

Upper Similkameen Indian Band
Consolidated Financial Statements
March 31, 2020

Upper Similkameen Indian Band

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For the year ended March 31, 2020

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Management's Responsibility

To the Members of Upper Similkameen Indian Band:

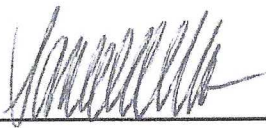
The accompanying consolidated financial statements of Upper Similkameen Indian Band are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

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

MNP LLP is appointed by the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.



CEO

To the Members of Upper Similkameen Indian Band:

Qualified Opinion

We have audited the consolidated financial statements of Upper Similkameen Indian Band (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations and accumulated surplus, changes 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2020, and the results of its consolidated operations, changes in its net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The financial statements do not include completed budgeted information. The exclusion of such information is a departure from Canadian public sector accounting standards as the comparison of budgeted to actual results is a significant measurement of performance.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 qualified opinion.

Other Matter

The financial statements of the First Nation for the year ended March 31, 2019 were audited by another firm of public accountants. The predecessor firm expressed an unmodified opinion on those statements on December 12, 2019.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chilliwack, British Columbia

April 9, 2021

MNP LLP

Chartered Professional Accountants

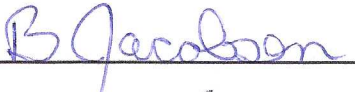

Upper Similkameen Indian Band

Consolidated Statement of Financial Position

As at March 31, 2020

| | 2020 | 2019 |
|---|------------------|------------------|
| Financial assets | | |
| Cash and cash equivalents | 5,280,415 | 3,498,275 |
| Restricted cash (Note 3) | 248,312 | 275,506 |
| Accounts receivable | 521,547 | 326,665 |
| Portfolio investments (Note 4) | 11,261 | 11,151 |
| Investments in Nation partnerships and business entities (Note 5) | 780,380 | 1,365,057 |
| Funds held in trust (Note 6) | 543,313 | 522,258 |
| Total of assets | 7,385,228 | 5,998,912 |
| Liabilities | | |
| Bank indebtedness (Note 7) | 10,000 | - |
| Accounts payable and accruals | 319,771 | 260,160 |
| Deferred revenue (Note 8) | 101,465 | - |
| Long-term debt (Note 9) | 1,903,111 | 850,443 |
| Capital lease obligations (Note 10) | 160,028 | 296,947 |
| Total of financial liabilities | 2,494,375 | 1,407,550 |
| Net financial assets | 4,890,853 | 4,591,362 |
| Non-financial assets | | |
| Tangible capital assets (Schedule 1) | 4,259,404 | 2,769,102 |
| Prepaid expenses | 20,233 | 75,155 |
| Total non-financial assets | 4,279,637 | 2,844,257 |
| Accumulated surplus (Note 11) | 9,170,490 | 7,435,619 |

Approved on behalf of the Council

Chief

Councillor



Councillor

Upper Similkameen Indian Band

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2020

| | 2020 | 2019 |
|---|------------------|------------------|
| Revenue | | |
| Indigenous Services Canada | 668,147 | 604,810 |
| Economic activity | 1,997,461 | 1,831,575 |
| First Nation Health Authority | 1,186,993 | 473,322 |
| Province of British Columbia | 1,119,086 | 656,216 |
| General revenue | 1,110,113 | 1,622,075 |
| Canada Mortgage and Housing Corporation | 34,669 | 46,381 |
| BC FN Gaming Revenue Sharing LP | 283,737 | - |
| Rental income | 94,779 | 98,683 |
| Interest income | 34,053 | 8,700 |
| Ottawa Trust income | 18,695 | 3,592 |
| | 6,547,733 | 5,345,354 |
| Program expenses | | |
| Band Administration | 859,927 | 811,131 |
| Education | 135,645 | 164,674 |
| Social Services | 179,937 | 162,263 |
| Health | 584,634 | 389,948 |
| Capital and Maintenance | 85,602 | 64,622 |
| Natural Resources | 558,680 | 610,387 |
| Logging | 2,212,442 | 1,783,356 |
| Economic Development | 47,113 | 10,000 |
| Social Housing | 148,882 | 129,463 |
| Total expenditures | 4,812,862 | 4,125,844 |
| Annual surplus | 1,734,871 | 1,219,510 |
| Accumulated surplus, beginning of year | 7,435,619 | 6,216,109 |
| Accumulated surplus, end of year | 9,170,490 | 7,435,619 |

Upper Similkameen Indian Band
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2020

| | 2020 | 2019 |
|---|--------------------|------------------|
| Annual surplus | 1,734,871 | 1,219,510 |
| Purchases of tangible capital assets | (2,322,572) | (161,460) |
| Amortization of tangible capital assets | 589,592 | 610,440 |
| Proceeds of disposal of tangible capital assets | 242,678 | - |
| | (1,490,302) | 448,980 |
| Acquisition of prepaid expenses | (20,233) | (45,081) |
| Use of prepaid expenses | 75,155 | - |
| | 54,922 | (45,081) |
| Increase in net financial assets | 299,491 | 1,623,409 |
| Net financial assets, beginning of year | 4,591,362 | 2,967,953 |
| Net financial assets, end of year | 4,890,853 | 4,591,362 |

Upper Similkameen Indian Band

Consolidated Statement of Cash Flows

For the year ended March 31, 2020

| | 2020 | 2019 |
|--|-------------|-----------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Annual surplus | 1,734,871 | 1,219,510 |
| Non-cash items | | |
| Amortization | 589,592 | 610,440 |
| Ottawa Trust Fund income | (18,695) | (3,592) |
| Earnings from investments in Nation partnerships and business entities | (97,999) | (874,004) |
| | 2,207,769 | 952,354 |
| Changes in working capital accounts | | |
| Restricted cash | 27,194 | (275,506) |
| Accounts receivable | (194,882) | 407,570 |
| Prepaid expenses | 54,922 | (45,081) |
| Funds held in trust | (2,360) | 2,403 |
| Accounts payable and accruals | 59,611 | (229,870) |
| Deferred revenue | 101,465 | (40,000) |
| | 2,253,719 | 771,870 |
| Financing activities | | |
| Advances of long-term debt | 1,580,764 | 91,124 |
| Repayment of long-term debt | (528,096) | (297,300) |
| Repayment of capital lease obligation | (136,919) | (130,296) |
| Repayment of advances from related Nation entities | - | (72,676) |
| | 915,749 | (409,148) |
| Capital activities | | |
| Purchases of tangible capital assets | (2,322,572) | (161,460) |
| Proceeds of disposal of tangible capital assets | 242,678 | - |
| | (2,079,894) | (161,460) |
| Investing activities | | |
| Purchase of portfolio investments | (110) | - |
| Change in investments in Nation partnerships and business entities | 682,676 | 243,675 |
| | 682,566 | 243,675 |
| Increase in cash resources | 1,772,140 | 444,937 |
| Cash resources, beginning of year | 3,498,275 | 3,053,338 |
| Cash resources, end of year | 5,270,415 | 3,498,275 |
| Cash resources are composed of: | | |
| Cash and cash equivalents | 5,280,415 | 3,498,275 |
| Bank indebtedness | (10,000) | - |
| | 5,270,415 | 3,498,275 |
| Supplementary cash flow information | | |
| Interest paid | 44,773 | 58,328 |

The accompanying notes are an integral part of these financial statements

Upper Similkameen Indian Band

Notes to the Consolidated Financial Statements

For the year ended March 31, 2020

1. Operations

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

Impact on operations of COVID-19 (coronavirus)

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

The First Nation's operations were impacted by COVID-19 due to remote staff working out of office, reduced demand for its forestry operations, and the additional financial strain on its members.

The impact of COVID-19 has been partially offset by available Government funding for which the First Nation was eligible. The First Nation has received COVID-19 support funding from Indigenous Services Canada as part of its standard yearly funding.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the First Nation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the First Nation's operations and financial condition.

2. Significant accounting policies

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

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

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

Reporting entity consolidated

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities. Trusts administered on behalf of third parties by Upper Similkameen Indian Band are excluded from the First Nation reporting entity.

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

- Upper Similkameen Development Corporation
- 0628957 BC Ltd.
- K'tipx Logging Ltd.
- K'tipx Logging Limited Partnership
- Chuchuwayha Forestry Ltd.
- Chuchuwayha Forestry Limited Partnership

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

Upper Similkameen Indian Band business entities, owned or controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Stuwix Resources Ltd.
- Vermilion Forks Community Forest Corporation

Asset classification

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

Net financial assets

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of consolidated financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of consolidated financial position, accumulated surplus.

Cash and cash equivalents

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Upper Similkameen Indian Band
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records for all tangible capital assets. Contributed tangible assets are recorded at their fair value at the date of contribution.

Amortization

Amortization for tangible capital assets is recorded using the following rates or periods and intended to amortize the cost of the assets over their estimated useful lives:

| | <i>Method</i> | <i>Years</i> |
|--------------------------|----------------------|---------------------|
| Buildings | straight-line | 20 |
| Equipment and automotive | straight-line | 7 |
| Leasehold improvements | straight-line | 7 |
| Computers equipment | straight-line | 2 |
| Social housing | straight-line | 20 |

Long-lived assets and discontinued operations

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Nation determines that a long-lived asset no longer has any long-term service potential to the Band, the excess of its net carrying amount over any residual value is recognized as an expense in the consolidated statement of operations. Write-downs are not reversed.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Portfolio investments

Long-term investments in entities that are not owned, controlled or influenced by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the consolidated financial statements of changes in such estimates and assumptions in future years could be significant. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the years in which they become known.

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

Revenue recognition

Government Transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Externally restricted revenue

The First Nation recognizes externally restricted inflows as revenue in the period the resources are used for the purpose specified in accordance with an agreement or legislation. Until this time, the First Nation records externally restricted inflows in deferred revenue.

Funds held in Ottawa Trust Fund

Due to measurement uncertainty, revenue related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

Other revenue

Other revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Segments

The First Nation conducts its business through nine reportable segments: Band Administration, Education, Social Assistance, Health, Capital and Maintenance, Natural Resources, Logging, Economic Development, and Housing. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

Liability for contaminated site

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

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

Upper Similkameen Indian Band

Notes to the Consolidated Financial Statements

For the year ended March 31, 2020

3. Restricted cash

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the First Nation established the following:

- A replacement reserve, established by an annual allocation of \$17,250 (2019 - \$17,417), to ensure replacement of buildings financed by CMHC. At March 31, 2020, \$189,818 has been set aside to fund this reserve. The unfunded portion at March 31, 2020 was \$85,081 (2019 - \$37,983).
- A subsidy surplus reserve established by retaining excess federal assistance payments received to a maximum of \$500 per unit, plus interest. Reserve funds may be used to meet future subsidy requirements of income test occupants, over and above the maximum federal assistance.
- An operating reserve established by the annual surplus after the payment of all costs and expenses including allocation to the replacement reserve. At March 31, 2021, \$58,494 was set aside to fund this reserve. The unfunded portion at March 31, 2020 was \$92,002 (2019 - \$87,041). These funds may only be used for the ongoing operating costs of the housing projects committed under the Post-1996 On-Reserve Program.

In accordance with terms of the agreements, CMHC reserve moneys must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

4. Portfolio investments

| | 2020 | 2019 |
|--|---------------|---------------|
| Measured at cost: | | |
| Class A common shares of All Nations Trust Company | 11,151 | 11,151 |
| One partnership unit of BC FN Gaming Revenue Sharing Limited Partnership | 100 | - |
| One common share of BC FN Gaming Sharing General Partner Ltd. | 10 | - |
| | 11,261 | 11,151 |

5. Investments in Nation partnerships and business entities

The First Nation has investments in the following partnerships and business entities:

| | <i>Investment cost</i> | <i>Loans / advances</i> | <i>Cumulative share of earnings (loss)</i> | <i>2020 Total investment</i> |
|--|------------------------|-------------------------|--|----------------------------------|
| First Nation Business Entities - Modified Equity: | | | | |
| Stuwix Resources JV - 12.5% | 1 | - | 497,226 | 497,227 |
| Vermilion Forks Community Forest Corporation - 33.3% | 10 | - | 283,143 | 283,153 |
| | 11 | - | 780,369 | 780,380 |
| | | | | |
| | <i>Investment cost</i> | <i>Loans / advances</i> | <i>Cumulative share of earnings (loss)</i> | <i>Total investment</i> |
| First Nation Business Entities - Modified Equity: | | | | |
| Stuwix Resources Ltd. - 12.5% | 1 | - | 508,844 | 508,845 |
| Vermilion Forks Community Forest Corporation - 33.3% | 10 | - | 856,202 | 856,212 |
| | 11 | - | 1,365,046 | 1,365,057 |

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Upper Similkameen Indian Band

Notes to the Consolidated Financial Statements

For the year ended March 31, 2020

5. Investments in Nation partnerships and business entities *(Continued from previous page)*

The First Nation's investment in the following investments was established for the purposes of development and management of own source revenue contracts with third parties.

Summary financial information for each business partnership, accounted for using the modified equity method, for their respective year-end is as follows:

| | <i>Stuwix Resources Ltd. As at March 31, 2020</i> | <i>Vermilion Forks Community Forest Corporation As at December 31, 2019</i> |
|--------------------------|---|---|
| Assets | | |
| Current assets | 9,539,120 | 894,916 |
| Long-term assets | 61,781 | - |
| Total assets | 9,600,901 | 894,916 |
| Liabilities | | |
| Current liabilities | 2,568,846 | 36,846 |
| Long-term liabilities | 3,025,979 | - |
| Equity | 4,006,076 | 858,070 |
| Total liabilities | 9,600,901 | 894,916 |
| Total revenue | 10,533,744 | 18,150,434 |
| Total expenses | 10,626,145 | 17,170,091 |
| Net income (loss) | (92,401) | 980,343 |

Upper Similkameen Indian Band

Notes to the Consolidated Financial Statements

For the year ended March 31, 2020

6. Funds held in trust

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

| | 2020 | 2019 |
|------------------------------------|----------------|----------------|
| Capital Trust | | |
| Balance, beginning and end of year | 194,825 | 194,825 |
| Revenue Trust | | |
| Balance, beginning of year | 131,746 | 131,746 |
| Interest | 18,224 | - |
| BC Special Distribution | 471 | - |
| Balance, end of year | 150,441 | 131,746 |
| Donovan & Company Trust | | |
| Balance, beginning of year | 195,687 | 195,687 |
| Interest | 2,360 | - |
| Balance, end of year | 198,047 | 195,687 |
| | 543,313 | 522,258 |

7. Bank indebtedness

Bank indebtedness includes an operating loan amounting to \$10,000 (2019 – \$nil) and bearing interest at prime plus 1.0% (2019 – 1.0%). The prime rate at March 31, 2020 was 2.45%. The maximum credit of the operating loan is \$100,000, and the undrawn portion at March 31, 2020 was \$90,000 (2019 – \$nil). This arrangement does not have a termination date and can be withdrawn at the bank's option. The credit line is secured by a general security agreement covering all property of the First Nation.

8. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

| | <i>Balance, beginning of year</i> | <i>Contributions received</i> | <i>Recognized</i> | <i>Balance, end of year</i> |
|---|---|-----------------------------------|-------------------|---------------------------------|
| Indigenous Services Canada - Water system upgrade | - | 261,163 | 156,698 | 104,465 |

Upper Similkameen Indian Band
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

9. Long-term debt

| | 2020 | 2019 |
|--|------------------|----------------|
| Inland Kenworth Equipment financing; blended payments of \$19,182 per month, bearing interest at 5.75% per annum; maturity date of December 2024; secured by equipment with a book value of \$814,357. | 699,946 | - |
| RBC Financing Equipment financing; blended payments of \$11,017 per month, bearing interest at 3.67% per annum; maturity date of July 2024; secured by equipment with a book value of \$475,893. | 386,302 | - |
| RBC Financing Equipment financing; blended payments of \$7,628 per month, bearing interest at 3.67% per annum; maturity date of July 2024; secured by equipment with a book value of \$371,559. | 267,379 | - |
| Inland Kenworth Equipment financing; blended payments of \$12,571 for 9 months per year, bearing interest at 2.00% per annum; maturity date of September 2021, secured by specified equipment. | 155,639 | 391,777 |
| Non-Profit Housing VI All Nations Trust mortgage; payments of \$982 per month, including interest at 1.73% per annum; maturity date of February 1, 2035; secured by housing with a book value of \$223,723. | 154,855 | 164,304 |
| Non-Profit Housing V All Nations Trust mortgage; payments of \$949 per month, including interest at 1.97% per annum; maturity date of November 1, 2027; secured by housing with a book value of \$167,103. | 80,983 | 90,673 |
| Non-Profit Housing IV All Nations Trust mortgage; payments of \$1,044 per month, including interest at 1.14% per annum; maturity date of June 1, 2026; secured by housing with a book value of \$159,038. | 75,514 | 87,104 |
| Non-Profit Housing III All Nations Trust mortgage; payments of \$1,596 per month, including interest at 1.30% per annum; maturity date of May 1, 2022; secured by housing with a book value of \$226,775. | 40,893 | 59,380 |
| RBC Financing Vehicle loan; blended payments of \$498 per month, bearing interest at 3.49% per annum; maturity March 2024; secured by equipment with a book value of \$37,241. | 22,294 | 27,398 |
| RBC Financing Vehicle loan; blended payments of \$432 per month, bearing interest at 3.49% per annum; maturity March 2024; secured by equipment with a book value of \$34,356. | 19,306 | 23,726 |
| Non-Profit Housing II | - | 6,079 |
| | 1,903,111 | 850,443 |

Upper Similkameen Indian Band
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

8. Long-term debt *(Continued from previous page)*

Principal repayments on long-term debt in each of the next five years are estimated as follows:

| | |
|------|---------|
| 2021 | 620,862 |
| 2022 | 473,247 |
| 2023 | 479,678 |
| 2024 | 144,084 |
| 2025 | 32,817 |

10. Capital lease obligations

| | 2020 | 2019 |
|--|----------------|---------|
| John Deere Financial Equipment lease; blended payments of \$15,213 for 9 months per year, bearing interest at 1.90% per annum; maturity date of September 2021, secured by specified equipment. | 160,028 | 296,947 |

Minimum lease payments related to the obligation under capital lease are as follows:

| | |
|------------------------|---------|
| 2021 | 136,919 |
| 2022 | 30,426 |
| | 167,345 |
| Less: imputed interest | 7,317 |
| Balance of obligation | 160,028 |

11. Accumulated surplus

Annual surplus is comprised of the following:

| | 2020 | 2019 |
|---------------------------------|------------------|-----------|
| Operating surplus | 6,005,517 | 4,887,838 |
| Tangible capital assets surplus | 2,196,265 | 1,621,711 |
| Funds held in trust | 543,313 | 522,258 |
| CMHC reserve accounts | 425,395 | 403,812 |
| | 9,170,490 | 7,435,619 |

12. Economic dependence

Upper Similkameen Indian Band receives a significant portion of its revenue from Indigenous Services Canada and First Nation Health Authority as a result of Treaties entered into with the Government of Canada. These treaties are administered by Indigenous Services Canada and First Nation Health Authority under the terms and conditions of the *Indian Act*. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

13. Segments

The First Nation receives revenue and incurs expenses from various projects and sources. For management and reporting purposes, the revenue, expenses and surplus or deficits are organized by segments. Schedule 2 discloses the First Nation's revenue and expenses in the following segments:

Band Administration

Includes general operations, support and financial management of the First Nation.

Education

Includes revenue and expenses related to primary, secondary and post secondary education of the members of the First Nation.

Social Assistance

Includes revenue and expenses relating to social assistance programs for members of the First Nation.

Health

Includes revenue and expenses relating to the provision of health services within the First Nation.

Capital and Maintenance

Includes revenue and expenses related to capital projects and ongoing community maintenance.

Natural Resources

Includes revenue and expenses related to the mining operations and other resource projects within the First Nation.

Logging

Includes revenue and expenses related to the forestry operations within the First Nation.

Economic Development

Includes activities related to the growth of revenue producing projects with the First Nation.

Housing

Includes rent collection and maintenance related to the mortgaged homes owned by the First Nation.

14. Financial Instruments

The First Nation's financial instruments consist of cash, receivables, marketable securities, accounts payable accrued liabilities and long-term debt. It is management's opinion that the First Nation is not exposed to significant currency, credit, or interest rate risk arising from these financial instruments. The fair value of the instruments approximates their carrying values, unless otherwise noted.

15. Comparative figures

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

Upper Similkameen Indian Band
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2020

| | <i>Land</i> | <i>Buildings</i> | <i>Equipment and Automotive</i> | <i>Leasehold improvements</i> | <i>Computer equipment</i> | <i>Subtotal</i> |
|--|-------------|------------------|---|-----------------------------------|-------------------------------|-----------------|
| Cost | | | | | | |
| Balance, beginning of year | 43,584 | 1,393,507 | 3,781,677 | 7,000 | 28,132 | 5,253,900 |
| Acquisition of tangible capital assets | - | 469,853 | 1,852,719 | - | - | 2,322,572 |
| Disposal of tangible capital assets | - | - | (1,346,435) | - | - | (1,346,435) |
| Balance, end of year | 43,584 | 1,863,360 | 4,287,961 | 7,000 | 28,132 | 6,230,037 |
| Accumulated amortization | | | | | | |
| Balance, beginning of year | - | 973,462 | 2,384,498 | 3,100 | 14,066 | 3,375,126 |
| Annual amortization | - | 60,162 | 435,500 | 1,000 | 14,066 | 510,728 |
| Accumulated amortization on disposals | - | - | (1,103,757) | - | - | (1,103,757) |
| Balance, end of year | - | 1,033,624 | 1,716,241 | 4,100 | 28,132 | 2,782,097 |
| Net book value of tangible capital assets | 43,584 | 829,736 | 2,571,720 | 2,900 | - | 3,447,940 |
| Net book value of tangible capital assets (2019) | 43,584 | 420,045 | 1,397,179 | 3,900 | 14,066 | 1,878,774 |

Upper Similkameen Indian Band
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2020

| | <i>Subtotal</i> | <i>Social housing</i> | <i>2020</i> | <i>2019</i> |
|--|------------------|-----------------------|------------------|------------------|
| Cost | | | | |
| Balance, beginning of year | 5,253,900 | 1,577,274 | 6,831,174 | 6,669,714 |
| Acquisition of tangible capital assets | 2,322,572 | - | 2,322,572 | 161,460 |
| Disposal of tangible capital assets | (1,346,435) | - | (1,346,435) | - |
| Balance, end of year | 6,230,037 | 1,577,274 | 7,807,311 | 6,831,174 |
| Accumulated amortization | | | | |
| Balance, beginning of year | 3,375,126 | 686,946 | 4,062,072 | 3,451,632 |
| Annual amortization | 510,728 | 78,864 | 589,592 | 610,440 |
| Accumulated amortization on disposals | (1,103,757) | - | (1,103,757) | - |
| Balance, end of year | 2,782,097 | 765,810 | 3,547,907 | 4,062,072 |
| Net book value of tangible capital assets | 3,447,940 | 811,464 | 4,259,404 | 2,769,102 |
| Net book value of tangible capital assets (2019) | 1,878,774 | 890,328 | 2,769,102 | |

Upper Similkameen Indian Band
Schedule 2 - Segmented Information

For the year ended March 31, 2020

| | Band Administration | Education | Social Assistance | Health | Capital and Maintenance | Natural Resources | Logging | Economic Development | Housing | 2020 |
|--|------------------------|-----------|-------------------|------------|----------------------------|----------------------|--------------|-------------------------|-------------|--------------|
| Revenue | | | | | | | | | | |
| Indigenous Services Canada | \$ 177,157 | \$ 89,542 | \$ 121,961 | \$ 71,593 | \$ 192,894 | \$ - | \$ - | \$ 15,000 | \$ - | \$ 668,147 |
| Other government | 790,963 | - | 136,860 | 30,000 | - | 345,000 | - | 100,000 | - | 1,402,822 |
| Economic activities and other | 649,678 | 52,604 | 1,000 | 1,186,993 | - | 454,919 | 1,997,461 | 941 | 133,167 | 4,476,764 |
| | 1,617,798 | 142,146 | 259,821 | 1,288,586 | 192,894 | 799,919 | 1,997,461 | 115,941 | 133,167 | 6,547,733 |
| Expenses | | | | | | | | | | |
| Amortization | 94,330 | - | - | - | - | - | 416,398 | - | 78,864 | 589,592 |
| Operating expenses | 383,830 | 17,277 | 1,447 | 137,753 | 22,000 | 20,210 | 130,775 | 41,650 | 27,595 | 782,538 |
| Salaries, wages and benefits | 260,881 | 33,478 | 111,242 | 222,556 | 39,333 | 380,537 | 790,822 | - | 2,151 | 1,840,998 |
| Program and services delivery expenses | 120,886 | 84,890 | 67,248 | 224,325 | 24,270 | 157,933 | 874,446 | 5,463 | 40,273 | 1,599,734 |
| | 859,927 | 135,645 | 179,937 | 584,634 | 85,602 | 558,680 | 2,212,442 | 47,113 | 148,881 | 4,812,862 |
| Annual surplus (deficit) | \$ 757,871 | \$ 6,501 | \$ 79,884 | \$ 703,952 | \$ 107,292 | \$ 241,240 | \$ (214,981) | \$ 68,828 | \$ (15,715) | \$ 1,734,871 |

| | Band Administration | Education | Social Assistance | Health | Capital and Maintenance | Natural Resources | Logging | Economic Development | Housing | 2019 |
|--|------------------------|-------------|-------------------|------------|----------------------------|----------------------|-----------|-------------------------|-----------|--------------|
| Revenue | | | | | | | | | | |
| Indigenous Services Canada | \$ 284,920 | \$ 109,985 | \$ 98,565 | \$ 71,551 | \$ 29,789 | \$ - | \$ - | \$ 10,000 | \$ - | \$ 604,810 |
| Other government | 416,520 | - | 165,498 | 25,698 | - | 48,500 | - | - | - | 656,216 |
| Economic activities and other | 1,138,722 | 38,175 | 15,000 | 467,422 | - | 448,228 | 1,831,575 | - | 145,206 | 4,084,328 |
| | 1,840,162 | 148,160 | 279,063 | 564,671 | 29,789 | 496,728 | 1,831,575 | 10,000 | 145,206 | 5,345,354 |
| Expenses | | | | | | | | | | |
| Amortization | 90,094 | - | - | - | - | - | 465,753 | - | 54,593 | 610,440 |
| Operating expenses | 329,502 | 26,990 | 11,502 | 146,939 | 19,003 | 94,477 | 212,905 | 2,000 | 32,104 | 875,421 |
| Salaries, wages and benefits | 203,211 | 33,150 | 95,420 | 103,854 | 30,822 | 180,962 | 550,766 | 8,000 | - | 1,206,185 |
| Program and services delivery expenses | 188,324 | 104,535 | 55,341 | 139,155 | 14,797 | 334,948 | 553,932 | - | 42,766 | 1,433,798 |
| | 811,131 | 164,674 | 162,263 | 389,948 | 64,622 | 610,387 | 1,783,356 | 10,000 | 129,463 | 4,125,844 |
| Annual surplus (deficit) | \$ 1,029,031 | \$ (16,515) | \$ 116,800 | \$ 174,723 | \$ (34,833) | \$ (113,659) | \$ 48,219 | \$ - | \$ 15,743 | \$ 1,219,510 |