget to be presented in the consolidated statements of operations and accumulated surplus (deficit) and changes in net financial assets (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, 2020 and March 31, 2019, 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, 2020 and March 31, 2019. As a result, we were unable to determine whether adjustments to investment in Nation business entities, earnings from investment in Nation business entities, annual surplus and accumulated surplus (deficit) were necessary.

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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nanaimo, British Columbia

November 19, 2020

MNP LLP

Chartered Professional Accountants

Homalco First Nation
Consolidated Statement of Financial Position
As at March 31, 2020

	2020	2019
Financial assets		
Cash and cash equivalents	1,131,677	629,330
Accounts receivable (Note 3)	419,579	449,361
Funds held in trust (Note 4)	1,098	8,604
Term deposit held in trust (Note 5)	115,500	-
Investment in Nation business entities (Note 6)	963,891	764,395
Restricted cash (Note 11)	45,704	2,670
Total financial assets	2,677,449	1,854,360
Liabilities		
Bank indebtedness (Note 8)	11,300	62,300
Accounts payable and accruals (Note 9)	700,324	835,875
Advances from related Nation entities (Note 7)	259,786	111,025
Long-term debt (Note 10)	1,304,497	781,677
First Nation loan agreement (Note 12)	-	8,284,361
Total liabilities	2,275,907	10,075,238
Net financial assets (net debt)	401,542	(8,220,878)
Contingencies (Note 18)		
Significant event (Note 19)		
Non-financial assets		
Tangible capital assets (Schedule 1)	7,494,495	6,416,105
Prepaid expenses	1,471	1,470
Total non-financial assets	7,495,966	6,417,575
Accumulated surplus (deficit) (Note 13)	7,897,508	(1,803,303)
Approved by Chief and Council		
Signed by Darren Blaney	Chief	Signed by Alison Trenholm
		Councilor

The accompanying notes are an integral part of these financial statements

Homalco First Nation

Consolidated Statement of Operations and Accumulated Surplus (Deficit)

For the year ended March 31, 2020

	<i>Schedule</i>	2020	2019
Revenue			
Indigenous Services Canada (Note 14)		2,968,240	2,417,584
First Nations Health Authority		921,040	96,746
Province of British Columbia		375,104	257,348
Department of Fisheries and Oceans Canada		223,996	143,669
Canadian Mortgage and Housing Corporation		8,191	62,351
Ottawa Trust		1,267	1,153
Other revenue		1,342,758	670,268
BC Gaming revenue		347,455	-
BC Treaty Commission		302,584	452,512
Rental income		227,204	140,761
Earnings from investment in Nation business entities (Note 6)		199,496	604,713
First Peoples Cultural Council		130,170	111,808
Interest income		16,197	2,614
Inter Tribal Health Authority		-	345,155
		7,063,702	5,306,682
Expenses (Schedule 2)			
Band Government	3	1,601,305	1,854,157
Community Services	4	167,573	48,171
Economic Development	5	794,689	314,740
Education	6	638,512	758,713
Health	7	668,514	436,166
Housing	8	442,867	327,681
Public Works	9	237,276	291,796
Social Services	10	951,966	717,498
		5,502,702	4,748,922
Annual surplus before other items		1,561,000	557,760
Other items			
Distributions		(144,550)	(45,300)
Provision for impairment of advances from related Nation entities		-	(9,388)
Forgiveness of First Nation loan agreement (Note 12)		8,284,361	-
		8,139,811	(54,688)
Annual surplus		9,700,811	503,072
Accumulated deficit, beginning of year		(1,803,303)	(59,552)
Accumulated surplus (deficit), end of year		7,897,508	(1,803,303)

The accompanying notes are an integral part of these financial statements

Homalco First Nation
Consolidated Statement of Changes in Financial Assets (Net Debt)
For the year ended March 31, 2020

	2020	2019
Annual surplus	9,700,811	503,072
Purchases of tangible capital assets	(1,409,671)	(168,095)
Amortization of tangible capital assets	331,281	333,438
Acquisition of prepaid expenses	(1)	-
Use of prepaid expenses	-	49,953
Change in financial assets (net debt)	8,622,420	718,368
Net debt, beginning of year	(8,220,878)	(8,939,246)
Net financial assets (net debt), end of year	401,542	(8,220,878)

Homalco 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		
Annual surplus	9,700,811	503,072
Non-cash items		
Amortization	331,281	333,438
Earnings from investment in Nation business entities	(199,496)	(604,713)
Forgiveness of First Nation loan agreement	(8,284,361)	-
	1,548,235	231,797
Changes in working capital accounts		
Accounts receivable	29,782	(125,467)
Prepaid expenses	(1)	49,953
Funds held in trust	7,506	(1,152)
Term deposit held in trust	(115,500)	-
Accounts payable and accruals	(135,551)	285,004
	1,334,471	440,135
Financing activities		
Advances of long-term debt	599,709	-
Repayment of long-term debt	(76,889)	(84,017)
Deposits to restricted cash	(43,034)	(2,670)
	479,786	(86,687)
Capital activities		
Purchases of tangible capital assets	(1,409,671)	(168,095)
Investing activities		
Advances from related Nation entities	148,761	145,448
Increase in cash resources	553,347	330,801
Cash, beginning of year	567,030	236,229
Cash, end of year	1,120,377	567,030
Cash is composed of:		
Cash and cash equivalents	1,131,677	629,330
Bank indebtedness	(11,300)	(62,300)
	1,120,377	567,030

The accompanying notes are an integral part of these financial statements

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. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

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 %
Boats	declining balance	5 %
Computer software	declining balance	55 %
Equipment	declining balance	20 %
Housing	declining balance	5 %
Infrastructure	declining balance	5 %
Salmon hatchery	declining balance	10 %

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 financial assets (net debt)

The Nation's consolidated financial statements are presented so as to highlight net financial assets (net debt) as the measurement of consolidated financial position. The net financial assets (net debt) of the Nation is determined by its financial assets less its liabilities. Net financial assets (net debt) is comprised of two components, non-financial assets and accumulated surplus (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 operations in the periods in which they become known.

Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2020.

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

Homalco 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 Nation conducts its business through a number of reportable segments as described in Note 16. 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. Accounts receivable

	2020	2019
CMHC operating subsidy assistance receivable	-	2,746
Indigenous Services Canada	194,376	281,776
DFO Receivable	105,412	-
Accounts receivable	93,022	139,070
Social housing rent receivable	578,292	578,292
Rent receivable	104,624	103,624
	1,075,726	1,105,508
Less: allowance for doubtful accounts	656,147	656,147
	419,579	449,361

4. 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.

	2020	2019
Capital Trust		
Balance beginning of year	3,452	3,452
Transfer - land code	(3,452)	-
Balance, end of year	-	3,452
Revenue Trust		
Balance, beginning of year	5,152	4,000
Interest	1,267	1,152
Transfer - land code	(5,321)	-
Balance, end of year	1,098	5,152
	1,098	8,604

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, 2020

5. Term deposit held in trust

The term deposit held in trust represents the security for the loan of Tale'awtxw Aboriginal Capital Corporation (TACC) in the amount of \$170,000 to AUPE Cultural Enhancement Society, repayable back to Nation when the loan to TACC is paid.

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>2020 Total investment</i>
Wholly-owned Businesses:			
Homalco Holdings Inc. (100%)	1	-	1
Homalco Wildlife Tours Inc. (100%)	84,699	(2,127)	82,572
Port Neville Logging Company (100%)	1	-	1
	84,701	(2,127)	82,574
Business Partnerships:			
Homalco Holdings Limited Partnership (99.99%)	624,304	201,623	825,927
Homalco Resources Management Limited Partnership	55,390	-	55,390
	679,694	201,623	881,317
	764,395	199,496	963,891

	<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

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

Homalco Holdings Limited Partnership has a January 31, 2020 year-end and the remainder of the Nation business entities have a March 31, 2020 year-end. No significant transactions occurred between the year-end dates of the Nation business entities and March 31, 2020. The Nation uses the Nation business entities' year-end financial statements to account for its investment in these investees. The Nations business entities are unaudited.

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

7. Advances from related Nation entities

Advances 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.

8. Bank indebtedness

	2020	2019
TD Canada Trust, operating line of credit, bearing no interest.	6,300	57,300
TD Canada Trust, line of credit, bearing interest at prime plus 1.0%	5,000	5,000
	11,300	62,300

Prime rate at March 31, 2020 was 2.45% (March 31, 2019 - 3.95%).

9. Accounts payable and accruals

	2020	2019
Accrued accounts payable	324,113	480,024
Indigenous Services Canada	245,150	245,150
Wages and employee deductions payable	131,061	110,701
	700,324	835,875

10. Long-term debt

	2020	2019
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.	192,485	217,868
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.	341,300	366,831
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.	171,003	196,978
All Nations Trust Company CMHC direct lending advance, no set terms of repayment.	599,709	-
	1,304,497	781,677

Prime rate at March 31, 2020 is 2.45% (March 31, 2019 - 3.95%).

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

	Principal
2021	72,086
2022	73,298
2023	74,536
2024	75,799
2025	77,089
	372,808

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

11. Restricted cash

Under the terms of the agreements with Canada Mortgage and Housing Corporation ("CMHC"), the Post 1996 replacement reserve account is to be credited in the amount of \$12,000 (2019 - \$12,000) 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, the Post 1996 replacement reserve was underfunded by \$112,879 (2019 - underfunded \$143,914).

Under the terms of the agreements with CMHC, excess federal assistance payments 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. For the Post 1996 phases, the funds may be used to offset future deficits. No restricted cash account is set for the operating surplus reserve. At year-end, the operating reserve was underfunded by \$114,260 (2019 - underfunded \$141,703).

12. First Nation loan agreement

The Nation received funds negotiated with ISC and the provincial British Columbia Treaty Commission. Under the terms of that agreement, the Nation received both loaned and contributed funds. Effective March 31, 2020, \$8,284,361 in comprehensive land claim negotiation debt owed to Canada by the Nation was forgiven.

13. Accumulated surplus (deficit)

Accumulated surplus (deficit) consists of the following:

	2020	2019
Equity in business enterprise fund	963,891	764,395
Equity in tangible capital assets	6,189,998	5,634,428
Equity in Ottawa trust fund	1,098	8,604
Social Housing Replacement and Operating reserves	272,843	447,704
Surplus (deficit) in Treaty	19,995	(8,349,104)
Operating surplus (deficit)	449,683	(309,330)
	7,897,508	(1,803,303)

14. Indigenous Services Canada

	2020	2019
ISC Revenue per Funding Confirmation Report and Payables at Year End	2,968,240	2,662,734
Basic Needs recovery (2015-16)	-	(149,826)
Basic Needs recovery (2017-18)	-	(73,071)
Compliance review recovery (2017-18)	-	(22,253)
	2,968,240	2,417,584

15. 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.

16. Segments

During the year, the Nation had 8 reportable segments. These segments are differentiated by factors such as major activities, service lines, accountability and control relationships. For management and reporting purposes, the revenue, 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.

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.

17. 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, omission of this information is considered a departure from PSAS.

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 \$44,282 (2019 - \$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.

The Nation may be contingently liable with respect to guarantees of Tale'awtxw Aboriginal Capital Corporation loan in the amount of \$170,000 to AUPE Cultural Enhancement Society.

19. Significant event

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

20. Comparative figures

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

Homalco First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended March 31, 2020

	<i>Land</i>	<i>Buildings</i>	<i>Automotive Equipment</i>	<i>Equipment</i>	<i>Boats</i>	<i>Infrastructure</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	237,862	4,128,782	116,353	671,557	133,954	5,374,815	10,663,323
Acquisition of tangible capital assets	-	-	-	-	-	-	-
Balance, end of year	237,862	4,128,782	116,353	671,557	133,954	5,374,815	10,663,323
Accumulated amortization							
Balance, beginning of year	-	1,457,059	90,602	564,419	113,704	3,734,946	5,960,730
Annual amortization	-	107,017	7,726	21,280	1,013	81,993	219,029
Balance, end of year	-	1,564,076	98,328	585,699	114,717	3,816,939	6,179,759
Net book value of tangible capital assets	237,862	2,564,706	18,025	85,858	19,237	1,557,876	4,483,564
2019 Net book value of tangible capital assets	237,862	2,671,723	25,751	107,138	20,250	1,639,869	4,702,593

Homalco First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2020

	<i>Subtotal</i>	<i>Salmon Hatchery</i>	<i>Housing</i>	<i>Computer Software</i>	<i>Construction in Progress</i>	<i>2020</i>	<i>2019</i>
Cost							
Balance, beginning of year	10,663,323	118,308	5,365,663	28,438	-	16,175,732	16,007,637
Acquisition of tangible capital assets	-	236,982	-	-	1,172,689	1,409,671	168,095
Balance, end of year	10,663,323	355,290	5,365,663	28,438	1,172,689	17,585,403	16,175,732
Accumulated amortization							
Balance, beginning of year	5,960,730	118,308	3,657,910	22,679	-	9,759,627	9,426,189
Annual amortization	219,029	23,698	85,387	3,167	-	331,281	333,438
Balance, end of year	6,179,759	142,006	3,743,297	25,846	-	10,090,908	9,759,627
Net book value of tangible capital assets	4,483,564	213,284	1,622,366	2,592	1,172,689	7,494,495	6,416,105
2019 Net book value of tangible capital assets	4,702,593	-	1,707,753	5,759	-	6,416,105	

Homalco First Nation
Schedule 2 - Consolidated Schedule of Expenses by Object
For the year ended March 31, 2020

	2020	2019
Consolidated expenses by object		
Administration (recovery)	6,984	263,552
Amortization	331,281	333,438
Bank charges and interest	29,130	29,535
Community events	126,090	83,460
Consulting	25,055	45,721
Food supplies	84,643	107,365
Fuel	47,552	50,887
Funeral	33,008	59,466
Honoraria	66,557	70,113
Insurance	71,920	70,894
Meeting	84,408	77,322
Memberships	30,709	17,721
Miscellaneous	-	2,266
Office expenses	119,403	52,376
Patient travel	23,217	34,542
Professional fees	503,892	281,376
Rent	16,180	27,927
Repairs and maintenance	406,736	174,848
Salaries and benefits	1,497,236	1,147,861
School district fees	208,522	418,550
Social assistance	623,964	533,981
Student allowances	255,376	248,654
Supplies	171,415	134,035
Telephone and internet	75,506	81,697
Training	181,153	70
Travel	195,978	146,787
Tuition costs	108,996	90,970
Utilities	177,791	163,508
	5,502,702	4,748,922

Homalco First Nation
Band Government
Schedule 3 - Schedule of Revenue and Expenses
For the year ended March 31, 2020

	2020	2019
Revenue		
Indigenous Services Canada	814,570	563,433
Province of British Columbia	222,755	136,288
First Nations Health Authority	1,640	-
Ottawa Trust	1,267	1,153
Other revenue	748,222	463,850
BC Treaty Commission	302,584	452,512
First Peoples Cultural Council	130,170	111,808
Rental income	25,584	15,900
Interest income	13,650	1,674
	2,260,442	1,746,618
Expenses		
Administration	2,660	194,331
Amortization	277,824	277,167
Bank charges and interest	16,953	18,047
Community events	38,972	41,176
Consulting	9,463	26,848
Food supplies	22,774	38,447
Fuel	446	1,751
Funeral	33,008	59,466
Honouraria	60,142	61,488
Insurance	57,157	49,034
Meeting	32,332	58,066
Memberships	5,100	15,691
Office expenses	4,494	14,531
Professional fees	301,520	194,107
Rent	2,044	16,354
Repairs and maintenance (recovery)	(1,823)	14,714
Salaries and benefits	530,292	550,544
Supplies	38,348	56,730
Telephone and internet	47,437	57,122
Training	8,718	70
Travel	106,666	95,699
Utilities	6,778	12,774
	1,601,305	1,854,157
Other income (expense)		
Forgiveness of treaty loan	8,284,361	-
Distributions	(144,550)	(45,300)
Provision for impairment of advances from related Nation entities	-	(9,388)
	8,139,811	(54,688)
Annual surplus (deficit)	8,798,948	(162,227)

Homalco First Nation
Community Services
Schedule 4 - Schedule of Revenue and Expenses
For the year ended March 31, 2020

	2020	2019
Revenue		
Province of British Columbia	-	9,500
Other revenue	60,500	35,015
	60,500	44,515
Expenses		
Administration	3,786	161
Community events	5,147	1,371
Food supplies	1,876	-
Honouraria	1,750	225
Meeting	1,251	800
Office expenses	5,987	-
Professional fees	17,240	-
Rent	390	-
Salaries and benefits	105,465	45,154
Supplies	10,352	-
Training	1,149	-
Travel	13,180	460
	167,573	48,171
Annual deficit	(107,073)	(3,656)

Homalco First Nation
Economic Development
Schedule 5 - Schedule of Revenue and Expenses
For the year ended March 31, 2020

	2020	2019
Revenue		
Department of Fisheries and Oceans Canada	223,996	143,669
Province of British Columbia	142,349	-
Indigenous Services Canada	20,801	22,359
BC Gaming revenue	347,455	-
Other revenue	424,840	89,796
Earnings from investment in Nation business entities	199,496	604,713
Interest income	1,779	9
	1,360,716	860,546
Expenses		
Administration (recovery)	160	(5,850)
Bank charges and interest	5,599	4,258
Community events	3,085	200
Consulting	2,220	11,197
Food supplies	25,469	53,875
Fuel	40,328	41,091
Insurance	3,656	-
Meeting	262	-
Memberships	13,012	-
Miscellaneous	-	865
Office expenses	108,790	6,723
Professional fees	17,696	5,475
Rent	1,619	3,915
Repairs and maintenance	119,527	28,566
Salaries and benefits	242,695	145,385
Supplies	34,859	11,487
Telephone and internet	4,620	4,819
Training	168,258	-
Travel	2,834	2,734
	794,689	314,740
Annual surplus	566,027	545,806

Homalco First Nation
Education
Schedule 6 - Schedule of Revenue and Expenses
For the year ended March 31, 2020

	2020	2019
Revenue		
Indigenous Services Canada	490,972	513,208
Other revenue	58,315	7,857
	549,287	521,065
Expenses		
Administration (recovery)	-	(7,973)
Community events	2,644	6,450
Food supplies	8,088	7,300
Fuel	-	250
Honouraria (recovery)	-	(600)
Meeting	8,475	344
Memberships	11,825	1,307
Professional fees	1,035	-
Salaries and benefits (recovery)	28,466	(14,119)
School district fees	208,522	418,550
Student allowances	255,376	248,654
Supplies	5,085	6,739
Travel	-	841
Tuition costs	108,996	90,970
	638,512	758,713
Annual deficit	(89,225)	(237,648)

Homalco First Nation
Health
Schedule 7 - Schedule of Revenue and Expenses
For the year ended March 31, 2020

	2020	2019
Revenue		
First Nations Health Authority	919,400	96,746
Inter Tribal Health Authority	-	345,155
Other revenue	43,048	27,503
	962,448	469,404
Expenses		
Administration (recovery)	15,392	(4,232)
Bank charges and interest	55	109
Community events	17,735	5,276
Consulting	10,000	-
Food supplies	11,103	2,716
Fuel	6,771	7,513
Honouraria	3,325	100
Insurance	3,040	14,330
Meeting	12,748	15,411
Memberships	392	570
Office expenses	10	1,518
Patient travel	23,217	34,542
Professional fees	44,373	685
Rent	10,978	4,667
Repairs and maintenance	6,987	3,371
Salaries and benefits	419,986	289,496
Supplies	28,818	18,585
Telephone and internet	526	210
Training	1,729	-
Travel	40,465	29,449
Utilities	10,864	11,850
	668,514	436,166
Annual surplus	293,934	33,238

Homalco First Nation
Housing
Schedule 8 - Schedule of Revenue and Expenses
For the year ended March 31, 2020

	2020	2019
Revenue		
Indigenous Services Canada	226,064	45,808
Canadian Mortgage and Housing Corporation	8,191	62,351
Province of British Columbia	-	111,560
Rental income	201,620	124,861
Interest income	769	932
Other revenue	2,833	37,890
	439,477	383,402
Expenses		
Administration (recovery)	(17,834)	19,935
Amortization	53,457	56,270
Bank charges and interest	6,512	7,110
Community events	300	1,650
Consulting	2,300	7,676
Food supplies	1,398	1,304
Fuel	-	282
Honouraria	200	975
Insurance	8,067	7,530
Meeting	164	100
Memberships	379	-
Office expenses	-	22,297
Professional fees	33,185	16,113
Rent	648	2,469
Repairs and maintenance	248,986	120,115
Salaries and benefits	31,607	15,383
Supplies	25,238	20,902
Telephone and internet	1,480	395
Travel	2,664	143
Utilities	44,116	27,032
	442,867	327,681
Annual (deficit) surplus	(3,390)	55,721

Homalco First Nation
Public Works
Schedule 9 - Schedule of Revenue and Expenses
For the year ended March 31, 2020

	2020	2019
Revenue		
Indigenous Services Canada	330,810	332,597
Other revenue	-	3,356
	330,810	335,953
Expenses		
Administration	3,672	67,087
Bank charges and interest	12	12
Community events	-	92
Consulting	1,072	-
Food supplies	-	37
Honouraria	-	2,000
Meeting	-	1,000
Office expenses	123	7,185
Professional fees	57,938	23,967
Rent	500	522
Repairs and maintenance	28,559	8,083
Salaries and benefits	3,030	43,401
Supplies	1,169	4,045
Telephone and internet	21,444	18,989
Travel	4,800	3,524
Utilities	114,957	111,852
	237,276	291,796
Annual surplus	93,534	44,157

Homalco First Nation
Social Services
Schedule 10 - Schedule of Revenue and Expenses
For the year ended March 31, 2020

	2020	2019
Revenue		
Indigenous Services Canada	1,085,023	940,179
Province of British Columbia	10,000	-
Other revenue	5,000	5,000
	1,100,023	945,179
Expenses		
Administration (recovery)	(853)	94
Community events	58,208	27,245
Food supplies	13,935	3,686
Fuel	7	-
Honouraria	1,140	5,925
Meeting	29,176	1,600
Memberships	-	152
Miscellaneous	-	1,401
Office expenses	-	122
Professional fees	30,905	41,029
Repairs and maintenance	4,500	-
Salaries and benefits	135,694	72,619
Social assistance	623,964	533,981
Supplies	27,545	15,545
Telephone and internet	-	161
Training	1,300	-
Travel	25,369	13,938
Utilities	1,076	-
	951,966	717,498
Annual surplus	148,057	227,681