
**SUMAS FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The First Nation is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the First Nation. The First Nation reviews internal financial statements on a monthly basis and external audited financial statements yearly. The First Nation also discusses any significant financial reporting or internal control matters prior to its approval of the financial statements.

The external auditors, Manning Elliott Accountants and Business Advisors, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to the financial management of the Sumas First Nation and we meet when required. The accompanying Independent Auditors' Report re-iterates management's responsibility for the financial statements, outlines the auditors' responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Sumas First Nation:



NEELUM BUTTAR

Name

Finance Manager

Title

July 29/21

Date

Name

Title

Date

Abbotsford, BC

INDEPENDENT AUDITORS' REPORT

To the Members of Sumas First Nation

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sumas First Nation (the First Nation), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of changes in accumulated surplus, operations, changes in net financial assets, remeasurement gains and losses and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2021, and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the First Nation in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 liquidate the First Nation or 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.

Auditors' Responsibilities for the Audit of the 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT

- 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 auditors' 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 auditors' 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.

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.

Manning Elliott LLP

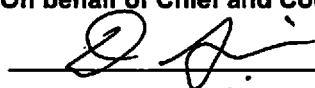
MANNING ELLIOTT LLP
Chartered Professional Accountants
Abbotsford, British Columbia
July 29, 2021

**SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021**

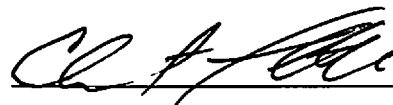
	2021	2020
FINANCIAL ASSETS		
Cash (Note 2)	\$ 606,211	\$ 1,739,328
Restricted cash (Note 2)	2,768,752	2,717,594
Investments (Note 3)	17,376,492	15,016,677
Accounts receivable (Note 4)	2,113,140	1,858,529
Investment in partnerships (Note 5)	308,447	433,781
Advances to related parties (Note 6)	1,629,684	299,800
Equity in commercial enterprises (Note 7)	3	3
	24,802,729	22,065,712
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	2,096,752	1,787,290
Deferred revenue	4,160,964	1,703,504
Long-term debt (Note 8)	3,087,382	3,233,679
	9,345,098	6,724,473
NET FINANCIAL ASSETS	15,457,631	15,341,239
NON-FINANCIAL ASSETS		
Inventory	15,334	13,073
Prepaid expenses and deposits	59,639	64,793
Property held for development	1,536,677	1,536,677
Tangible capital assets (Note 9)	13,635,797	12,661,965
	15,247,447	14,276,508
ACCUMULATED SURPLUS (Note 10)	\$ 30,705,078	\$ 29,617,747

CONTINGENT LIABILITIES (Note 14)

On behalf of Chief and Council:



Chief



Councillor



Councillor

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2021

	2021	2020
ACCUMULATED OPERATING SURPLUS - BEGINNING OF YEAR	\$ 28,358,794	\$ 23,051,961
ANNUAL OPERATING SURPLUS	1,635,900	5,306,833
	29,994,694	28,358,794
ACCUMULATED REMEASUREMENT GAINS	710,384	1,258,953
ACCUMULATED SURPLUS - END OF YEAR	\$ 30,705,078	\$ 29,617,747

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2021

	Budget (Note 12) (unaudited)	2021	2020
REVENUE			
Indigenous Service Canada - contracts for service	\$ -	\$ 4,749,283	\$ 6,000,906
Indigenous Service Canada	2,110,636	2,354,226	4,200,052
Lease interest and other income	1,019,452	2,132,362	1,334,085
Province of British Columbia	99,616	908,935	278,978
Trans Mountain funding	2,076,000	2,540,993	3,100,000
Property taxation	423,059	403,098	281,276
First Nations Health Authority	238,505	343,319	393,019
Realized gain on sale of investments	-	336,724	129,018
Sto:lo Service Agency Society	206,522	278,018	290,908
Commercial enterprises	425,500	236,029	399,360
First Nations Education Steering Committee	110,845	90,300	51,688
CMHC and housing charges	-	44,476	67,144
New Relationship Trust	-	15,303	-
Ottawa Trust income	-	856	1,669
Gaming revenue	339,604	339,604	315,053
Loss on partnerships	-	(351,679)	(131,481)
	7,049,739	14,421,847	16,711,675
EXPENSES			
Administration and technical service	971,100	1,055,931	1,950,136
Amortization of tangible capital assets	-	578,777	513,953
Band government	172,740	140,733	220,111
Capital projects	-	2,317,860	1,791,010
Commercial enterprises	940,370	797,207	674,752
Community services and member benefits	742,659	574,731	791,060
Economic development	47,095	146,500	64,945
Education programs	985,573	820,193	667,469
Governance and Natural Resources	475,971	1,151,605	-
Health services	321,141	1,001,383	352,442
Indigenous Services Canada - contracts	-	4,452,298	5,537,897
Lands management	637,283	616,699	567,215
Public works and village operations	310,667	305,225	308,114
Social development	283,314	324,206	223,211
Social housing	832,333	55,208	50,673
Expenses capitalized	-	(1,552,609)	(2,308,146)
	6,720,246	12,785,947	11,404,842
ANNUAL OPERATING SURPLUS	\$ 329,493	\$ 1,635,900	\$ 5,306,833

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2021

	Budget (unaudited) Note 12	2021	2020
ANNUAL OPERATING SURPLUS	\$ 329,493	\$ 1,635,900	\$ 5,306,833
Amortization of tangible capital assets	-	578,777	513,953
Purchase of tangible capital assets	-	(1,552,609)	(2,308,146)
	-	(973,832)	(1,794,193)
Change in prepaid expenses and deposits	-	5,154	6,864
Change in inventory	-	(2,261)	1,289
Net remeasurement gains (losses) for the year	-	(548,569)	1,251,406
	-	(1,519,508)	(534,634)
CHANGE IN NET FINANCIAL ASSETS	329,493	116,392	4,772,199
NET FINANCIAL ASSETS - BEGINNING OF YEAR	15,341,239	15,341,239	10,569,040
NET FINANCIAL ASSETS - END OF YEAR	\$ 15,670,732	\$ 15,457,631	\$ 15,341,239

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2021

	2021	2020
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 1,258,953	\$ 7,547
Unrealized gains (losses) attributable to securities and investment trusts	(211,845)	1,380,424
Realized gains transferred to operations	(336,724)	(129,018)
Net remeasurement gains (losses) for the year	(548,569)	1,251,406
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	\$ 710,384	\$ 1,258,953

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Annual operating surplus	\$ 1,635,900	\$ 5,306,833
Items not affecting cash:		
Amortization of tangible capital assets	578,777	513,953
Loss on partnerships	351,679	131,481
	<u>2,566,356</u>	<u>5,952,267</u>
Changes in non-cash working capital:		
Accounts receivable	(254,611)	(16,483)
Inventory	(2,261)	1,289
Accounts payable and accrued liabilities	309,463	265,289
Deferred revenue	2,457,460	(1,663,988)
Prepaid expenses and deposits	5,154	6,864
	<u>2,515,205</u>	<u>(1,407,029)</u>
	<u>5,081,561</u>	<u>4,545,238</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(1,552,609)	(2,308,146)
Advances to related parties	(1,329,884)	(273,251)
Net remeasurement gains (losses) for the year	(548,569)	1,251,406
Investment in partnership	(226,345)	(69,032)
Purchase of marketable securities	(2,359,815)	(3,679,370)
Cash flow used by investing activities	<u>(6,017,222)</u>	<u>(5,078,393)</u>
FINANCING ACTIVITY		
Repayment of long-term debt	(146,298)	(117,406)
Cash flow used by financing activity	<u>(146,298)</u>	<u>(117,406)</u>
NET CHANGE IN CASH DURING THE YEAR	(1,081,959)	(650,561)
CASH - BEGINNING OF YEAR	4,456,922	5,107,483
CASH - END OF YEAR	\$ 3,374,963	\$ 4,456,922
CASH CONSISTS OF:		
Cash	\$ 606,211	\$ 1,739,328
Restricted cash	2,768,752	2,717,594
	<u>\$ 3,374,963</u>	<u>\$ 4,456,922</u>

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of Sumas First Nation (the "First Nation") are prepared by management in accordance with the CPA Canada Public Sector Accounting Standards. Significant accounting policies adopted by the First Nation are as follows:

(a) Fund accounting

The First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been consolidated for the purpose of presentation in the consolidated Financial Statements. The First Nation maintains the following funds:

The Operating Fund which reports the general activities of the First Nation administration.

The Capital Fund which reports the tangible capital assets of the First Nation, together with their related financing, other than those included in the Social Housing Fund.

The Social Housing Fund which reports the social housing assets of the First Nation, together with related activities.

(b) Reporting entity and principles of financial reporting

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

Investments in incorporated business entities are included in the consolidated financial statements using the modified equity method. This includes Sumas Clay Products Ltd. (100% ownership), SFN Renewable Energy Ltd. (100% ownership), Sema:th Xot:sa Developments Ltd. (100% ownership) and 1099212 B.C. Ltd. (50% ownership). 1099212 B.C. Ltd. is a bare trustee holding lands under development on behalf of the First Nation. Sema:th Xot:sa Developments Ltd. is the general partner of Sema:th Xot:sa Developments Limited Partnership.

Investment in partnership includes Sema:th Xot:sa Developments Limited Partnership (99.99% ownership) ("SXDL"). SXDL has 82.99% ownership in Sth'oqi Aquaculture Limited Partnership ("SALP"). SXDL and SALP are government business enterprises and are recorded using the modified equity method. The partnerships have year ends of December 31, 2020 (Note 5). The loss from this investment as at December 31, 2020 is included in annual income.

The Upper Sumas I.R. 6 Right-Of-Way Settlement Trust (the "Trust") has a year-end of December 31, 2020 (Note 13). The Trust is consolidated into these financial statements as at December 31, 2020, except for any trust funds held for distribution on behalf of minors. There has been no adjustment in the Trust's transactions.

All inter-entity balances have been eliminated on consolidation.

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SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(c) Government transfers

Government transfers received relate to social development, child care, housing and health programs. Government transfers paid relate to social services programs. Transfers are recognized in the consolidated financial statements as revenues or expenses in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(d) Inventory

Inventory is valued at average cost and consists of \$12,749 (2020 - \$10,489) in tobacco products and \$2,585 (2020 - \$2,585) in fuel.

(e) Lands held for development

Lands held for development is recorded at the lower of cost or net realizable value.

(f) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straightline basis over their estimated useful lives as follows:

Water and waste water	15-80 years
Roads	30-40 years
Buildings, except social housing	10-60 years
Machinery and equipment	5-10 years
Land improvements	10-30 years
Vehicles	5 years
Computer equipment	3 years

In accordance with Canada Mortgage and Housing Corporation policies, amortization of CMHC funded social housing is equal to the principal repayment on the related long-term debt. This policy is not in compliance with the CPA Canada Public Sector Accounting Handbook, however, the difference was determined not to have a material impact on the consolidated financial statements.

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(*continues*)

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Contaminated sites

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- i) An environmental standard exists;
- ii) Contamination exceeds the environmental standard;
- iii) The First Nation is directly responsible or accepts responsibility;
- iv) It is expected that future economic benefits will be given up; and
- v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation, including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site. As at March 31, 2021, there is no liability for contaminated sites.

(h) Use of estimates

The preparation of consolidated financial statements 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 revenues and expenses during the period. Management believes that the estimates used are reasonable and prudent, however, actual results could differ from those estimates. Significant estimates include assumptions used in estimating collectability of accounts receivable, advances to related parties, the estimated useful lives of tangible capital assets and the estimated liability for contaminated sites.

(i) Financial instruments

Financial instruments are classified into two categories: fair value or cost.

- i) Fair value category: Includes portfolio investments that are quoted in an active market and derivative instruments reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is recorded as an expense. Unrealized gains and losses on financial assets would be recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is de-recognized due to disposal or impairment. At the time of de-recognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus.
- ii) Cost category: Gains and losses are recognized in the Statement of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments.

(j) Investments

Investments are carried at either fair market value, cost or at cost less impairment losses to reflect any declines in value which are other-than-temporary. Dividends from these investments are included in revenue. Discounts/premiums arising on purchase of bonds are amortized over the period to maturity.

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

2. RESTRICTED ASSETS

Included in cash and investments are the following restricted amounts:

	2021	2020
Non-restricted cash		
Operating Fund	\$ 364,027	\$ 1,661,625
Social Housing Fund	242,184	77,703
	606,211	1,739,328
Restricted cash		
Social Housing Fund (Note 11)	39,943	32,077
Settlement Trust	2,728,809	2,685,517
	2,768,752	2,717,594
Total cash	3,374,963	4,456,922
Investments (Note 3)	17,376,492	15,016,677
Less restricted for:		
Settlement Trust	(11,733,259)	(11,418,820)
Operating Reserves	(4,756,754)	(4,756,754)
Capital Replacement Reserves	(72,230)	(72,230)
Health Canada Surplus Funds	(419,010)	(339,075)
Total funds available for operations	\$ 3,770,202	\$ 2,886,720

3. INVESTMENTS

	2021	2020
Investments recorded at fair value:		
Securities, investment trusts	\$ 7,931,336	\$ 9,845,024
Investments recorded at amortized cost:		
Fixed income	4,736,764	2,055,129
Guaranteed Investment Certificates (GICs)	142,824	452,588
BMO High Interest Savings Accounts	4,565,568	2,663,936
	\$ 17,376,492	\$ 15,016,677

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2021	2020
Due from band members:		
Tenant rent receivable	\$ 434,485	\$ 431,815
Due from members	693,831	618,097
	1,128,316	1,049,912
Less allowance for doubtful accounts	(807,926)	(644,351)
	320,390	405,561
Due from others:		
Other federal government departments	1,020,264	798,001
Other funders	266,575	219,841
Canada Mortgage and Housing Corporation	15,000	186,189
Provincial government	-	160,756
Developers & economic rents	162,610	134,892
Trans Mountain Pipeline, LP	59,911	81,134
Sto:lo Service Agency Society	57,373	55,612
Lower Fraser Fisheries Alliance Society	13,626	26,206
Sumas Clay Products Ltd.	25,978	25,978
GST receivable	15,019	18,925
Investment interest receivable	-	16,705
Property taxes	146,723	16,520
First Nations Education Steering Committee	11,402	8,625
Lower Fraser Enterprises Limited Partnership	6,750	3,759
Sema:th Xo:tsa Developments Ltd.	113,045	-
Stho'qi Aquaculture Limited Partnership	17,719	-
	1,931,995	1,753,143
Less allowance for doubtful accounts	(139,245)	(300,175)
	1,792,750	1,452,968
	\$ 2,113,140	\$ 1,858,529

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

5. INVESTMENT IN PARTNERSHIPS

The First Nation owns 99.99% of the units of Sema:th Xo:tsa Developments Limited Partnership ("SXDLP"), a partnership formed in fiscal 2018. SXDLP owns 82.99% (2020 - 82.99%) of the units of SALP, 99% (2020 - Nil) of the units of Wochmel Security Limited Partnership ("WSLP") and 51% of the units in Kilgard Business Park Limited Partnership ("KBPLP"). The First Nation's investment includes contributions net of distributions. SXDLP and SALP were set up on July 21, 2017 and KBPLP on October 18, 2019 by the First Nation. WSLP was set up on September 14, 2020.

In the fiscal 2021 year, the First Nation recorded their share of the equity loss in the partnerships of \$351,679 (2020 - \$131,481) based on the December 31, 2020 year end.

Condensed summary fiscal information for each of the partnerships at December 31, 2020 is noted below.

	SXDLP	SALP	KBPLP	WSLP	2020
Current assets	\$ 356,312	\$ 180,944	\$ 931,686	\$ 29,637	\$ 1,498,579
Lease receivable	351,523	-	-	-	351,523
Related party loans	654,829	-	-	-	654,829
Capital assets	2,119,849	1,220,284	-	-	3,340,133
Investment in Kilgard Business Park Limited Partnership	3,885,787	-	-	-	3,885,787
Investment in Wochmel Security Limited Partnership	3,242	-	-	-	3,242
Development costs	-	-	4,457,098	-	4,457,098
Prepaid land lease	-	-	3,907,500	-	3,907,500
Due from partners	-	-	465,452	-	465,452
Total assets	\$ 7,371,542	\$ 1,401,228	\$ 9,761,736	\$ 29,637	\$ 18,564,143
Current liabilities	\$ 2,757,918	\$ 589,187	\$ 2,099,160	\$ 2,407	\$ 5,448,672
Lease payable	-	351,523	-	-	351,523
Investment in SALP	429,089	-	-	-	429,089
Related party loans	4,853,635	738,032	43,404	23,988	5,659,059
Equity (deficiency)	(669,100)	(277,514)	7,619,172	3,242	6,675,800
Total Liabilities and Equity	7,371,542	1,401,228	9,761,736	29,637	18,564,143

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SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

5. INVESTMENT IN PARTNERSHIPS (continued)

	SXDLP	SALP	KBPLP	WSLP	2020
Revenues	\$ 80,415	\$ 692,696	\$ 352	\$ 28,130	\$ 801,593
Expenses	(432,129)	(1,065,932)	(34,869)	(24,988)	(1,557,918)
Loss	(351,714)	(373,236)	(34,517)	3,142	(756,325)
Investment in the Partnership					
Loan	\$ 977,480	\$ -	\$ -	\$ -	\$ 977,480
Accumulated losses	(210,237)	(444,339)	(17,599)	3,142	(669,033)
	\$ 767,243	\$ (444,339)	\$ (17,599)	\$ 3,142	\$ 308,447

In 2020, the First Nation entered into a head lease with SXDLP in the amount of \$3,907,500. Under this agreement, the First Nation has agreed to lease its land to SXDLP to enable the property to be developed. This transaction was considered a capital contribution from the First Nation to SXDLP in exchange for 3,907,500 partnership units. The head lease has been recorded at the exchange value in SXDLP, however, as the First Nation is still the beneficial owner of the land, no disposal or gain has been recorded in the accompanying financial statements.

6. ADVANCES TO RELATED PARTIES

	2021	2020
Sema:th Xot:sa Developments Ltd. (SXDL)	\$ 1,563,684	\$ 299,800
Sth'oqi Aquaculture Limited Partnership (SALP)	66,000	-
	\$ 1,629,684	\$ 299,800

The advances to related parties are non-interest bearing, unsecured and without fixed terms of repayment.

7. EQUITY IN COMMERCIAL ENTERPRISES

	2021	2020
Sumas Clay Products Ltd (100%)	\$ 1	\$ 1
SFN Renewable Energy Ltd. (100%)	1	1
Sema:th Xot:sa Development Ltd. (100%)	1	1
	\$ 3	\$ 3

Sumas Clay Products Ltd. and SFN Renewable Energy Ltd. are inactive companies and, accordingly, there is no summary financial information to disclose. Sema:th Xot:sa Developments Ltd. is the general partner of SXDLP.

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8. LONG-TERM DEBT

	2021	2020
Bank of Montreal non-revolving demand loan payable with monthly payments of \$8,662, including interest at prime plus 0.75% per annum, maturing March 30, 2022; repayable on demand; secured by a general security agreement over the First Nation assets.	\$ 1,298,046	\$ 1,362,099
Bank of Montreal fixed rate term loan payable with monthly payments of \$6,280, including interest at 3.17% of per annum, maturing June 30, 2022; repayable on demand; secured by a general security agreement over the First Nation assets.	1,131,836	1,170,733
Bank of Montreal mortgage payable with monthly payments of \$1,140, including interest at prime plus 0.75% per annum, maturing March 29, 2024; secured by a general security agreement over the First Nation assets.	604,824	626,516
CMHC mortgage payable with monthly payments of \$1,931, including interest at 2.52% per annum, maturing July 1, 2023; secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on six housing units.	52,676	74,331
	\$ 3,087,382	\$ 3,233,679

Principal repayment terms are approximately:

2022	\$ 2,467,506
2023	38,928
2024	580,948
	<u>\$ 3,087,382</u>

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FOR THE YEAR ENDED MARCH 31, 2021

9. TANGIBLE CAPITAL ASSETS

Cost	2020 Balance	Additions	Disposals	2021 Balance
Land	\$ -	\$ 7,000	\$ -	\$ 7,000
Water and waste water	8,119,602	-	-	8,119,602
Roads	883,752	-	-	883,752
Buildings	10,067,278	1,357,240	-	11,424,518
Machinery and equipment	671,131	72,002	-	743,133
Land improvements	880,332	108,946	-	989,278
Vehicles	497,526	-	-	497,526
Computer equipment	158,440	7,421	-	165,861
Social housing	601,020	-	-	601,020
	\$ 21,879,081	\$ 1,552,609	\$ -	\$ 23,431,690

Accumulated Amortization	2020 Balance	Amortization	Accumulated Amortization on Disposals	2021 Balance
Land	\$ -	\$ -	\$ -	\$ -
Water and waste water	2,529,289	127,339	-	2,656,628
Roads	543,101	22,094	-	565,195
Buildings	4,127,459	315,732	-	4,443,191
Machinery and equipment	574,797	39,457	-	614,254
Land improvements	475,727	48,001	-	523,728
Vehicles	497,402	124	-	497,526
Computer equipment	151,863	4,374	-	156,237
Social housing	317,478	21,656	-	339,134
	\$ 9,217,116	\$ 578,777	\$ -	\$ 9,795,893

Net book value	2021	2020
Land	\$ 7,000	\$ -
Water and waste water	5,462,974	5,590,313
Roads	318,557	340,651
Buildings	6,981,327	5,939,819
Machinery and equipment	128,879	96,334
Land improvements	465,550	404,605
Vehicles	-	124
Computer equipment	9,624	6,577
Social housing	261,886	283,542
	\$ 13,635,797	\$ 12,661,965

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FOR THE YEAR ENDED MARCH 31, 2021

10. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus, invested in tangible assets and reserve funds as follows:

	2021	2020
Surplus		
Unrestricted equity in funds	\$ 2,596,789	\$ 2,842,672
Restricted equity in portfolio investments	14,457,417	14,101,813
Surplus associated with tangible capital assets:		
Invested in tangible capital assets	13,635,797	12,661,965
Reserve funds set aside by statutory requirements:		
Replacement reserve fund (Note 11)	15,075	11,297
	\$ 30,705,078	\$ 29,617,747

Included in restricted equity in portfolio investments is \$3,000,000 of unspent funds related to the Trans Mountain relationship agreement.

11. REPLACEMENT RESERVE FUND

In accordance with the terms and conditions of the Operating Agreement with Canada Mortgage and Housing Corporation, Sumas First Nation Non-Profit Housing must set aside funds annually for the non-annual expenditures of the Program for the repair, maintenance and replacement of worn out assets.

These funds are to be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement Reserve Fund.

A continuity of the required funds is as follows:

	2021	2020
Replacement reserve fund:		
Opening balance	\$ 11,297	\$ 22,132
Contributions	7,833	7,833
Replacement reserve expenditures	(4,055)	(18,668)
Closing balance	\$ 15,075	\$ 11,297

As at March 31, 2021, the Replacement Reserve Fund was fully funded (2020 - fully funded).

12. BUDGET DATA

The budget data presented in these consolidated financial statements is based upon the 2020 operating and capital budgets. These budgets have been approved by Council. Amortization was not contemplated on development of the budget and, as such, has not been included.

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13. SETTLEMENT TRUST

The Upper Sumas IR6 Right-of-Way Settlement Trust (the "Trust") was established on May 2, 2016 by the First Nation to hold, protect, and nurture resources derived from the Upper Sumas IR 6 Settlement with the Government of Canada. The Trust has a year-end date of December 31.

The Settlement Trust received the settlement proceeds to be held for the benefit of the First Nation. The assets of the trust are restricted for specific purpose and can only be spent upon approval of the trustees.

The terms of the trust also included a one time payment to members of the First Nation who were over age 18 at time of settlement of the trust or when they turn 19 if they were a minor at time of trust settlement. Distributions from the trust were \$28,829 (2020 - \$47,750) based on these criteria.

Not included in these financial statements are additional settlement proceeds including interest of \$638,638 (2020 - \$663,419) held for future distributions to members of the First Nation who are minors. These proceeds will be recognized as revenue and distributions in the year the minors become entitled to the funds.

14. CONTINGENT LIABILITIES

The First Nation is contingently liable for guarantees it has placed for certain loans made by financial institutions to its members. The maximum loan amount available to individual members is \$250,000 while the minimum amount is \$25,000. The maximum amount guaranteed by the First Nation is \$3,000,000. As at March 31, 2021, \$1,737,317 of the facility had been drawn. Subsequent to year end, an additional \$743,743 was drawn on the facility.

The First Nation has also guaranteed the loans of certain Limited Partnerships and Corporations which it owns. As at March 31, 2021, the total loans being guaranteed have a current balance totaling \$2,238,246 (2020 - \$2,556,137). No amount has been accrued as Management considers them to be in good standing and therefore does not consider payment of the contingent liability to be likely.

15. ECONOMIC DEPENDENCE

The First Nation receives 57% (2020 - 61%) of its revenue pursuant to a funding arrangement with Indigenous Services Canada.

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

16. FINANCIAL INSTRUMENTS

The First Nation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the First Nation's risk exposure and concentration as of March 31, 2021.

Currency risk

Currency risk is the risk to the First Nation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The First Nation is exposed to foreign currency exchange risk on its investments held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk. There have been no change in the risk exposure from the prior year.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the First Nation manages exposure through its normal operating and financing activities. The First Nation is exposed to interest rate risk primarily through its floating interest rate on its credit facilities. There has been no change in the risk exposure from the prior year.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The First Nation is exposed to other price risk through its investment in quoted shares.

Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant other price risks arising from these financial instruments.

17. COVID RISK

The COVID-19 pandemic is causing significant financial and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. The First Nation continues to monitor and assess the impact COVID-19 will have on its business activities. The extent of the effect of the COVID-19 pandemic on the First Nation is uncertain at this time.

18. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. This has no impact on previously stated total financial assets, total financial liabilities, total non-financial assets, accumulated surplus and annual operating surplus.

19. SEGMENTED INFORMATION

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. The following table presents the expenses incurred and the revenue generated by each main object of expense and by major revenue type. The segment results for the period are as follows:

SUMAS FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

19. SEGMENTED INFORMATION (Continued)

	Education	Social Development	Health & Community Wellness	Community Services & Economic Activities	Governance & Natural Resources	Administration & General Government	Public Works & Village Maintenance	Lands Management	Housing	Economic Development	Federal Government Contracts	Other	2021 Total	2020 Total
REVENUE														
INAC	\$ 393,845	\$ 373,282	\$ 134,178			\$ 326,760	\$ 295,165	\$ 277,730		\$ 104,373		\$ 795,248	\$ 2,700,581	\$ 3,148,304
Federal government	\$ -		\$ 285,683	\$ 230,811					\$ -			\$ (862,849)	\$ (346,355)	\$ -
Federal government	\$ 393,845	\$ 373,282	\$ 419,861	\$ 230,811		\$ 326,760	\$ 295,165	\$ 277,730	\$ -	\$ 104,373	\$ -	\$ (67,601)	\$ 2,354,226	\$ 4,820,969
Other government sources	453,970	-	416,975	1,920,000	258,622	-	5,408	-	44,476	-	-	927,852	4,027,303	3,875,871
First Nation economic activities	46,193	-	-	1,207,994	750,358	27,120	48,609	391,799	-	(232,532)	-	714,770	2,954,311	1,884,910
Trust settlement proceeds	-	-	-	-	-	336,724	-	-	-	-	-	-	336,724	129,018
Federal government - contracts	-	-	-	-	-	-	-	-	-	-	4,749,283	-	4,749,283	6,000,906
	894,008	373,282	836,836	3,358,805	1,008,980	690,604	349,182	669,529	44,476	(128,159)	4,749,283	1,575,021	14,421,847	16,711,675
EXPENSES														
Operating expenses	344,687	292,152	697,132	1,273,225	852,255	441,852	118,580	424,378	55,208	146,500	4,452,298	-	9,098,266	9,575,629
Salaries, wages & benefits	441,385	32,054	304,251	98,713	299,351	754,812	186,645	192,321	-	-	-	-	2,309,533	1,832,395
Capital projects	-	-	-	-	-	-	-	-	-	-	-	2,351,980	2,351,980	1,791,010
Amortization of tangible capital assets	-	-	-	-	-	578,777	-	-	-	-	-	-	578,777	513,953
Expenses capitalized	7,421	-	-	-	-	-	-	-	-	-	-	(1,560,030)	(1,552,609)	(2,308,146)
	793,493	324,206	1,001,384	1,371,938	1,151,605	1,775,440	305,225	616,699	55,208	146,500	4,452,298	791,951	12,785,947	11,404,842
ANNUAL SURPLUS (DEFICIT)	\$ 100,515	\$ 49,076	\$ (164,548)	\$ 1,986,868	\$ (142,626)	\$ (1,084,837)	\$ 43,957	\$ 52,830	\$ (10,731)	\$ (274,659)	\$ 296,985	\$ 783,071	\$ 1,635,900	\$ 5,306,833