

LOWER SIMILKAMEEN INDIAN BAND
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2020

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CONSOLIDATED FINANCIAL STATEMENTS

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LOWER SIMILKAMEEN INDIAN BAND

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2020

The accompanying consolidated financial statements of Lower Similkameen Indian Band and all the information in this annual report for the year ended March 31, 2020 are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgement. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Lower Similkameen Indian Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the assets are appropriately accounted for and adequately safeguarded.

The Lower Similkameen Indian Band Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.


The Council reviews the financial statements and recommends their approval. The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report.

The consolidated financial statements have been audited by Reid Hurst Nagy Inc. in accordance with Canadian generally accepted auditing standards on behalf of their members. Reid Hurst Nagy Inc. has full access to Chief and Council. Reid Hurst Nagy Inc. have full and free access to the Council and books and records for information purposes.



Chief

Dec 17, 2020
Date



Councillor

Dec 18, 2020
Date

Independent Auditors' Report

To the Members of
Lower Similkameen Indian Band

Opinion

We have audited the consolidated financial statements of Lower Similkameen Indian Band, which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated consolidated statements of operations and accumulated surplus, change in net financial assets 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, 2020, and the results of its consolidated operations, its changes in its consolidated net debt, and its consolidated cash flows for the year then ended in accordance with PSAB.

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

- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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.



REID HURST NAGY INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

KELOWNA, B.C.
DECEMBER 18, 2020

LOWER SIMILKAMEEN INDIAN BAND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 4,881,090	\$ 3,959,803
Restricted cash (Note 2)	1,070,787	722,562
Accounts receivable (Note 3)	1,286,310	767,305
Loans receivable	10,574	10,103
Rents receivables	94,972	121,539
Temporary investments (Note 4)	1,511,567	1,581,692
Long-term investments (Note 5)	3,015,791	3,024,531
	11,871,091	10,187,535
LIABILITIES		
Accounts payable (Note 10)	865,861	841,292
Deferred revenue (Note 11)	1,111,474	1,348,618
Due to related parties	201,093	453
Long-term debt (Note 12)	5,663,181	5,936,828
Replacement Reserve Fund (Note 13)	343,955	362,705
	8,185,564	8,489,896
NET FINANCIAL ASSETS	3,685,527	1,697,639
NON-FINANCIAL ASSETS		
Prepaid expenses	50,870	56,821
Tangible capital assets (Note 9)	14,404,220	13,831,926
	14,455,090	13,888,747
ACCUMULATED SURPLUS	\$ 18,140,617	\$ 15,586,386

APPROVED ON BEHALF OF THE LOWER SIMILKAMEEN INDIAN BAND

 , Chief

 , Band Administrator

LOWER SIMILKAMEEN INDIAN BAND

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended March 31	2020 Budget	2020 Actual	2019
ANNUAL SURPLUS	\$ (896,114)	\$ 2,554,231	\$ 2,823,356
Acquisition of tangible capital assets	(572,293)	(991,588)	(1,539,913)
Amortization of tangible capital assets	-	419,294	344,465
	-	(572,294)	(1,195,448)
Acquisition of prepaid asset	5,951	(50,870)	(56,821)
Use of prepaid asset	-	56,821	80,657
	5,951	5,951	23,836
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(890,163)	1,987,888	1,651,744
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	-	1,697,639	45,895
NET FINANCIAL ASSETS AT END OF YEAR	\$ -	\$ 3,685,527	\$ 1,697,639

LOWER SIMILKAMEEN INDIAN BAND

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31	2020 Budget	2020 Actual	2019 Actual
REVENUE			
Indigenous Services Canada	\$ 2,380,112	\$ 3,459,580	\$ 3,501,826
Canada Mortgage and Housing Corporation	117,522	115,364	211,182
Environment Canada	366,322	345,500	363,999
First Nations Education Steering Committee	54,041	104,321	73,886
First Nations Health Authority	1,215,322	1,386,066	1,174,176
Forestry	-	561,923	371,369
Interest	18,000	137,166	86,994
Property tax assessed	272,025	272,025	266,790
Province of British Columbia	386,592	1,355,437	845,647
Referrals	85,000	295,283	208,792
Rental	270,748	307,558	278,928
Other	705,977	1,274,676	2,094,696
Deferred revenue - current	-	(1,111,474)	(1,348,618)
Deferred revenue - prior	-	1,348,618	1,851,491
	5,871,661	9,852,043	9,981,158
EXPENSES			
Administration	1,126,968	1,146,412	1,377,482
Health	1,482,572	1,325,464	1,093,116
Social Development	603,122	562,093	574,374
Education	1,355,434	1,472,524	1,289,440
Lands and Resources	950,901	992,926	772,366
Capital	-	286,790	935,592
Public Works	752,989	699,251	446,393
Chief and Council	199,869	227,353	193,858
Social Housing	295,919	282,234	205,132
Capital Fund	-	282,020	248,053
Enterprise Funds	-	20,745	21,989
	6,767,774	7,297,812	7,157,795
ANNUAL SURPLUS	(896,114)	2,554,231	2,823,356
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	-	15,586,386	12,763,030
ACCUMULATED SURPLUS AT END OF YEAR	\$ (896,114)	\$ 18,140,617	\$ 15,586,386

LOWER SIMILKAMEEN INDIAN BAND

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2020	2020	2019
OPERATING ACTIVITIES		
ANNUAL SURPLUS	\$ 2,554,231	\$ 2,823,356
Amortization of tangible capital assets	419,294	344,465
Share of income (loss) of First Nation Controlled entities	8,740	(570,335)
	2,982,265	2,597,486
Change in non-cash operating net assets	(447,518)	921,805
	2,534,747	3,519,291
FINANCING ACTIVITIES		
Repayment of long-term debt	(273,647)	(272,311)
Proceeds from long-term debt	-	762,941
	(273,647)	490,630
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(991,588)	(1,539,913)
INCREASE IN CASH AND CASH EQUIVALENTS	1,269,512	2,470,008
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,682,365	2,212,357
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,951,877	\$ 4,682,365
CASH AND CASH EQUIVALENTS ARE REPRESENTED BY:		
Cash and cash equivalents	\$ 4,881,090	\$ 3,959,803
Restricted cash	1,070,787	722,562
	\$ 5,951,877	\$ 4,682,365

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of CPA Canada.

(a) Reporting Entity

The Lower Similkameen Indian Band reporting entity includes the Lower Similkameen Indian Band government and all related entities that are controlled by the First Nation.

(b) Fund Accounting

The Lower Similkameen Indian Band maintains the following funds and reserves as part of its operations:

- The Operating Fund which reports the general activities of the First Nation administration.
- The Capital Fund which reports the capital assets of the First Nation not included in other funds, together with their related activities.
- The Trust Fund which reports on the trust funds of the First Nation and held by third parties.
- The Social Housing Fund which reports on the social housing assets of the First Nation together with their related activities.
- The Enterprise Fund which reports the First Nation's investment in self-supporting commercial entities.

(c) Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the Consolidated Statements on a modified equity basis. Inter-organizational balances are eliminated on consolidation.

Under the modified equity method of accounting, only Lower Similkameen Indian Band's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Lower Similkameen Indian Band.

Organizations consolidated in Lower Similkameen Indian Band's financial statements include:

1. Lower Similkameen Indian Band Operating Fund
2. Similkameen Chopaka Social Housing Society (Social Housing Fund)
3. Lower Similkameen Indian Band Capital Fund
4. Lower Similkameen Indian Band Trust Fund
5. Lower Similkameen Indian Band Enterprise Fund
6. Lower Similkameen Development Corporation

Organizations accounted for on a modified equity basis include:

7. 0783309 B.C. Ltd.
8. Lower Similkameen Community Forests Ltd.
9. Lower Similkameen Community Forests Limited Partnership
10. Smelqmix Investments Ltd
11. Smelqmix Investments Limited Partnership
12. Skulqalt Forestry Ltd.

(d) Segments

The First Nation conducts its business through reportable segments. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives, aid in resource allocation decisions, and to assess operational performance. For each reported segment, revenues and expenses represent both amounts that are directly attributed to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

(f) Asset classification

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

(g) Budget

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Council.

(h) Internal charges and transfers

The central administration office provides services to other program areas. To recognize the cost of these services a corresponding revenue and expense is recorded and referred to as "Administration fees."

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

(i) Financial Instruments

(i) Measurement of Financial instruments

The First Nation initially measures its financial assets and liabilities at fair value.

The First Nation subsequently measures all its financial assets and financial liabilities at cost or amortized cost. Changes in fair value are not recognized in the statement of operations in the period incurred in accordance with PSAS.

Financial assets measured at amortized cost include cash, accounts receivables, funds held in trust.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The First Nation has not designated any financial asset or financial liability to be measured at fair value.

(ii) Impairment

For financial assets measured at cost or amortized cost, the First Nation Corporation determines whether there are indications of possible impairment. When there is an indication of impairment, and the First Nation determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

(j) Use of Estimates

In preparing the consolidated financial statements for the First Nation, management is required 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 period. Items requiring the use of significant estimates include collectability of accounts receivable, useful life of tangible assets and accounts payable and accruals. Actual results could differ from these estimates.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

(l) Temporary Investments

Temporary investments consist of term deposits or GICs with maturity of dates of greater than three months. Investments are reported at cost plus accrued interest.

(m) Loans Receivable

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectable.

(n) Long-term Debt

Proceeds from long-term debt are recorded as program revenue. Payments of principal and interest are treated as program expenditures. Long-term debt is recorded as a liability on the balance sheet. Reductions of long-term debt are offset with an increase to Equity in Tangible Capital Assets.

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

(o) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Lower Similkameen Indian Band's incremental cost of borrowing.

Amortization is provided for on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	20 years Straight line
Buildings	20 to 75 years Straight line
Road	70 to 100 years Straight line
Campground	20 years Straight line
Computer equipment	3 years Straight line
Equipment	5 years Straight line
Automotive equipment	5 years Straight line
Infrastructure	30 to 85 years Straight line

Tangible capital assets are written down when conditions indicate that they no longer contribute to Lower Similkameen Indian Band's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

(p) Replacement Reserve

The Replacement Reserve is funded by an annual charge against earnings as opposed to an appropriation of surplus.

(q) Surplus Recoveries and Deficit Funding

Under the terms of funding arrangements, remaining surpluses of certain programs may be recovered by the funding agency, and remaining deficits may be funded by the funding agency.

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

2. RESTRICTED CASH

Replacement Reserve Fund:

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage & Housing Corporation, the Housing Program 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 with any interest earned to be credited as revenue to the Replacement Reserve Fund.

Operating Reserve Fund:

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage & Housing Corporation, the Program is to set aside any surplus revenue to an operating reserve for the purpose of meeting future requirements of income listed occupants over and above the maximum federal assistance. The Fund may be replenished to its original limit from subsequent operating surpluses.

Ottawa Trust Funds:

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

	2020	2019
Replacement Reserve Fund - restricted cash	\$ 368,259	\$ 344,266
Operating Reserve Fund - restricted cash	271,294	234,429
Ottawa Trust Funds - restricted cash	316,246	143,867
Firehall Reserve Fund - restricted cash	29,088	-
Capital Reserve Fund - restricted cash	85,900	-
	\$ 1,070,787	\$ 722,562

3. ACCOUNTS RECEIVABLE

	2020	2019
Accounts receivable - general	\$ 746,373	\$ 851,538
Indigenous Services Canada	727,121	71,500
Member loans	55,064	58,064
	1,528,558	981,102
Allowance for doubtful accounts	(242,248)	(213,796)
	\$ 1,286,310	\$ 767,305

4. TEMPORARY INVESTMENT

The temporary investments are GIC's which mature on October 20, 2020 at 1.0% interest rate.

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

5. LONG-TERM INVESTMENTS

	2020	2019
Investments not subject to control		
Shares in All Nations Trust Company - held at cost	\$ 41,852	\$ 41,852
Investment in BC First Nations Gaming Revenue Sharing General Partner Inc.	10	-
Investment in BC First Nations Gaming Revenue Sharing Limited Partnership	100	-
	41,962	41,852
Investments subject to control		
Investment in Lower Similkameen Community Forests Limited Partnership	938,359	32,171
Investment in Lower Similkameen Community Forests Limited	(11,431)	837,015
	926,928	869,186
Investment in 0783309 B.C. Ltd.		
Share capital	1	1
Accumulated earnings (deficit)	(316)	(316)
	(315)	(315)
Investment in Smelqmix Investment Limited Partnership		
Accumulated earnings (deficit)	2,053,766	2,119,883
	2,053,766	2,119,883
Investment in Smelqmix Investment Ltd.		
Share capital	1	1
Accumulated earnings (deficit)	(3,550)	(3,543)
	(3,549)	(3,542)
Investment in Skulqalt Forestry Ltd.		
Share capital	1	1
Accumulated earnings (deficit)	(913)	(915)
	(912)	(914)
Investment in 1161649 B.C. Ltd.		
	(2,089)	(1,619)
	\$ 3,015,791	\$ 3,024,531

6. ECONOMIC DEPENDENCE

Lower Similkameen Indian Band receives a significant portion of its revenue pursuant to an agreement referred to as "The Comprehensive Funding Arrangement". This agreement has been entered into by the First Nation and Indigenous Services Canada. It is expected that the agreement will be renewed on an annual basis.

The First Nation also receives major funding pursuant to an arrangement with the First Nations Health Authority and under which certain surpluses and deficits may be offset, but with the net balance repayable or refundable as the case may be.

7. LEASES

The nature of Lower Similkameen Indian Band's activities can result in some multi-year leases whereby it will be obligated to make future payments. Lease payments required under contract over the next 2 years are as follows: (2021 \$50,536, 2022 \$37,911).

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

8. GOVERNMENT BUSINESSES

Commercial enterprises are those organizations that meet the definition of government business enterprises as described by the Public Sector Accounting Board of CPA Canada. Government business enterprises have the power to contract in their own name, have the financial and operating authority to carry on a business, sell goods and services to customers outside the First Nation government as their principal activity, and that can, in the normal course of their operations, maintain operations and meet liabilities from revenues received from outside the First Nation government.

Following is the condensed financial results for the First Nation controlled entities as noted below.

	0783309 B.C. Ltd	Smelqmix Investments Limited Partnership	Smelqmix Investments Ltd.	Skulqalt Forestry Ltd.	Lower Similkameen Community Forests Limited Partnership	Lower Similkameen Community Forests Ltd.
Cash	\$ -	\$ 298,004	\$ -	\$ -	\$ 1,068,366	\$ -
Accounts receivable	-	-	-	-	183,125	-
Other assets	-	1,782,914	-	288	174,398	80
Total assets	\$ -	\$ 2,080,918	\$ -	\$ 288	\$ 1,425,889	\$ 80
Accounts payable	\$ -	\$ 24,910	\$ -	\$ -	\$ 142,460	\$ 1,500
Other liabilities	315	3,251	3,549	1,199	357,645	12,575
Total liabilities	315	28,161	3,549	1,199	500,105	14,075
Equity	(315)	2,052,757	(3,549)	(911)	925,784	(13,995)
Total liabilities and equity	\$ -	\$ 2,080,918	\$ -	\$ 288	\$ 1,425,889	\$ 80

	0783309 B.C. Ltd	Smelqmix Investments Limited Partnership	Smelqmix Investments Ltd.	Skulqalt Forestry Ltd.	Lower Similkameen Community Forests Limited Partnership	Lower Similkameen Community Forests Ltd.
Revenue						
Income	\$ -	\$ -	\$ -	\$ -	\$ 1,027,184	\$ -
Interest	-	6,862	-	-	-	-
Income (loss) from partnership	-	22,480	(7)	2	-	54
Revenue	-	29,342	(7)	2	1,027,184	54
Expenses	-	95,466	-	-	969,250	1,336
Net income (loss)	\$ -	\$ (66,124)	\$ (7)	\$ 2	\$ 57,934	\$ (1,282)

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

9. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated amortization				
	Balance, beginning of year	Additions	Disposals and adjustments	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	2020 net book value
Land	\$ 161,475	\$ -	\$ -	\$ 161,475	\$ -	\$ -	\$ -	\$ -	\$ 161,475
Automotive equipment	398,716	48,501	(41,804)	405,413	227,147	54,491	(41,804)	239,834	165,579
Computer equipment	113,705	-	-	113,705	98,166	12,430	-	110,596	3,109
Campground	165,109	-	-	165,109	165,109	-	-	165,109	-
Equipment	582,033	-	-	582,033	441,516	37,749	-	479,265	102,768
Leasehold improvements	60,539	-	-	60,539	46,044	2,019	-	48,063	12,476
Roads	957,617	-	-	957,617	542,253	12,656	-	554,909	402,708
Buildings	14,444,120	-	(236,073)	14,208,047	4,750,204	290,165	(236,073)	4,804,296	9,403,751
Infrastructure	3,559,570	822,824	-	4,382,394	340,519	9,784	-	350,303	4,032,091
Assets under construction	-	120,263	-	120,263	-	-	-	-	120,263
	\$ 20,442,884	\$ 991,588	\$ (277,877)	\$ 21,156,595	\$ 6,610,958	\$ 419,294	\$ (277,877)	\$ 6,752,375	\$ 14,404,220

	Cost				Accumulated amortization				
	Balance, beginning of year	Additions	Disposals and adjustments	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	2019 Net book value
Land	\$ 161,475	\$ -	\$ -	\$ 161,475	\$ -	\$ -	\$ -	\$ -	\$ 161,475
Automotive equipment	340,272	58,444	-	398,716	266,840	34,999	(74,692)	227,147	171,569
Computer equipment	106,451	7,254	-	113,705	94,437	3,729	-	98,166	15,539
Campground	165,109	-	-	165,109	165,109	-	-	165,109	-
Equipment	548,468	33,565	-	582,033	422,641	18,875	-	441,516	140,517
Leasehold improvements	60,539	-	-	60,539	43,017	3,027	-	46,044	14,495
Roads	957,617	-	-	957,617	529,597	12,656	-	542,253	415,364
Buildings	14,544,877	14,665	(115,422)	14,444,120	4,529,539	261,395	(40,730)	4,750,204	9,693,916
Infrastructure	2,133,585	1,425,985	-	3,559,570	330,735	9,784	-	340,519	3,219,051
	\$ 19,018,393	\$ 1,539,913	\$ (115,422)	\$ 20,442,884	\$ 6,381,915	\$ 344,465	\$ (115,422)	\$ 6,610,958	\$ 13,831,926

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

10. ACCOUNTS PAYABLE

	2020	2019
Trade payables	\$ 723,785	\$ 526,902
Indigenous Services Canada	-	15,189
School district	-	169,715
Payroll payable	82,468	72,548
Vacation pay payable	59,608	56,938
	\$ 865,861	\$ 841,292

11. DEFERRED REVENUE

	March 31, 2019	Funding received, 2020	Revenue recognized, 2020	March 31, 2020
Federal government				
Indigenous Services Canada - NTG7	\$ 1,162,757	\$ 339,932	\$ (1,162,756)	\$ 339,933
Indigenous Services Canada - NTKC	118,161	92,130	(118,161)	92,130
First Nations Health Authority	67,700	-	(67,700)	-
Indigenous Services Canada - Q37L-002	-	438,876	(85,013)	353,863
BC First Nations Gaming Revenue	-	361,842	(36,294)	325,548
	\$ 1,348,618	\$ 1,232,780	\$ (1,469,924)	\$ 1,111,474

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

12. LONG-TERM DEBT

	2020	2019
Bank of Montreal construction loan payable on demand. Interest calculated at prime plus 0.50% per annum. Secured by a general charge against operations.	\$ 33,953	\$ 36,237
Bank of Montreal construction loan payable on demand. Interest calculated at 4.24% per annum. Secured by a general charge against operations.	3,223,884	3,332,603
Bank of Montreal construction loan payable on demand. Scheduled monthly payments of \$3,005 with interest at 4.24% per annum. Secured by a general charge against operations.	511,264	527,550
Bank of Montreal loan payable, payment of \$401 per month including interest at prime plus 0.50%. Secured by a general charge against operations.	42,580	45,443
Bank of Montreal loan payable, payment of \$320 per month including interest at prime plus 0.50%. Secured by a general charge against operations.	39,048	41,612
All Nations Trust Company loan, payment of \$541 per month including interest at 5.24% per annum, with no set maturity date, secured by a Ministerial Loan Guarantee from Indigenous Services Canada.	42,178	46,678
All Nations Trust Company loan, repaid in full during the year.	-	1,830
All Nations Trust Company loan, payment of \$1,911 per month including interest at 2.39% per annum, maturing January 1, 2023, secured by a Ministerial Loan Guarantee from Indigenous Services Canada.	62,772	83,930
All Nations Trust Company loan, payment of \$2,483 per month including interest at 1.73% per annum, maturing December 1, 2024, secured by a Ministerial Loan Guarantee from Indigenous Services Canada.	135,813	163,461
All Nations Trust Company loan, payment of \$1,869 per month including interest at 1.97% per annum, maturing November 1, 2022, secured by a Ministerial Loan Guarantee from Indigenous Services Canada.	58,232	79,293
All Nations Trust Company loan, payment of \$4,388 per month including interest at 1.31% per annum, maturing December 1, 2036, secured by a Ministerial Loan Guarantee from Indigenous Services Canada.	791,825	833,818
All Nations Trust Company loan, payment of \$3,413 per month including interest at 2.49% per annum, maturing May 1, 2043, secured by a Ministerial Loan Guarantee from Indigenous Services Canada.	721,632	744,373
	\$ 5,663,181	\$ 5,936,828

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

12. LONG-TERM DEBT, continued

Principal portion of long-term debt due within the next five years:

2021	\$	138,975
2022		141,197
2023		124,303
2024		98,899
2025 and thereafter		5,159,807

\$ 5,663,181

13. REPLACEMENT RESERVE FUND

The Replacement Reserve is established in accordance with the Operating Agreements with CMHC for on-reserve housing. Funds are required to be set aside annually and held for future replacements of capital items related to the homes.

	2020	2019
Balance, beginning of year	\$ 362,705	\$ 334,036
Interest	6,052	4,937
Expenditures	(3,665)	(11,437)
Appropriations from the Operating Fund	32,534	35,169
Transfer of matured unit equity	(53,671)	-
	\$ 343,955	\$ 362,705

14. ACCUMULATED SURPLUS

	2020	2019
Unrestricted		
Operating Fund	\$ 5,964,076	\$ 4,448,802
Capital Fund	9,116,918	8,200,086
Enterprise Funds	2,876,902	2,906,334
	17,957,896	15,555,222
Restricted		
Social Housing Fund	(133,526)	(112,704)
Trust Funds	316,247	143,868
	182,721	31,164
	\$ 18,140,617	\$ 15,586,386

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

15. SEGMENTED INFORMATION

As previously discussed in note 1 (d) the First Nation conducts its business through reportable segments as follows:

The Band Programs department is responsible for administering projects the First Nation is involved in annually and on an on-going basis relating to the overall objectives of the First Nation and the development of stable, legitimate and accountable community governments. It also provides overall support of the First Nation including advisory services relating to financial management, band government, economic development, community services and technical services.

The Health department oversees the delivery of health programs and initiatives for the betterment of the lives of the members of the First Nation.

Social Development provides assistance to community members unable to provide for themselves and their dependents. The services provided by this department include, but are not limited to, income assistance, child and family services, assisted living and early childhood development.

Education supports the members in expressing, preserving, developing and promoting its cultural heritage through the establishment and operation of First Nation education centres and programs, it also provides services for students at the elementary/secondary and post secondary level, including; instructional services both on and off reserve as well as support services such as transportation, accommodation, guidance and counselling.

Economic Development supports the development of employment opportunities for members of the First Nation.

The Lands and Resources includes exploration of natural resources, development of natural resource revenues and the management of all reserve lands.

The Public Works department manages the infrastructure and servicing requirements such as water, sewage, roads and member facilities for the Band.

Capital Projects manages capital projects within the community undertaken to support the growth and/or maintenance of the First Nation's infrastructure.

Social Housing is responsible for the administration and management of Social Housing units.

Other operations include Capital Fund, Trust Fund and Enterprise Fund transactions.

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.

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

15. SEGMENTED INFORMATION, continued

	Administration Programs			Health Programs			Social Development		
	2020 Budget	2020 Actual	2019 Actual	2020 Budget	2020 Actual	2019 Actual	2020 Budget	2020 Actual	2019 Actual
Revenues									
Indigenous Services Canada	\$ 345,771	\$ 641,067	\$ 346,771	\$ 40,000	\$ 110,500	\$ 110,500	\$ 584,727	\$ 608,183	\$ 580,891
First Nations Health Authority	-	-	3,000	1,162,343	1,324,109	1,094,143	-	-	-
Property tax assessed	272,025	272,025	266,790	-	-	-	-	-	-
Province of British Columbia	-	-	-	280,005	349,216	310,005	-	-	-
Other revenue	294,988	229,240	607,455	102,664	193,545	200,912	-	5,457	2,487
Total revenue	912,784	1,142,332	1,224,016	1,585,012	1,977,370	1,715,560	584,727	613,640	583,378
Expenses									
Insurance	13,601	27,599	12,304	20,300	10,500	13,677	-	-	-
Materials and supplies	45,900	80,203	318,765	20,158	25,930	20,146	800	229	487
Professional fees	67,500	102,369	27,751	20,000	20,000	20,000	-	-	-
Repairs and maintenance	3,200	1,913	1,723	18,600	8,321	11,685	-	-	-
Travel	10,900	7,483	10,077	42,773	72,390	37,596	6,000	4,647	5,538
Wages and benefits	533,555	463,826	412,311	730,832	704,745	604,478	117,192	120,470	113,471
Other expenses	452,312	463,019	594,559	629,909	483,578	385,532	479,130	436,747	454,877
Total expenses	1,126,968	1,146,412	1,377,490	1,482,572	1,325,464	1,093,114	603,122	562,093	574,373
Annual surplus (deficit)	\$ (214,184)	\$ (4,080)	\$ (153,471)	\$ 102,440	\$ 651,906	\$ 622,444	\$ (18,395)	\$ 51,547	\$ 9,004

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

15. SEGMENTED INFORMATION, continued

	Education Programs			Lands and Resources Programs			Capital Programs		
	2020 Budget	2020 Actual	2019 Actual	2020 Budget	2020 Actual	2019 Actual	2020 Budget	2020 Actual	2019 Actual
Revenues									
Indigenous Services Canada	\$ 1,213,833	\$ 1,312,577	\$ 1,084,339	\$ 37,110	\$ 47,478	\$ 45,460	-	\$ 529,433	\$ 1,170,040
Canada Mortgage and Housing Corporation	-	-	-	-	-	-	-	-	71,418
First Nations Health Authority	-	-	-	-	-	-	-	5,738	21,916
Province of British Columbia	106,587	312,421	87,393	-	7,500	20,000	-	-	-
Other revenue	54,041	130,076	154,082	695,147	945,404	1,089,745	-	628,766	624,831
Total revenue	1,374,461	1,755,074	1,325,814	732,257	1,000,382	1,155,205	-	1,163,937	1,888,205
Expenses									
Insurance	6,504	7,575	3,755	1,800	1,270	1,066	-	-	-
Loan payments	-	-	-	-	-	-	-	161,550	107,154
Materials and supplies	27,040	42,429	34,737	15,362	10,149	7,948	-	7,194	274
Professional fees	-	-	-	40,500	8,542	10,988	-	107,609	270,716
Repairs and maintenance	15,435	5,465	1,773	-	286	-	-	-	-
Travel	6,000	13,966	17,262	24,400	23,807	17,561	-	-	-
Wages and benefits	453,319	552,029	452,523	328,854	230,012	281,753	-	-	-
Other expenses	847,136	851,060	779,389	539,985	718,860	453,050	-	10,437	557,450
Total expenses	1,355,434	1,472,524	1,289,439	950,901	992,926	772,366	-	286,790	935,594
Annual surplus (deficit)	\$ 19,027	\$ 282,550	\$ 36,375	\$(218,644)	\$ 7,456	\$ 382,839	-	\$ 877,147	\$ 952,612

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

15. SEGMENTED INFORMATION, continued

	Public Works Programs			Chief and Council Programs			Social Housing		
	2020 Budget	2020 Actual	2019 Actual	2020 Budget	2020 Actual	2019 Actual	2020 Budget	2020 Actual	2019 Actual
Revenues									
Indigenous Services Canada	\$ 158,671	\$ 210,342	\$ 163,825	-	-	-	-	-	-
Canada Mortgage and Housing Corporation	-	-	23,564	-	-	-	117,522	115,364	116,200
First Nations Health Authority	52,979	56,219	55,117	-	-	-	-	-	-
Forestry	-	-	-	-	561,923	371,369	-	-	-
Province of British Columbia	-	-	-	-	686,300	428,249	-	-	-
Rental	92,260	144,054	94,714	-	-	-	178,488	163,504	179,114
Other revenue	75,000	122,049	36,492	7,500	(55,139)	35,308	-	31,000	5,131
Total revenue	378,910	532,664	373,712	7,500	1,193,084	834,926	296,010	309,868	300,445
Expenses									
Amortization	-	-	-	-	-	-	-	136,429	93,816
Insurance	22,635	68,241	(137,307)	-	-	-	16,451	19,057	18,828
Materials and supplies	15,450	16,666	25,113	3,000	7,192	1,295	-	-	-
Professional fees	-	-	-	15,000	5,792	1,667	8,696	7,771	7,770
Repairs and maintenance	39,450	37,762	14,912	-	-	-	26,000	42,200	(215)
Travel	3,650	10,864	8,259	15,000	21,407	19,872	-	-	-
Wages and benefits	263,642	246,358	246,918	64,584	68,267	66,141	-	-	-
Other expenses	408,162	319,360	288,499	102,285	124,695	104,884	244,773	76,777	84,933
Total expenses	752,989	699,251	446,394	199,869	227,353	193,859	295,920	282,234	205,132
Annual surplus (deficit)	\$ (374,079)	\$ (166,587)	\$ (72,682)	\$ (192,369)	\$ 965,731	\$ 641,067	\$ 90	\$ 27,634	\$ 95,313

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

15. SEGMENTED INFORMATION, continued

	2020 Budget	Capital Fund 2020 Actual	2019 Actual	2020 Budget	Trust Funds 2020 Actual	2019 Actual	2020 Budget	Enterprise Funds 2020 Actual	2019 Actual
Revenues									
Rental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,100
Other revenue	-	-	-	-	172,379	4,374	-	(8,687)	570,423
Total revenue	-	-	-	-	172,379	4,374	-	(8,687)	575,523
Expenses									
Amortization	-	282,020	248,053	-	-	-	-	844	2,598
Insurance	-	-	-	-	-	-	-	1,851	1,915
Professional fees	-	-	-	-	-	-	-	2,740	2,610
Repairs and maintenance	-	-	-	-	-	-	-	2,450	3,766
Other expenses	-	-	-	-	-	-	-	12,860	11,100
Total expenses	-	282,020	248,053	-	-	-	-	20,745	21,989
Other	-	(282,020)	(248,053)	-	172,379	4,374	-	(29,432)	553,534
Annual surplus (deficit)	\$ -	\$ (282,020)	\$ (248,053)	\$ -	\$ 172,379	\$ 4,374	\$ -	\$ (29,432)	\$ 553,534

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

15. SEGMENTED INFORMATION, continued

	2020 Budget	Consolidated totals 2020 Actual	2019 Actual
Revenues			
Indigenous Services Canada	\$ 2,380,112	\$ 3,459,580	\$ 3,501,826
Canada Mortgage and Housing Corporation	117,522	115,364	211,182
First Nations Health Authority	1,215,322	1,386,066	1,174,176
Forestry	-	561,923	371,369
Property tax assessed	272,025	272,025	266,790
Province of British Columbia	386,592	1,355,437	845,647
Rental	270,748	307,558	278,928
Other revenue	1,229,340	2,394,090	3,331,240
Total revenue	5,871,661	9,852,043	9,981,158
Expenses			
Amortization	-	419,293	344,467
Insurance	81,291	136,093	(85,762)
Loan payments	-	161,550	107,154
Materials and supplies	127,710	189,992	408,765
Professional fees	151,696	254,823	341,502
Repairs and maintenance	102,685	98,397	33,644
Travel	108,723	154,564	116,165
Wages and benefits	2,491,978	2,385,707	2,177,595
Other expenses	3,703,692	3,497,393	3,714,273
Total expenses	6,767,775	7,297,812	7,157,803
Annual surplus (deficit)	\$ (896,114)	\$ 2,554,231	\$ 2,823,356

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

16. CONTINGENT LIABILITIES

a) Indigenous Services Canada

Under the terms of the contribution agreements with Indigenous Services Canada and other governmental departments, certain surpluses may be repayable to the government and certain deficits may be reimbursable to the First Nation.

b) Loan Guarantee

A Government of Canada Ministerial Guarantee has been obtained for loans to certain band members. If these loans default, the Minister may recover the outstanding amounts from the First Nation. The First Nation has guaranteed loans totaling \$302,756 to update.

17. 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 Band 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 Band 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 Band 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 of March 31, 2020 the band does not recognize any liability for contaminated sites.

18. PRIOR PERIOD RESTATEMENT

In previous years, the Housing Program reported the Replacement Reserve Fund as equity and reported the depreciation on CMHC housing assets equal to the principal reduction of the housing debt. In the current year, the Housing Program has retroactively reported the Replacement Reserve Fund as a liability and has recalculated the accumulated amortization on the CMHC housing assets based on the accounting policy on Note 1(o).

As a result of the changes, the financial statements have been restated as follows:

For the year ended March 31	As previously stated in 2019	Adjustments Increase (Decrease)	Restated 2020
Consolidated Statement of Financial Position			
Liabilities			
Replacement Reserve Fund	\$ -	\$ 362,705	\$ 362,705
Non-financial assets			
Tangible capital assets	14,647,481	(815,555)	13,831,926
Consolidated Statement of Operations			
Opening accumulated surplus	13,957,309	(1,194,279)	12,763,030
Annual surplus	2,807,336	16,023	2,823,359
Ending accumulated surplus	16,764,645	(1,178,256)	15,586,389
Consolidated Statement of Change in Net Financial Assets			
Net financial assets at beginning of year	\$ 379,924	\$ (334,029)	\$ 45,895

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

19. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential effects on Lower Similkameen Indian Band due to the possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on Lower Similkameen Indian Band's operations.

The extent of the impact of this outbreak and related containment measures on Lower Similkameen Indian Band's operations cannot be reliably estimated at this time.

20. COMPARATIVE AMOUNTS

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period.