

TS'UUBAA-ASATX (LAKE COWICHAN FIRST NATION)
Consolidated Financial Statements
Year Ended March 31, 2020

TS'UUBAA-ASATX
(LAKE COWICHAN FIRST NATION)
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March 31, 2020

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Ts'uubaa-asatx (Lake Cowichan First Nation) are the responsibility of management and have been approved by the 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.

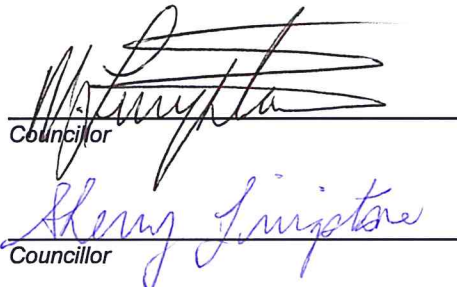
The Ts'uubaa-asatx (Lake Cowichan First Nation) is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for the appointment of the Nation's external auditors.

Lee & Company, an independent firm of Chartered Professional Accountants, is appointed by Council on behalf of 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 with, both the Council and management to discuss their audit findings.

On behalf of Ts'uubaa-asatx (Lake Cowichan First Nation):

Chief Councillor


Councillor


Councillor

January 19, 2021



INDEPENDENT AUDITOR'S REPORT

To the Members of Ts'uubaa-asatx (Lake Cowichan First Nation)

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ts'uubaa-asatx (Lake Cowichan First Nation) (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, 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 consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *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 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.

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Independent Auditor's Report to the Members of Ts'uubaa-asatx (Lake Cowichan First Nation)
(continued)

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.

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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the consolidated financial statements in accordance with Canadian Accounting Standards for Not-for-profit Organizations have been applied on a basis consistent with that of the preceding year.

Lee & Company

TS'UUBAA-ASATX (LAKE COWICHAN FIRST NATION)
Consolidated Statement of Financial Position
March 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 841,874	\$ 1,017,861
Short-term investments (Note 5)	1,007,996	400,000
Accounts receivable (Note 4)	161,108	188,908
Ottawa Trust Fund (Note 6)	2,060	1,981
Investments (Note 7)	5,130	5,000
	<u>2,018,168</u>	<u>1,613,750</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	165,219	323,868
Deferred revenue (Note 9)	871,695	617,675
Obligations under capital lease (Note 10)	-	6,061
Long term debt (Note 11)	369,927	418,534
	<u>1,406,841</u>	<u>1,366,138</u>
NET FINANCIAL ASSETS	<u>611,327</u>	<u>247,612</u>
NON-FINANCIAL ASSETS		
Inventory	-	-
Prepaid expenses	291,431	16,014
Tangible capital assets (Note 23)	2,456,782	2,395,202
	<u>2,748,213</u>	<u>2,411,216</u>
ACCUMULATED SURPLUS	<u>\$ 3,359,540</u>	<u>\$ 2,658,828</u>

CONTINGENT LIABILITY (Note 16)

ON BEHALF OF COUNCIL

Chief Councillor

Carole Livingston

Councillor

Mr. Lupton

Councillor

Sherry Lupton

Councillor

See notes to financial statements

LEE & COMPANY
CHARTERED PROFESSIONAL ACCOUNTANTS

TS'UUBAA-ASATX (LAKE COWICHAN FIRST NATION)
Consolidated Statement of Operations and Accumulated Surplus
Year Ended March 31, 2020

	Budget	2020	2019
REVENUES			
Federal funding - Indigenous Services Canada	\$ 737,183	\$ 621,728	\$ 790,221
Federal funding - Canada Mortgage and Housing Corporation	18,460	18,460	18,265
Federal funding - Other	429,483	825,264	226,429
Provincial funding	129,487	256,810	999,420
BC First Nations Gaming Limited Partnership	235,108	235,108	-
Ottawa Trust	-	79	91
Rent	57,002	50,316	39,924
Other	1,239,999	547,657	372,692
	<u>2,846,722</u>	<u>2,555,422</u>	<u>2,447,042</u>
EXPENSES			
Governance and administration	427,135	417,760	390,962
Social development	19,400	41,332	46,695
Health services	141,500	131,659	81,257
Education and training	127,910	78,409	179,468
Public works	119,351	139,301	112,765
Lands and treaty	605,126	669,099	652,230
Economic development	315,644	202,031	94,278
Capital projects	153,500	10,979	-
Band housing	14,359	28,428	22,684
Social housing	93,960	135,712	153,324
	<u>2,017,885</u>	<u>1,854,710</u>	<u>1,733,663</u>
SURPLUS FROM OPERATIONS	828,837	700,712	713,379
Loss on disposal of property, plant and equipment	-	-	(2,980)
ANNUAL SURPLUS FOR THE YEAR	828,837	700,712	710,399
ACCUMULATED SURPLUS - BEGINNING OF YEAR	-	2,658,828	1,948,429
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 828,837</u>	<u>\$ 3,359,540</u>	<u>\$ 2,658,828</u>

See notes to financial statements

LEE & COMPANY
 CHARTERED PROFESSIONAL ACCOUNTANTS

TS'UUBAA-ASATX (LAKE COWICHAN FIRST NATION)
Consolidated Statement of Changes in Net Financial Assets
Year Ended March 31, 2020

	Budget 2020	2020	2019
ANNUAL SURPLUS	\$ 828,837	\$ 700,712	\$ 710,399
Amortization of tangible capital assets	18,000	174,040	116,714
Purchase of tangible capital assets	(260,000)	(262,270)	(476,620)
Proceeds on disposal of tangible capital assets	-	23,000	10,500
Loss on disposal of assets	-	3,650	2,980
Decrease (increase) in prepaid expenses	-	(275,417)	5,891
	(242,000)	(336,997)	(340,535)
INCREASE IN NET FINANCIAL ASSETS	586,837	363,715	369,864
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	-	247,612	(122,252)
NET FINANCIAL ASSETS - END OF YEAR	\$ 586,837	\$ 611,327	\$ 247,612

See notes to financial statements

TS'UUBAA-ASATX (LAKE COWICHAN FIRST NATION)
Consolidated Statement of Cash Flows
Year Ended March 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Annual surplus	\$ 700,712	\$ 710,399
Items not affecting cash:		
Amortization of property, plant and equipment	174,040	116,714
Loss on disposal of property, plant and equipment	3,650	2,980
	<u>878,402</u>	<u>830,093</u>
Changes in non-cash working capital:		
Accounts receivable	27,801	(122,921)
Accounts payable and accrued liabilities	(158,649)	121,045
Deferred revenue	254,020	274,848
Prepaid expenses	(275,417)	5,892
Ottawa Trust Fund	(79)	(91)
	<u>(152,324)</u>	<u>278,773</u>
Cash flow from operating activities	<u>726,078</u>	<u>1,108,866</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(262,270)	(476,620)
Proceeds on disposal of property, plant and equipment	23,000	10,500
Investments	(130)	-
Cash flow used by investing activities	<u>(239,400)</u>	<u>(466,120)</u>
FINANCING ACTIVITIES		
Proceeds from long term financing	-	41,620
Repayment of long term debt	(48,608)	(65,283)
Repayment of obligations under capital lease	(6,061)	(10,140)
Cash flow used by financing activities	<u>(54,669)</u>	<u>(33,803)</u>
INCREASE IN CASH FLOW	432,009	608,943
Cash - beginning of year	<u>1,417,861</u>	<u>808,918</u>
CASH - END OF YEAR	\$ 1,849,870	\$ 1,417,861
CASH CONSISTS OF:		
Cash and cash equivalents	\$ 841,874	\$ 1,017,861
Short-term investments	<u>1,007,996</u>	<u>400,000</u>
	<u>\$ 1,849,870</u>	<u>\$ 1,417,861</u>

The accompanying notes are an integral part of these financial statements.

See notes to financial statements

LEE & COMPANY
 CHARTERED PROFESSIONAL ACCOUNTANTS

TS'UUBAA-ASATX (LAKE COWICHAN FIRST NATION)
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

1. NATURE OF OPERATIONS

Ts'uubaa-asatx (Lake Cowichan First Nation) (the "First Nation") is located in the province of British Columbia, and its principal purpose is to provide for the well-being of its band member. The First Nation operates under the Indian Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity and Principles of Financial Reporting

These financial statements consolidate the assets, liabilities and results of operations for the following entities, which use accounting principles, which lend themselves to consolidation:

- Ts'uubaa-asatx (Lake Cowichan First Nation) Government Administration
- Ts'uubaa-asatx (Lake Cowichan First Nation) Trusts Fund
- CMHC Housing Program

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

Incorporated business entities, which are owned or controlled by Ts'uubaa-asatx (Lake Cowichan First Nation) and which are dependent on the First Nation for their continuing operations, are consolidated in the consolidated financial statements. These include:

- Ts'uubaa-asatx Development Corporation - inactive

Incorporated business entities, which are owned or controlled by Ts'uubaa-asatx (Lake Cowichan First Nation) and which are not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method.

Investments in non-controlled entities and subject to significant influence are included in the consolidated financial statements using the modified equity method.

Investments in non-controlled entities and not subject to significant influence are recorded at cost. These include:

- Hul'q'humi'num Fisheries Limited Partnership
- BC First Nations Gaming General Partner Inc.
- BC First Nations Gaming Limited Partnership

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.

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TS'UUBAA-ASATX (LAKE COWICHAN FIRST NATION)
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Short-term Investments

Short-term investments include guaranteed investment certificates maturing at various times during the next fiscal year. These investments are recorded at cost.

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 Ts'uubaa-asatx's (Lake Cowichan First Nation) incremental cost of borrowing.

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

Buildings	10-20 years
Infrastructure	10-20 years
Computer equipment	3 years
Equipment	3-5 years
Motor vehicles	5 years
Boats	3 years
Equipment under capital lease	3 years
Construction in progress	nil years

Tangible capital assets are written down when conditions indicate that they no longer contribute to Ts'uubaa-asatx's (Lake Cowichan First Nation) 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.

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TS'UUBAA-ASATX (LAKE COWICHAN FIRST NATION)
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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.

Measurement Uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates..

3. CASH AND CASH EQUIVALENTS

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Ts'uubaa-asatx (Lake Cowichan First Nation) must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement and Operating Fund.

Cash and cash equivalents is comprised of the following:

	<u>2020</u>	<u>2019</u>
Unrestricted - Operating	\$ 777,315	\$ 965,682
Internally restricted	64,559	52,179
Restricted - CMHC	-	-
	<u>\$ 841,874</u>	<u>\$ 1,017,861</u>

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TS'UUBAA-ASATX (LAKE COWICHAN FIRST NATION)
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

3. CASH AND CASH EQUIVALENTS *(continued)*

Cash - Internally Restricted

During the year, Ts'uubaa-asatx (Lake Cowichan First Nation) Administration has decided to distribute funds to its members. For those members who were under the age of 18 at the date of the distribution, these monies are held in trust until such time as the member reaches the age of 18. These monies will be distributed to the members as they achieve the age of 18 at the principal amount plus interest calculated at the bank rate. The commitment is estimated to be \$64,559 for 2020 (\$52,179 for 2019).

4. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
<u>Federal government</u>		
Indigenous Services Canada	\$ 9,213	\$ 67,723
Other government organizations	64,797	63,632
Canada Mortgage and Housing Corporation	1,538	1,538
	<u>75,548</u>	<u>132,893</u>
<u>Members</u>		
Rent	3,650	8,798
Social housing	1,500	538
	<u>5,150</u>	<u>9,336</u>
Other	80,410	46,679
	<u>\$ 161,108</u>	<u>\$ 188,908</u>

5. SHORT TERM INVESTMENTS

	<u>2020</u>	<u>2019</u>
Island Savings Guaranteed Investment Certificate - Interest paid at maturity 0.35%, maturing on March 22, 2021.	\$ 407,996	\$ 400,000
Island Savings Guaranteed Investment Certificate - Interest paid at maturity 3.20%, maturing on May 8, 2020.	600,000	-
	<u>\$ 1,007,996</u>	<u>\$ 400,000</u>

TS'UUBAA-ASATX (LAKE COWICHAN FIRST NATION)
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

6. 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.

	March 31, 2019	Additions	Withdrawals	March 31, 2020
Revenue	\$ 116	\$ 79	\$ -	\$ 195
Capital	1,865	-	-	1,865
	<u>\$ 1,981</u>	<u>\$ 79</u>	<u>\$ -</u>	<u>\$ 2,060</u>

7. INVESTMENTS

	2020	2019
Hul'qumi'num Fisheries Limited Partnership (HFLP)	\$ 5,020	\$ 5,000
BC First Nations Gaming Revenue General Partner inc. (BCFN GR GP)	10	-
BC First Nations Gaming Revenue Limited Partnership (BCFN GR LP)	100	-
	<u>\$ 5,130</u>	<u>\$ 5,000</u>

Ts'uubaa'asatx holds 20% limited partnership interest in HFLP and is recorded at cost as Ts'uubaa'asatx does not control or jointly control HFLP's operations or assets. Ts'uubaa'asatx records earnings from its investment in HFLP based on cash distributions of limited partnership earnings received. Ts'uubaa'asatx's investment consists of its initial cost of \$20 and an investment of \$5,000, by way of a partnership contribution in HFLP. During the year, Ts'uubaa'asatx received \$5,000 distributions from HFLP (2019 - \$5,000).

Ts'uubaa'asatx's investment in BCFN GR GP consists in a share in the capital of the General Partner by way of \$10 capital contribution. As Ts'uubaa'asatx, through its investments, does not control or jointly control BCFN GR GP, the investment has been recorded using the cost method.

Ts'uubaa'asatx's investment in BCFN GR LP subscribes for an interest in the Partnership, by way of a \$100 capital contribution. As Ts'uubaa'asatx, through its investment, does not control or jointly control BCFN GR LP, the investment has been recorded using the cost method.

TS'UUBAA-ASATX (LAKE COWICHAN FIRST NATION)
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2020</u>	<u>2019</u>
Trade payables	\$ 153,190	\$ 270,972
Accrued salaries and benefits payable	7,403	14,242
Canada Revenue Agency - Source deductions	3,053	2,181
Other accrued liabilities	1,573	36,473
	<u>\$ 165,219</u>	<u>\$ 323,868</u>

9. DEFERRED REVENUE

The changes in the deferred contributions balance for the year are as follows:

	Balance March 31, 2019	Funding Received 2020	Revenue Recognized 2020	Balance March 31, 2020
Indigenous Services Canada	\$ 279,070	\$ 428,481	\$ (314,019)	\$ 393,532
First Nations Health Authority	279,565	-	(101,402)	178,163
Province of BC	59,040	300,000	(59,040)	300,000
	<u>\$ 617,675</u>	<u>\$ 728,481</u>	<u>\$ (474,461)</u>	<u>\$ 871,695</u>

10. OBLIGATIONS UNDER CAPITAL LEASE

	<u>2020</u>	<u>2019</u>
Capital lease obligation payable in equal monthly instalments of \$875 including interest at 3.086%, due October, 2019, secured by equipment under capital lease.	\$ -	\$ 6,061

Interest on capital lease in the amount of \$62 (2019 - \$357) was recorded in the statement of operations.

TS'UUBAA-ASATX (LAKE COWICHAN FIRST NATION)
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

11. LONG TERM DEBT

	<u>2020</u>	<u>2019</u>
All Nations Trust - mortgage repayable at \$2,138 per month including interest @ 2.21%, maturing February 1, 2024. Secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on three housing units.	\$ 307,339	\$ 325,997
Ford Credit Canada Ltd. - auto loan repayable at \$320 biweekly including interest at 0.49% per annum. Secured by vehicle, maturing October 10, 2023.	29,455	37,779
Tale'awtxw Aboriginal Capital Corporation loan, payments of \$769 per month including interest at 12.0% per annum, matures July 5, 2019, secured by a general security agreement.	-	4,958
Tale'awtxw Aboriginal Capital Corporation loan, payments of \$701 per month including interest at 8.0% per annum, matures February 15, 2022, secured by a general security agreement.	14,953	21,932
Tale'awtxw Aboriginal Capital Corporation loan, payments of \$433 per month including interest at 12.0% per annum, matures November 20, 2020, secured by a general security agreement.	7,138	13,103
Tale'awtxw Aboriginal Capital Corporation loan, payments of \$395 per month including interest at 8.0% per annum, matures Septemebr 20, 2022, secured by a general security agreement.	11,042	14,765
	<u>\$ 369,927</u>	<u>\$ 418,534</u>

Principal repayment terms are approximately:

2021	\$ 43,627
2022	42,067
2023	30,972
2024	24,862
2025	20,846
Thereafter	207,553
	<u>\$ 369,927</u>

Interest expense for the year on long-term debt - \$10,759 (2020), \$14,269 (2019).

TS'UUBAA-ASATX (LAKE COWICHAN FIRST NATION)
Notes to Consolidated Financial Statements
Year Ended March 31, 2020

12. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2020	2019
Amortization	\$ 174,040	\$ 116,714
Bad debts	-	4,433
Contract services	54,905	82,627
Debt servicing and interest	11,977	15,849
Education and training	14,963	14,326
Honoraria and distributions	95,614	57,808
Insurance	32,664	24,642
Materials, equipment and repairs	314,288	530,729
Office and other	19,617	21,989
Professional fees	713,212	461,851
Social assistance	22,290	12,490
Travel	32,704	56,468
Wages and benefits	337,543	307,365
Utilities	30,893	26,372
	\$ 1,854,710	\$ 1,733,663

13. ACCUMULATED SURPLUS (DEFICIT)

	Operating	Trust	CMHC Housing	2020	2019
Accumulated Surplus (Deficit), at the beginning of year	\$ 2,803,850	\$ 1,981	\$ (147,003)	\$ 2,658,828	\$ 1,948,429
Annual Surplus (Deficit)	785,269	79	(84,636)	700,712	710,399
Transfers	(35,108)	-	35,108	-	-
Accumulated Surplus (Deficit), at the end of year	\$ 3,554,011	\$ 2,060	\$ (196,531)	\$ 3,359,540	\$ 2,658,828

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14. ANNUAL SURPLUS NET OF CAPITAL RELATED REVENUES AND AMORTIZATION

	<u>2020</u>	<u>2019</u>
Annual surplus (deficit)	\$ 700,712	\$ 710,399
<u>Less capital related revenues included in annual surplus:</u>		
Federal government transfers for capital	(72,000)	(332,158)
Other funding agency transfers for capital	(54,457)	-
	<u>574,255</u>	<u>378,241</u>
Add amortization expense included in annual surplus	<u>174,040</u>	<u>116,714</u>
Annual surplus (deficit) net of capital related revenues and amortization	<u>\$ 748,295</u>	<u>\$ 494,955</u>

15. TREATY NEGOTIATIONS

Treaty negotiations for Ts'uubaa-asatx (Lake Cowichan First Nation) are being carried on by the Hul'qumi'num Treaty Group. As at March 31, 2020, the Treaty Group is responsible to repay in excess of \$36,116,188 to the Federal Government for advances made under the treaty process.

16. CONTINGENT LIABILITY

The First Nation has the following contingent liabilities

- a) The First Nation has a contingent liability of \$307,339 for various on-reserve housing loan guarantees.
- b) The First Nation entered into forgivable loan agreements with CMHC for the On-Reserve Residential Rehabilitation Assistance Program (RRAP). These loans are forgivable over three to four years if the First Nation comply with the terms and conditions of the RRAP loans. The loans become payable with interest rates varying between 3.125% to 3.750% should the First Nation fail to comply.

17. ECONOMIC DEPENDENCE

The First Nation receives a majority portion of its revenue pursuant to a funding arrangement with Indigenous Services Canada.

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18. SEGMENTS

Ts'uubaa-asatx (Lake Cowichan First Nation) provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations.

Governance and administration - Includes government activities of Chief and Council and band support and membership. It oversees the delivery of all government services including ensuring that adequate policies and procedures are in place to safeguard assets and to properly report financial activities.

Social development - Contains activities that provide financial support or support by other means to the First Nation members that is aimed at developing both the individual as well as the community.

Health services - Contains activities that provide medical services to the First Nation members.

Education and training - Includes activities that provide education to the First Nation members for primary, secondary schooling and reimbursement of tuition costs and living and other allowances to students who are attending post-secondary institutions.

Public works - Contains all activities that relate to the maintenance of buildings, road, infrastructure, and land of the Ts'uubaa-asatx (Lake Cowichan First Nation).

Lands and treaty - Includes revenue and expenditures related to the negotiation of treaty and specific claims.

Economic development - Reports the economic development activities of the First Nation, including programs such as feasibility studies of future development and waterfront development.

Capital projects - Includes major capital projects and activities occurring in the First Nation during the year.

Band housing - Includes activities related to the provision of Band owned housing to the members of the Nation.

Social housing - Includes activities related to the provision of CMHC program housing to the members of the Nation.

TS'UUBAA-ASATX (LAKE COWICHAN FIRST NATION)
Notes to Consolidated Financial Statements
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19. FINANCIAL INSTRUMENTS

Ts'uubaa-asatx's (Lake Cowichan First Nation) financial instruments consist of cash, investments, accounts receivable, bank indebtedness, accounts payable and accruals, and long-term debt. It is management's opinion that the First Nation is not exposed to significant currency or credit risk arising from these financial instruments. The fair value of the instruments approximates their carrying values, unless otherwise noted.

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the First Nation manages exposure through its normal operating and financing activities. The First Nation is exposed to interest rate price risk on its loans with fixed interest rates and on its investment portfolio consisting partially of fixed income securities.

20. COVID-19

On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies. The First Nation has amended its operations in order to continue to deliver services during this pandemic. Management is actively monitoring the effect on its financial condition, liquidity, operations and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the First Nation is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

21. BUDGET FIGURES

The budget figures were not audited nor reviewed but compiled from information provided by First Nation management.

22. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

TS'UUBAA-ASATX (LAKE COWICHAN FIRST NATION)
Notes to Consolidated Financial Statements
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23. TANGIBLE CAPITAL ASSETS

	Buildings	Infrastructure	Computer Equipment	Equipment	Motor Vehicle	Boat	Equipment under Capital Lease	Construction in Progress	2020
Cost, beginning of year	\$ 840,226	\$ 1,034,900	\$ 7,483	\$ 91,877	\$ 137,365	\$ 18,212	\$ 20,334	\$ 823,127	\$ 2,973,524
Additions	52,893	88,929	-	-	120,448	-	-	-	262,270
Disposals	-	-	(7,483)	-	(53,300)	-	-	-	(60,783)
Transfers	-	823,127	20,334	-	-	-	(20,334)	(823,127)	-
Cost, end of year	893,119	1,946,956	20,334	91,877	204,513	18,212	-	-	3,175,011
Accumulated amortization, beginning of year	428,365	32,822	7,483	34,835	46,438	18,212	10,167	-	578,322
Amortization	43,888	79,452	4,067	17,775	28,858	-	-	-	174,040
Disposals	-	-	(7,483)	-	(26,650)	-	-	-	(34,133)
Transfers	-	-	10,167	-	-	-	(10,167)	-	-
Accumulated amortization, end of year	472,253	112,274	14,234	52,610	48,646	18,212	-	-	718,229
Net carrying amount, end of year	\$ 420,866	\$ 1,834,682	\$ 6,100	\$ 39,267	\$ 155,867	\$ -	\$ -	\$ -	\$ 2,456,782

TS'UUBAA-ASATX (LAKE COWICHAN FIRST NATION)
Notes to Consolidated Financial Statements
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23. TANGIBLE CAPITAL ASSETS (continued)

	Buildings	Infrastructure	Computer Equipment	Equipment	Motor Vehicle	Boat	Equipment under Capital Lease	Construction in Progress	2019
Cost, beginning of year	\$ 788,018	\$ 55,600	\$ 7,483	\$ 91,877	\$ 144,317	\$ 18,212	\$ 20,334	\$ 1,417,894	\$ 2,543,735
Additions	52,208	-	-	-	39,879	-	-	384,533	476,620
Disposals	-	-	-	-	(46,831)	-	-	-	(46,831)
Transfer from construction in progress	-	979,300	-	-	-	-	-	(979,300)	-
Cost, end of year	\$ 840,226	\$ 1,034,900	\$ 7,483	\$ 91,877	\$ 137,365	\$ 18,212	\$ 20,334	\$ 823,127	\$ 2,973,524
Accumulated amortization, beginning of year	\$ 389,732	\$ 2,780	\$ 7,483	\$ 17,059	\$ 56,305	\$ 18,212	\$ 3,389	\$ -	\$ 494,960
Amortization	38,633	30,042	-	17,776	23,485	-	6,778	-	116,714
Disposals	-	-	-	-	(33,352)	-	-	-	(33,352)
Accumulated amortization, end of year	\$ 428,365	\$ 32,822	\$ 7,483	\$ 34,835	\$ 46,438	\$ 18,212	\$ 10,167	\$ -	\$ 578,322
Net carrying amount, end of year	\$ 411,861	\$ 1,002,078	\$ -	\$ 57,042	\$ 90,927	\$ -	\$ 10,167	\$ 823,127	\$ 2,395,202

TS'UUBAA-ASATX
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24. SEGMENT DISCLOSURE

The segment results for the period are as follows:

	Governance and Administration		Social Development		Health Services		Education and Training		Public Works	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
REVENUES										
Federal funding - Indigenous Services Canada	177,947	271,145	46,878	34,205	-	-	20,495	61,116	47,389	13,408
Federal funding - Canada Mortgage and Housing Corporation	-	-	-	-	-	-	-	-	-	-
Federal funding - Other	68,352	25,000	-	-	547,643	123,949	52,587	69,623	-	-
Provincial funding	198,616	95,000	-	-	-	-	-	90,420	-	-
Ottawa Trust	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-	-
Other	129,100	23,650	-	-	636	10,621	-	-	-	-
	574,015	414,795	46,878	34,205	548,279	134,570	73,082	221,159	47,389	13,408
EXPENSES										
Amortization	36,884	36,442	-	-	-	-	-	-	79,451	24,482
Wages and benefits	80,189	49,004	6,000	28,778	38,590	24,267	8,097	44,207	-	-
Debt servicing	339	1,898	-	-	-	-	-	-	-	-
Materials, equipment and repairs	3,975	42,416	13,042	5,427	56,468	23,369	10,619	28,272	17,664	35,932
Professional fees	188,606	188,171	-	-	26,450	27,905	42,987	87,568	35,347	41,477
Other Expenses	107,767	73,033	22,290	12,490	10,151	5,716	16,706	19,421	6,839	10,874
	417,760	390,964	41,332	46,695	131,659	81,257	78,409	179,468	139,301	112,765
ANNUAL SURPLUS (DEFICIT)	156,255	23,831	5,546	(12,490)	416,620	53,313	(5,327)	41,691	(91,912)	(99,357)

TS'UUBAA-ASATX
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24. SEGMENT DISCLOSURE *(Continued)*

	Lands and Treaty		Economic Development		Capital Projects		Band Housing		Social Housing	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
REVENUES										
Federal funding - Indigenous Services Canada	314,019	68,189	15,000	10,000	-	332,158	-	-	-	-
Federal funding - Canada Mortgage and Housing Corporation	-	-	-	-	-	-	-	-	18,460	18,265
Federal funding - Other	156,682	7,857	-	-	-	-	-	-	-	-
Provincial funding	58,194	814,000	-	-	-	-	-	-	-	-
Ottawa Trust	79	91	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	17,700	13,500	32,616	26,424
Other	612,656	320,369	40,373	18,052	-	-	-	-	-	-
	1,141,630	1,210,506	55,373	28,052	-	332,158	17,700	13,500	51,076	44,689
EXPENSES										
Amortization	7,200	5,560	20,536	20,536	-	-	1,859	1,859	28,110	27,835
Wages and benefits	162,697	134,160	32,175	16,943	-	-	6,394	6,606	3,400	3,400
Debt servicing	-	-	4,673	6,955	-	-	-	-	6,965	6,996
Materials, equipment and repairs	140,457	361,344	30,357	8,486	-	-	12,020	1,795	29,685	20,688
Professional fees	300,144	81,330	107,698	33,531	10,979	-	-	869	1,000	1,000
Other Expenses	58,601	69,835	6,592	7,827	-	-	8,155	11,555	66,552	93,405
	669,099	652,229	202,031	94,278	10,979	-	28,428	22,684	135,712	153,324
ANNUAL SURPLUS (DEFICIT)	472,531	558,277	(146,658)	(66,226)	(10,979)	332,158	(10,728)	(9,184)	(84,636)	(108,635)