

LOWER SIMILKAMEEN INDIAN BAND
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021

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CONSOLIDATED FINANCIAL STATEMENTS

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LOWER SIMILKAMEEN INDIAN BAND

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2021

The accompanying consolidated financial statements of Lower Similkameen Indian Band and all the information in this annual report for the year ended March 31, 2021 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



Councillor

April 21, 2022

Date

April 21, 2022

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, 2021, 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, 2021, 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 Public Sector Accounting Standards ("PSAS").

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 PSAS, 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.
APRIL 21, 2022

LOWER SIMILKAMEEN INDIAN BAND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<u>As at March 31</u>	<u>2021</u>	<u>2020</u>
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 7,290,468	\$ 4,881,090
Restricted cash (Note 2)	1,102,399	1,070,787
Accounts receivable (Note 3)	2,159,256	1,286,310
Loans receivable	6,824	10,574
Rents receivables	79,904	94,972
Temporary investments (Note 4)	1,526,608	1,511,567
Long-term investments (Note 5)	2,947,828	3,015,791
	<hr/> 15,113,287	<hr/> 11,871,091
LIABILITIES		
Accounts payable (Note 10)	584,512	865,861
Deferred revenue (Note 11)	3,017,875	1,111,474
Due to related parties	105,830	201,093
Long-term debt (Note 12)	5,380,095	5,663,181
Replacement Reserve Fund (Note 13))	366,071	343,955
	<hr/> 9,454,383	<hr/> 8,185,564
NET FINANCIAL ASSETS	5,658,904	3,685,527
NON-FINANCIAL ASSETS		
Prepaid expenses	67,878	50,870
Tangible capital assets (Note 9))	15,406,395	14,404,220
	<hr/> 15,474,273	<hr/> 14,455,090
ACCUMULATED SURPLUS (Note 14)	\$ 21,133,177	\$ 18,140,617

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	2021 Budget	2021 Actual	2020
ANNUAL SURPLUS	\$ 1,211,551	\$ 2,992,560	\$ 2,554,231
Acquisition of tangible capital assets	-	-	14,647,482
Acquisition of prepaid asset	(17,008)	(67,878)	(50,870)
Use of prepaid asset	-	50,870	56,821
	(17,008)	(17,008)	5,951
Acquisition of tangible capital assets	(1,002,175)	(1,395,184)	(991,588)
Amortization of tangible capital assets	-	393,009	419,294
	(1,002,175)	(1,002,175)	(572,294)
INCREASE IN NET FINANCIAL ASSETS	192,368	1,973,377	1,987,888
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	-	3,685,527	1,697,639
NET FINANCIAL ASSETS AT END OF YEAR	\$ -	\$ 5,658,904	\$ 3,685,527

LOWER SIMILKAMEEN INDIAN BAND

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31	2021 Budget	2021 Actual	2020 Actual
REVENUE			
Indigenous Services Canada	\$ 4,030,351	\$ 4,215,038	\$ 3,459,580
Canada Mortgage and Housing Corporation	162,915	115,414	115,364
Environment Canada	198,689	198,689	345,500
First Nations Education Steering Committee	152,441	276,686	104,321
First Nations Health Authority	1,271,616	1,322,403	1,386,066
Forestry	464,474	461,885	561,923
Interest	42,000	61,753	137,166
Property tax assessed	-	278,051	272,025
Province of British Columbia	3,010,799	2,990,018	1,355,437
Referrals	235,000	238,767	295,283
Rental	299,888	309,952	307,558
Other	2,589,086	2,394,724	1,274,676
Deferred revenue - prior	432,431	865,356	1,348,618
Deferred revenue - current	-	(2,661,359)	(1,111,474)
	12,889,690	11,067,377	9,852,043
EXPENSES			
Administration Programs	1,452,862	1,338,013	1,146,412
Health Programs	1,697,580	1,064,050	1,325,464
Social Development Programs	948,049	1,032,587	562,093
Education Programs	2,928,689	2,343,643	1,472,524
Lands and Resources Programs	1,087,679	709,197	992,926
Capital Programs	2,285,241	10,693	286,790
Public Works Programs	505,103	568,445	699,251
Chief and Council Programs	453,408	324,551	227,353
Social Housing	319,526	303,661	282,234
Capital Fund	-	320,418	282,020
Enterprise Funds	-	59,559	20,745
	11,678,137	8,074,817	7,297,812
ANNUAL SURPLUS	1,211,551	2,992,560	2,554,231
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	-	18,140,617	15,586,386
ACCUMULATED SURPLUS AT END OF YEAR	\$ 1,211,551	\$ 21,133,177	\$ 18,140,617

LOWER SIMILKAMEEN INDIAN BAND

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2021	2021	2020
OPERATING ACTIVITIES		
ANNUAL SURPLUS	\$ 2,992,560	\$ 2,554,231
Amortization of tangible capital assets	393,009	419,294
Share of loss of First Nation Controlled entities	67,964	8,740
	3,453,533	2,982,265
Change in non-cash operating working capital	665,727	(447,518)
	4,119,260	2,534,747
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(1,395,184)	(991,588)
FINANCING ACTIVITIES		
Repayment of long-term debt	(283,086)	(273,647)
INCREASE IN CASH AND CASH EQUIVALENTS	2,440,990	1,269,512
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,951,877	4,682,365
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,392,867	\$ 5,951,877
CASH AND CASH EQUIVALENTS ARE REPRESENTED BY:		
Cash and cash equivalents	\$ 7,290,468	\$ 4,881,090
Restricted cash	1,102,399	1,070,787
	\$ 8,392,867	\$ 5,951,877

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

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, 2021

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."

(i) 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.

(j) 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.

(k) 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.

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

(I) 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.

(m) 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.

(n) 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.

(o) Replacement Reserve

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

(p) 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, 2021

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.

	2021	2020
Replacement Reserve Fund - restricted cash	\$ 379,656	\$ 368,259
Operating Reserve Fund - restricted cash	282,928	271,294
Ottawa Trust Funds - restricted cash	323,553	316,246
Firehall Reserve Fund - restricted cash	29,507	29,088
Capital Reserve Fund - restricted cash	86,754	85,900
	<hr/> \$ 1,102,398	<hr/> \$ 1,070,787

3. ACCOUNTS RECEIVABLE

	2021	2020
Accounts receivable - general	\$ 877,140	\$ 746,373
Indigenous Services Canada	309,028	727,121
Member loans	52,064	55,064
Province of BC	760,111	-
First Nation Education Steering Committee	116,346	-
Ministry of Transportation & Infrastructure	243,058	-
	<hr/> 2,357,747	<hr/> 1,528,558
Allowance for doubtful accounts	(198,491)	(242,248)
	<hr/> \$ 2,159,256	<hr/> \$ 1,286,310

4. TEMPORARY INVESTMENT

The temporary investments are GICs, which mature on October 20, 2021 at 0.05% interest rate.

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

5. LONG-TERM INVESTMENTS

	2021	2020
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. - held at cost	10	10
Investment in BC First Nations Gaming Revenue Sharing Limited Partnership - held at cost	100	100
	41,962	41,962
Investments subject to control		
Investment in Lower Similkameen Community Forests Limited Partnership	1,156,890	938,359
Investment in Lower Similkameen Community Forests Ltd.	(13,575)	(11,431)
	1,143,315	926,928
Investment in 0783309 B.C. Ltd.	1	1
Share capital	(316)	(316)
Accumulated earnings (deficit)	(315)	(315)
Investment in Smelqmix Investment Limited Partnership	1,770,152	2,053,766
Accumulated equity	1,770,152	2,053,766
Investment in Smelqmix Investment Ltd.	1	1
Share capital	(3,578)	(3,550)
Accumulated earnings (deficit)	(3,577)	(3,549)
Investment in Skulqalt Forestry Ltd.	1	1
Share capital	(926)	(913)
Accumulated deficit	(925)	(912)
Investment in 1161649 B.C. Ltd.	(2,784)	(2,089)
	\$ 2,947,828	\$ 3,015,791

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 year is 2022 \$37,911.

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

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	\$ -	\$ 219,683	\$ -	\$ -	\$ 1,249,234	\$ -
Accounts receivable	-	19,168	-	-	10,221	-
Other assets	-	2,425,786	-	275	200,017	80
Total assets	\$ -	\$ 2,664,637	\$ -	\$ 275	\$ 1,459,472	\$ 80

Accounts payable	\$ -	\$ 83,256	\$ -	\$ -	\$ 62,338	\$ 2,170
Other liabilities	315	812,266	3,577	1,199	252,630	12,355

Total liabilities	315	895,522	3,577	1,199	314,968	14,525
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Equity	(315)	1,769,115	(3,577)	(924)	1,144,504	(14,445)
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Total liabilities and equity	\$ -	\$ 2,664,637	\$ -	\$ 275	\$ 1,459,472	\$ 80
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	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	\$ -	\$ 173,079	\$ -	\$ -	\$ 2,448,947	\$ -

Income (loss) from partnership	-	(142,702)	(28)	(13)	-	220
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Revenue	-	30,377	(28)	(13)	2,448,947	220
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Expenses	-	314,019	-	-	2,230,227	670
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Net income (loss)	\$ -	\$ (283,642)	\$ (28)	\$ (13)	\$ 218,720	\$ (450)
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LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

9. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated amortization				2021 net book value
	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	
Land	\$ 161,475	\$ -	\$ -	\$ 161,475	\$ -	\$ -	\$ -	\$ -	\$ 161,475
Automotive equipment	405,413	180,567	(35,473)	550,507	239,834	77,798	(35,473)	282,159	268,348
Computer equipment	113,705	13,018	-	126,723	110,596	3,535	-	114,131	12,592
Campground	165,109	-	-	165,109	165,109	-	-	165,109	-
Equipment	582,033	98,254	-	680,287	479,265	50,297	-	529,562	150,725
Leasehold improvements	60,539	4,507	-	65,046	48,063	1,688	-	49,751	15,295
Roads	957,617	-	-	957,617	554,909	12,656	-	567,565	390,052
Buildings	14,208,047	-	-	14,208,047	4,804,296	237,251	-	5,041,547	9,166,500
Infrastructure	4,382,394	-	-	4,382,394	350,303	9,784	-	360,087	4,022,307
Assets under construction	120,263	1,098,838	-	1,219,101	-	-	-	-	1,219,101
	\$ 21,156,595	\$ 1,395,184	\$ (35,473)	\$ 22,516,306	\$ 6,752,375	\$ 393,009	\$ (35,473)	\$ 7,109,911	\$ 15,406,395

	Cost				Accumulated amortization				2020 Net book value
	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	
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
New School 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

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2021

10. ACCOUNTS PAYABLE

	2021	2020
Trade payables	\$ 385,690	\$ 723,785
School district	45,777	-
Payroll payable	76,875	82,468
Vacation pay payable	76,170	59,608
	\$ 584,512	\$ 865,861

11. DEFERRED REVENUE

	March 31, 2020	Funding received, 2021	Revenue recognized, 2021	March 31, 2021
Federal government				
First Nation Education Steering Committee	\$ -	\$ 429,000	\$ (205,411)	\$ 223,589
Indigenous Services Canada - NTG7	339,933	-	(34,646)	305,287
Indigenous Services Canada - NTKC	92,130	-	(24,143)	67,987
Government of BC - New School				
Construction	-	1,599,920	(88,306)	1,511,614
Indigenous Services Canada - Q37L-002	353,863	-	(353,863)	-
Indigenous Services Canada - Q3O1-001	-	250,000	-	250,000
	785,926	2,278,920	(706,369)	2,358,477
Provincial Government				
BC First Nations Gaming Revenue	325,548	387,611	(53,761)	659,398
	\$ 1,111,474	\$ 2,666,531	\$ (760,130)	\$ 3,017,875

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

12. LONG-TERM DEBT

	2021	2020
Bank of Montreal construction loan payable on demand. Interest calculated at prime plus 0.50% per annum. Secured by a general charge against operations.	\$ 30,956	\$ 33,953
Bank of Montreal construction loan payable on demand. Interest calculated at 4.24% per annum. Secured by a general charge against operations.	3,109,904	3,223,884
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.	494,185	511,264
Bank of Montreal loan payable, payment of \$401 per month including interest at prime plus 0.50%. Secured by a general charge against operations.	38,821	42,580
Bank of Montreal loan payable, payment of \$320 per month including interest at prime plus 0.50%. Secured by a general charge against operations.	35,666	39,048
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.	37,112	42,178
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.	41,099	62,772
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.	108,131	135,813
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.	36,749	58,232
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.	749,233	791,825
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.	698,239	721,632
	<hr/> \$ 5,380,095	<hr/> \$ 5,663,181

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2021

12. LONG-TERM DEBT, continued

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

2022	\$ 139,492
2023	130,381
2024	98,457
2025	92,557
<u>2026 and thereafter</u>	<u>4,919,208</u>
	<hr/>
	\$ 5,380,095
	<hr/>

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.

	2021	2020
Balance, beginning of year	\$ 343,955	\$ 362,706
Interest	3,214	6,051
Expenditures	(13,348)	(3,665)
Appropriations from the Operating Fund	32,250	32,534
Transfer of matured unit equity	-	(53,671)
	<hr/>	<hr/>
	\$ 366,071	\$ 343,955
	<hr/>	<hr/>

14. ACCUMULATED SURPLUS

	2021	2020
Unrestricted		
Operating Fund	\$ 7,750,286	\$ 5,964,076
Capital Fund	10,314,266	9,116,918
Enterprise Funds	2,794,787	2,876,902
	<hr/>	<hr/>
	20,859,339	17,957,896
Restricted		
Social Housing Fund	(49,715)	(133,526)
Trust Funds	323,553	316,247
	<hr/>	<hr/>
	273,838	182,721
	<hr/>	<hr/>
	\$ 21,133,177	\$ 18,140,617
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LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

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, 2021

15. SEGMENTED INFORMATION, continued

	Administration Programs			Health Programs			Social Development Programs		
	2021 Budget	2021 Actual	2020 Actual	2021 Budget	2021 Actual	2020 Actual	2021 Budget	2021 Actual	2020 Actual
Revenues									
Indigenous Services Canada	\$ 745,564	\$ 748,263	\$ 641,067	\$ 166,578	\$ 166,578	\$ 110,500	\$ 984,352	\$ 992,665	\$ 608,183
First Nations Health Authority	-	-	-	1,271,616	1,241,594	1,324,109	-	-	-
Property tax assessed	-	278,051	272,025	-	-	-	-	-	-
Province of British Columbia	-	-	-	321,684	260,239	349,216	-	-	-
Other revenue	712,000	138,585	229,240	270,362	266,029	193,545	6,500	4,600	5,457
Total revenue	1,457,564	1,164,899	1,142,332	2,030,240	1,934,440	1,977,370	990,852	997,265	613,640
Expenses									
Insurance	16,450	5,673	27,599	5,500	10,406	10,500	-	-	-
Materials and supplies	47,250	35,311	80,203	83,075	68,221	25,930	800	235	229
Professional fees	70,000	38,302	102,369	20,000	20,000	20,000	-	-	-
Repairs and maintenance	16,500	15,797	1,913	9,750	5,864	8,321	-	-	-
Travel	3,000	2,879	7,483	54,325	21,328	72,390	7,900	3,655	4,647
Wages and benefits	682,262	667,767	463,826	873,917	661,947	704,745	131,759	108,021	120,470
Other expenses	617,400	572,284	463,019	651,012	276,284	483,579	807,590	920,676	436,747
Total expenses	1,452,862	1,338,013	1,146,412	1,697,579	1,064,050	1,325,465	948,049	1,032,587	562,093
Annual surplus (deficit)	\$ 4,702	\$ (173,114)	\$ (4,080)	\$ 332,661	\$ 870,390	\$ 651,905	\$ 42,803	\$ (35,322)	\$ 51,547

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

15. SEGMENTED INFORMATION, continued

	Education Programs			Lands and Resources Programs			Capital Programs		
	2021 Budget	2021 Actual	2020 Actual	2021 Budget	2021 Actual	2020 Actual	2021 Budget	2021 Actual	2020 Actual
Revenues									
Indigenous Services Canada	\$ 1,492,672	\$ 1,321,959	\$ 1,312,577	\$ 214,850	\$ 214,821	\$ 47,478	\$ 271,838	\$ 548,472	\$ 529,433
First Nations Health Authority	-	-	-	-	-	-	-	-	5,738
Province of British Columbia	601,584	641,782	312,421	-	-	7,500	1,599,920	1,599,920	-
Other revenue	773,100	660,880	130,076	824,389	855,058	945,404	756,296	(931,633)	628,766
Total revenue	2,867,356	2,624,621	1,755,074	1,039,239	1,069,879	1,000,382	2,628,054	1,216,759	1,163,937
Expenses									
Insurance	8,000	4,511	7,575	1,500	656	1,270	-	-	-
Loan payments	-	-	-	-	-	-	306,610	-	161,550
Materials and supplies	90,450	139,604	42,429	16,750	14,385	10,149	72,250	37,212	7,498
Professional fees	-	-	-	12,500	11,263	8,542	431,000	3,567	107,609
Repairs and maintenance	12,700	9,862	5,465	-	-	286	-	-	-
Travel	26,523	2,358	13,966	34,800	23,728	23,807	-	-	-
Wages and benefits	658,464	654,790	552,029	256,228	225,838	230,012	-	-	-
Other expenses	2,132,552	1,532,518	851,060	765,901	433,327	718,860	1,475,383	(30,086)	10,133
Total expenses	2,928,689	2,343,643	1,472,524	1,087,679	709,197	992,926	2,285,243	10,693	286,790
Annual surplus (deficit)	\$ (61,333)	\$ 280,978	\$ 282,550	\$ (48,440)	\$ 360,682	\$ 7,456	\$ 342,811	\$ 1,206,066	\$ 877,147

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

15. SEGMENTED INFORMATION, continued

	Public Works Programs			Chief and Council Programs			Social Housing		
	2021 Budget	2021 Actual	2020 Actual	2021 Budget	2021 Actual	2020 Actual	2021 Budget	2021 Actual	2020 Actual
Revenues									
Indigenous Services Canada	\$ 154,497	\$ 222,280	\$ 210,342	-	\$ -	\$ -	\$ -	\$ 149,915	\$ 115,414
Canada Mortgage and Housing Corporation	13,000	-	-	-	-	-	-	-	115,364
First Nations Health Authority	-	80,809	56,219	-	-	-	-	-	-
Forestry	-	-	-	464,474	461,885	561,923	-	-	-
Province of British Columbia	-	-	-	487,611	488,077	686,300	-	-	-
Rental	129,200	114,373	144,054	-	-	-	170,688	160,129	163,504
Other revenue	127,000	114,289	122,049	180,000	205,630	(55,139)	-	111,880	31,000
Total revenue	423,697	531,751	532,664	1,132,085	1,155,592	1,193,084	320,603	387,423	309,868
Expenses									
Amortization	-	-	-	-	-	-	-	70,197	136,429
Insurance	6,000	477	68,241	-	-	-	22,727	23,134	19,057
Materials and supplies	11,500	18,673	16,666	55,250	45,985	7,192	-	-	-
Professional fees	-	-	-	2,000	1,983	5,792	10,276	9,020	7,771
Repairs and maintenance	3,000	26,719	37,762	-	-	-	29,360	18,189	42,200
Travel	7,282	8,012	10,864	-	3,540	21,407	-	-	-
Wages and benefits	261,595	226,682	246,358	72,700	72,676	68,267	-	-	-
Other expenses	215,727	287,882	319,360	323,458	200,367	124,694	257,163	183,121	76,777
Total expenses	505,104	568,445	699,251	453,408	324,551	227,352	319,526	303,661	282,234
Annual surplus (deficit)	\$ (81,407)	\$ (36,694)	\$ (166,587)	\$ 678,677	\$ 831,041	\$ 965,732	\$ 1,077	\$ 83,762	\$ 27,634

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

15. SEGMENTED INFORMATION, continued

	Capital Fund		Trust Funds		Enterprise Funds				
	2021 Budget	2021 Actual	2020 Actual	2021 Budget	2021 Actual	2020 Actual	2021 Budget	2021 Actual	2020 Actual
Revenues									
Rental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,450	\$ -
Other revenue	-	-	-	-	7,307	172,379	-	(\$58,009)	(8,687)
Total revenue	-	-	-	-	7,307	172,379	-	(22,559)	(8,687)
Expenses									
Amortization	-	320,418	282,020	-	-	-	-	2,394	844
Insurance	-	-	-	-	-	-	-	2,287	1,851
Materials and supplies	-	-	-	-	-	-	-	2,174	-
Professional fees	-	-	-	-	-	-	-	2,885	2,740
Repairs and maintenance	-	-	-	-	-	-	-	2,579	2,450
Travel	-	-	-	-	-	-	-	2,109	-
Wages and benefits	-	-	-	-	-	-	-	27,872	-
Other expenses	-	-	-	-	-	-	-	17,259	12,860
Total expenses	-	320,418	282,020	-	-	-	-	59,559	20,745
Annual surplus (deficit)	\$ -	\$ (320,418)	\$ (282,020)	-	\$ 7,307	\$ 172,379	-	\$ (82,118)	\$ (29,432)

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

15. SEGMENTED INFORMATION, continued

		Consolidated totals		
		2021 Budget	2021 Actual	2020 Actual
Revenues				
Indigenous Services Canada		\$ 4,030,351	\$ 4,215,038	\$ 3,459,580
Canada Mortgage and Housing Corporation		162,915	115,414	115,364
First Nations Health Authority		1,271,616	1,322,403	1,386,066
Forestry		464,474	461,885	561,923
Property tax assessed		-	278,051	272,025
Province of British Columbia		3,010,799	2,990,018	1,355,437
Rental		299,888	309,952	307,558
Other revenue		3,649,647	1,374,616	2,394,090
Total revenue		12,889,690	11,067,377	9,852,043
Expenses				
Amortization		-	393,009	419,293
Insurance		60,177	47,144	136,093
Loan payments		306,610	-	161,550
Materials and supplies		377,325	361,800	190,296
Professional fees		545,776	87,020	254,823
Repairs and maintenance		71,310	79,010	98,397
Travel		133,830	67,609	154,564
Wages and benefits		2,936,925	2,645,593	2,385,707
Other expenses		7,246,186	4,393,632	3,497,089
Total expenses		11,678,139	8,074,817	7,297,812
Annual surplus (deficit)		\$ 1,211,551	\$ 2,992,560	\$ 2,554,231

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

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 date.

The First Nation has provided a guarantee to Bank of Montreal for Smelqmix Investments Limited Partnership for a term financial facility in the amount of \$411,750, overdraft facility in the amount of \$50,000 and Corporate credit card in the amount of \$25,000 from Bank of Montreal. In the case of default, Bank of Montreal may recover the outstanding amounts from the First Nation.

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, 2021.

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, 2021 the band does not recognize any liability for contaminated sites.

18. SUBSEQUENT EVENTS

1) On June 26, 2021, the Lower Similkameen Community (Chopaka) Church, owned by the First Nation, was damaged in a fire. Insurance proceeds of \$103,000 were approved in September 2021 with an additional amount of \$15,450 available should the church structure be completely replaced. The First Nation will also receive up to \$5,150 for debris removal of the church structure.

2) Subsequent to March 31, 2021, the First Nation acquired a property in Cawston with a completion date on November 1, 2021 valued at \$2,250,000.