

HALALT FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2020

HALALT FIRST NATION
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March 31, 2020

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Halalt First Nation are the responsibility of management and have been approved by Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

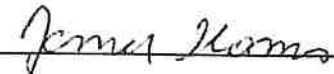
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Chief and Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and 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 consolidated financial statements and the external auditor's report.

The external auditors, Uvision Chartered Professional Accountants, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Halalt First Nation and meet when required.

On behalf of Halalt First Nation:

 Chief

 Councillor

Councillor

Councillor

September 01, 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HALALT FIRST NATION

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of HALALT FIRST NATION which comprise the consolidated statement of financial position as at March 31, 2020 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Qualified Opinion .

In our opinion, except for the 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 HALALT FIRST NATION as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Qualified Opinion

The First Nation operations has not maintained records and supporting documentation that is adequate to provide sufficient evidence regarding existence and completeness of accounts payable and accounts receivable. Consequently, we were not able to determine whether any adjustments might be necessary to accounts receivable, accounts payable, consolidated revenue and expenditures and operating surplus.

In addition, we were unable to obtain audited financial statements supporting the nation's investment in the two partnerships of Hul'q'umi'num Fisheries Limited Partnership and Halalt Logging Contracting Limited Partnership, and one incorporated business of 1241478 B.C. LTD.. We were unable to satisfy ourselves as to the carrying value of the investment in the two partnerships and one incorporated business or the equity in earnings by other auditing procedures.

We conducted our audit in accordance with Canadian Generally Accepted Accounting 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 qualified audit opinion.

Uvision

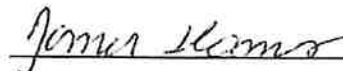
CHARTERED PROFESSIONAL ACCOUNTANTS

Victoria, BC
September 01, 2021

HALALT FIRST NATION
Consolidated Statement of Financial Position
March 31, 2020

| | 2020 | 2019 |
|---|------------------|------------------|
| FINANCIAL ASSETS | | |
| Cash (Note 2) | 1,916,018 | 2,146,337 |
| Ottawa Trust (Note 4) | 50,547 | 48,726 |
| Accounts receivable (Note 3) | 1,234,556 | 527,934 |
| Funds held in trust (Note 16) | 1,669,558 | - |
| Investments (Note 5) | 1,305,429 | 144,878 |
| | <u>6,176,108</u> | <u>2,867,875</u> |
| FINANCIAL LIABILITIES | | |
| Accounts payable (Note 6) | 353,144 | 795,252 |
| Deferred capital contributions (Note 7) | 1,698,881 | 1,793,263 |
| Deferred revenue (Note 8) | 1,669,558 | - |
| Long-term debts (Note 11) | 1,093,614 | 1,168,010 |
| | <u>4,815,197</u> | <u>3,756,525</u> |
| NET FINANCIAL ASSETS (NET DEBT) | <u>1,360,911</u> | <u>(888,650)</u> |
| NON-FINANCIAL ASSETS | | |
| Prepaid expenses | 5,494 | 15,774 |
| Tangible capital assets (Note 12) | 3,483,065 | 3,712,642 |
| | <u>3,488,559</u> | <u>3,728,416</u> |
| ACCUMULATED SURPLUS (DEFICIT) (Note 9) | <u>4,849,470</u> | <u>2,839,766</u> |
| Contingent liabilities (Note 15) | | |

Approved by Chief and Council

 Chief

 Councillor

____ Councillor

____ Councillor

HALALT FIRST NATION
Consolidated Statement of Operations
For the year ended March 31, 2020

| | Budget (unaudited) | 2020 | 2019 |
|---|-----------------------|-------------------------|------------------|
| REVENUE | | | |
| Federal - ISC | 1,255,436 | 2,524,446 | 3,042,494 |
| Federal - CMHC | 21,612 | 22,295 | 22,237 |
| Federal - DFO | 50,000 | 118,470 | 108,270 |
| Federal - Other | 90,000 | 100,777 | 138,431 |
| Provincial | 13,000 | 1,418,447 | 510,373 |
| Rental | 130,000 | 105,077 | 160,788 |
| Ottawa Trust | 1,400 | 1,821 | 1,045 |
| Interest | 4,000 | 42,110 | 19,870 |
| Sales - Shellfish | 200,000 | 169,540 | 146,039 |
| Other | 700,000 | 1,486,723 | 747,195 |
| | <u>2,465,448</u> | <u>5,989,706</u> | <u>4,896,742</u> |
| EXPENSES | | | |
| Band | 265,000 | 747,436 | 415,177 |
| Education and training | 510,000 | 636,992 | 615,414 |
| Public works | 80,000 | 527,634 | 229,536 |
| Social housing | 30,000 | 23,163 | 42,547 |
| Social services | 295,000 | 676,949 | 454,072 |
| Land management | 200,000 | 459,636 | 499,124 |
| Economic development | 800,000 | 678,616 | 902,437 |
| Depreciation | 250,000 | 229,576 | 239,125 |
| | <u>2,430,000</u> | <u>3,980,002</u> | <u>3,397,432</u> |
| ANNUAL SURPLUS (DEFICIT) | <u>35,448</u> | <u>2,009,704</u> | <u>1,499,310</u> |
| ACCUMULATED SURPLUS (DEFICIT), at beginning of year | | 2,839,766 | 1,340,456 |
| Adjustment | | <u>-</u> | <u>-</u> |
| ACCUMULATED SURPLUS (DEFICIT), at end of year (Note 9) | | <u>4,849,470</u> | <u>2,839,766</u> |

HALALT FIRST NATION
Consolidated Statement of Changes in Net Financial Assets (Net Debt)
For the year ended March 31, 2020

| | <i>Budget</i> | 2020 | 2019 |
|--|----------------|------------------|-------------|
| ANNUAL SURPLUS (DEFICIT) | 35,448 | 2,009,704 | 1,499,310 |
| Tangible capital assets | | | |
| Acquisition of tangible capital assets | - | - | - |
| Proceeds on disposal of tangible capital assets | - | - | - |
| Amortization of tangible capital assets | 250,000 | 229,576 | 239,125 |
| Write-downs on tangible capital assets | - | - | - |
| (Gain) loss on disposal of tangible capital assets | - | - | - |
| | 250,000 | 229,576 | 239,125 |
| Assets under construction | - | - | - |
| Acquisition of prepaid expense | - | (5,494) | (15,774) |
| Consumption of supplies inventories | - | - | - |
| Use of prepaid expense | - | 15,774 | - |
| | - | 10,280 | (15,774) |
| CHANGE IN NET FINANCIAL ASSETS (NET DEBT) | 285,448 | 2,249,561 | 1,722,662 |
| NET FINANCIAL ASSETS (NET DEBT), at beginning of year | | (888,650) | (2,611,312) |
| Transfers from Reserves | | - | - |
| NET FINANCIAL ASSETS (NET DEBT), at end of year | | 1,360,911 | (888,650) |

HALALT FIRST NATION
Consolidated Statement of Cash Flows
For the year ended March 31, 2020

| | 2020 | 2019 |
|--|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Annual surplus (deficit) | 2,009,704 | 1,499,310 |
| Items not affecting cash | | |
| Amortization of tangible capital assets | 229,576 | 239,125 |
| (Gain) loss on disposal of tangible capital assets | - | - |
| Change in non-cash charges to operations | | |
| Ottawa Trust | (1,821) | (1,045) |
| Accounts receivable | (706,623) | 215,095 |
| Funds held in trust | (1,669,558) | - |
| Prepaid expenses | 10,280 | (15,774) |
| Accounts payable | (442,108) | 177,187 |
| Deferred capital contributions | (94,382) | (94,382) |
| Deferred revenue | 1,669,558 | - |
| | <u>1,004,626</u> | <u>2,019,516</u> |
| CAPITAL TRANSACTIONS | | |
| Proceeds on disposal of tangible capital assets | - | - |
| Acquisition of tangible capital assets | - | - |
| Assets under construction | - | - |
| | <u>-</u> | <u>-</u> |
| INVESTING TRANSACTIONS | | |
| Long term Investments | (1,160,551) | (36,663) |
| FINANCING TRANSACTIONS | | |
| Mortgages payable | (74,396) | (74,940) |
| Transfers from Reserves | - | - |
| | <u>(74,396)</u> | <u>(74,940)</u> |
| INCREASE (DECREASE) IN CASH DURING YEAR | (230,321) | 1,907,913 |
| CASH, at beginning of year | <u>2,146,337</u> | <u>238,422</u> |
| CASH, at end of year | <u>1,916,018</u> | <u>2,146,337</u> |

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

b. 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:

- Halalt First Nation Government Administration
- Halalt 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 Halalt First Nation and which are dependent on the First Nation for their continuing operations, are consolidated in the consolidated financial statements.

Incorporated business entities, which are owned or controlled by Halalt 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 - 20% interest

c. 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.

d. Financial Instruments

The carrying amounts for accounts receivable, grants receivable and accounts payable and accrued liabilities approximate fair value because of the short-term nature of these instruments.

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e. Interests in partnerships

Interests in partnerships, except for business partnerships, are using the proportionate consolidation method. Business partnerships are accounted for by the modified equity method applied using the entity's share of the business.

f. 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. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|----------------|----------|
| Housing | 4% |
| Infrastructure | 4% |
| Social Housing | 20 years |
| Equipment | 30% |
| Boats | 20% |
| Vehicles | 15% |

In the year of acquisition, 50% of the normal amortization is recorded.

g. Reserve funds

Reserve funds represent the replacement and operating reserve funds required under the terms of the agreement with Canada Mortgage and Housing Corporation.

h. Revenue Recognition

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing that the transfers are authorized, all eligibility criteria have been met by the Nation, and reasonable estimates of the amounts can be made. Government transfers received for which the Nation has not met all eligibility requirements are recorded as deferred revenue. Government transfers include financial transfer agreement payments, band trust revenue payments, contribution arrangements, and other federal and provincial grants.

Grant revenue is recognized in the financial statements as the related expenditures are incurred and when the terms and conditions of the funding are satisfied. Other income is recorded as revenue when earned.

i. Use of Estimates

The preparation of 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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumption used in estimating provisions for accrued liabilities and estimating the useful lives of tangible capital assets. Actual results could differ from those estimates.

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2020

2. CASH AND CASH EQUIVALENTS

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Halalt 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 | 1,830,141 | 2,062,148 |
| Restricted - CMHC Phases 3 & 5 | 85,877 | 84,189 |
| Restricted - CMHC Phases I-III | - | - |
| | <u>1,916,018</u> | <u>2,146,337</u> |

3. ACCOUNTS RECEIVABLE

| | <u>2020</u> | <u>2019</u> |
|---|------------------|----------------|
| Federal government | | |
| Indigenous Services Canada | 768,734 | 54,185 |
| Other government organizations | 193,002 | 135,699 |
| Goods and services tax | 11,922 | 8,951 |
| Canada Mortgage and Housing Corporation | 32,260 | 13,005 |
| | <u>1,005,918</u> | <u>211,840</u> |
| Members | <u>-</u> | <u>122,893</u> |
| Other | <u>228,638</u> | <u>193,201</u> |
| | <u>1,234,556</u> | <u>527,934</u> |

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2020

4. OTTAWA TRUST FUNDS

| | March 31, 2019 | Additions | Withdrawals | March 31, 2020 |
|---------|-------------------|--------------|-------------|-------------------|
| Capital | 24,664 | - | - | 24,664 |
| Revenue | 24,062 | 1,821 | - | 25,883 |
| | 48,726 | 1,821 | - | 50,547 |

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.

5. INVESTMENT AND ADVANCES

| | 2020 | 2019 |
|--|------------------|---------|
| Hul'q'umi'num Fisheries Limited Partnership - 20% interest | 5,000 | 5,000 |
| Halalt Logging Contracting LP - Advance | 168,299 | 139,878 |
| 1241478 BC LTD - 100% owned | 1,132,130 | - |
| | 1,305,429 | 144,878 |

The Halalt Logging Contracting Limited Partnership was set up on April 5, 2017 for the development of truck log hauling located on reserve.

The First Nation owns 99% of the Limited Partnership as a Limited Partner and HLC General Partner LTD., a wholly owned government business enterprise, owns 1% of the Limited Partnership as a General Partner.

The 1241478 B.C. Ltd. was incorporated on February 20, 2020 to purchase and hold the title of lands and buildings.

The financial information of the Limited Partnership and the Incorporation is not available as of the date of this report.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2020 | 2019 |
|---------------------------------------|----------------|---------|
| Trades payable | 302,737 | 756,541 |
| Accrued salaries and benefits payable | 19,503 | 662 |
| Indigenous Services Canada | - | - |
| Other accrued liabilities | 30,904 | 38,049 |
| | 353,144 | 795,252 |

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2020

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent government contributions which were provided to assist in the purchase or construction of tangible capital assets.

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 |
|--|------------------------------|-----------------------------|-------------------------------|------------------------------|
| INAC - Capital Project #8444 Community Waterworks System | 1,793,263 | - | 94,382 | 1,698,881 |

8. DEFERRED REVENUE

Deferred revenue by program is detailed as follows:

| | 2020 | 2019 |
|---|-----------|------|
| Ministry of Indigenous Relations and Reconciliation | 1,669,558 | - |
| | 1,669,558 | - |

9. ACCUMULATED SURPLUS (DEFICIT)

| | Operating | Trust | Housing | 2020 Total | 2019 |
|---|-----------|--------|---------|---------------|-----------|
| Accumulated Surplus (Deficit), at the beginning of year | 2,442,235 | 48,726 | 357,013 | 2,839,766 | 1,340,456 |
| Annual Surplus (Deficit) | 2,007,906 | 1,821 | (24) | 2,009,704 | 1,499,310 |
| Adjustments | - | - | - | - | - |
| Accumulated Surplus (Deficit), at the end of year | 4,450,141 | 50,547 | 356,989 | 4,849,470 | 2,839,766 |

10. TREATY NEGOTIATIONS

Treaty negotiations for Halalt First Nation are being carried on by the Hul'qumi'num Treaty Group. Budget 2019 from the Federal Government is committed to forgive all outstanding loans and to reimburse Indigenous governments that have already repaid these loans. As at March 31, 2020, the Treaty Group loan balance is \$0 (\$36,116,188 in 2019) to the Federal Government for advances made under the treaty process.

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2020

11. LONG TERM DEBT

| | <u>2020</u> | <u>2019</u> |
|---|-------------------------|-------------------------|
| All Nations Trust - mortgage repayable at \$777 per month including interest @ 2.39% per annum, maturing January 1, 2028. Secured by a ministerial guarantee from Indigenous & Northern Affairs Canada and a first mortgage on Phase I housing units. | 66,615 | 74,256 |
| All Nations Trust - mortgage repayable at \$508 per month including interest @ 2.5%, maturing June 1, 2033. Secured by a ministerial guarantee from Indigenous & Northern Affairs Canada and a first mortgage on Phase II housing units. | 68,751 | 73,074 |
| All Nations Trust - mortgage repayable at \$1,055 per month including interest @ 1.04% per annum, maturing October 1, 2035. Secured by a ministerial guarantee from Indigenous & Northern Affairs Canada and a first mortgage on Phase III housing units. | 182,052 | 192,755 |
| CMHC - mortgage repayable at \$2,025 per month including interest @ 1.85%, the mortgage was paid off. | - | 10,077 |
| CMHC - mortgage repayable at \$231 per month including interest @ 1.08%, the mortgage was paid off. | - | 2,760 |
| Bank of Montreal - mortgage repayable at \$6,835 per month including interest @ 5.4%, maturing June 30, 2053. Secured by Guarantee for On-Reserve Housing Loan Program (ORHLP). | 776,196 | 815,088 |
| | <u>1,093,614</u> | <u>1,168,010</u> |

Anticipated annual principal repayments over the next five years and thereafter are as follows:

| | |
|------------|---------|
| 2021 | 76,000 |
| 2022 | 78,000 |
| 2023 | 80,000 |
| 2024 | 82,000 |
| 2025 | 84,000 |
| Thereafter | 693,614 |

| | <u>2020</u> | <u>2019</u> |
|---|---------------|-------------|
| Interest expense for the year on long-term debt | 51,803 | 64,895 |

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2020

12. TANGIBLE CAPITAL ASSETS

| | Housing | Social Housing | Infra- structure | Equipment | Boats | Vehicle | 2020 Total | 2019 Total |
|---------------------------------|---------|-------------------|---------------------|-----------|-------|---------|---------------|---------------|
| Cost | | | | | | | | |
| Opening Balance | 108,161 | 1,259,116 | 4,237,529 | 125,640 | - | 57,000 | 5,787,446 | 5,787,446 |
| Additions | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Write-downs | - | - | - | - | - | - | - | - |
| Closing balance | 108,161 | 1,259,116 | 4,237,529 | 125,640 | - | 57,000 | 5,787,446 | 5,787,446 |
| Accumulated Amortization | | | | | | | | |
| Opening Balance | 82,332 | 650,609 | 1,175,604 | 114,706 | - | 51,554 | 2,074,805 | 1,835,679 |
| Amortization | 5,408 | 62,956 | 157,936 | 2,187 | - | 1,089 | 229,576 | 239,125 |
| Additions | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Closing balance | 87,740 | 713,565 | 1,333,540 | 116,893 | - | 52,643 | 2,304,381 | 2,074,804 |
| Net book value | 20,421 | 545,551 | 2,903,989 | 8,747 | - | 4,357 | 3,483,065 | 3,712,642 |

The Chemainus River flooding in February 2020 caused negative impacts to Halalt First Nation, including damages to various properties. Halalt First Nation worked closely with the insurance company towards retoration of the impaired assets. The impairment was not recorded for the year because insurance proceeds and other financial aids from local government were received. The impaired assets were brought back to use, as of the date of the financial statements. (Note 19)

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2020

13. SEGMENT DISCLOSURE

Halalt First Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by function. For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the period are as follows:

| | Band | | Education & Training | | Public Works | | Social Housing | |
|-----------------------------------|------------------|-------------|---------------------------------|-------------|---------------------|-------------|-----------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| REVENUES | | | | | | | | |
| Indigenous Services Canada | 405,662 | 357,963 | 441,129 | 543,278 | 1,345,905 | 122,777 | - | - |
| Rental | 37,016 | 54,377 | - | - | - | - | 68,061 | 102,852 |
| Other | 1,195,852 | 566,638 | 1,082,493 | 488,672 | 50,120 | 11,072 | 22,294 | 22,237 |
| | 1,638,530 | 978,978 | 1,523,622 | 1,031,950 | 1,396,025 | 133,849 | 90,355 | 125,089 |
| EXPENSES | | | | | | | | |
| Salaries and benefits | 163,442 | 108,274 | 130,064 | 99,416 | 25,285 | 18,579 | - | - |
| Consultants and Professional fees | 154,130 | 50,077 | 142,460 | 65,364 | 304,589 | 152,157 | 5,000 | 5,000 |
| Debt servicing | 46,205 | 58,077 | - | - | - | - | 5,423 | 6,091 |
| Amortization | - | - | - | - | - | - | 62,956 | 62,956 |
| Other | 333,483 | 100,360 | 830,265 | 693,934 | 338,954 | 69,822 | 12,740 | 31,456 |
| | 697,260 | 316,788 | 1,102,789 | 858,714 | 668,828 | 240,558 | 86,119 | 105,503 |
| ANNUAL SURPLUS (DEFICIT) | 941,270 | 662,190 | 420,833 | 173,236 | 727,197 | (106,709) | 4,236 | 19,586 |

HALALT FIRST NATION

Notes to Consolidated Financial Statements

For the year ended March 31, 2020

13. SEGMENT DISCLOSURE (Continued)

| | Capital Projects | | Social Services | | Land Management | | Economic Development | |
|-----------------------------------|------------------|------|-----------------|---------|-----------------|-----------|----------------------|-----------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| REVENUES | | | | | | | | |
| Indigenous Services Canada | - | - | 331,750 | 442,675 | - | 1,575,801 | - | - |
| Rental | - | - | - | - | - | - | - | 3,559 |
| Other | - | - | 26,878 | - | 200,103 | 200,103 | 782,443 | 404,737 |
| | - | - | 358,628 | 442,675 | 200,103 | 1,775,904 | 782,443 | 408,296 |
| EXPENSES | | | | | | | | |
| Salaries and benefits | - | - | 84,958 | 38,996 | 39,072 | 57,261 | 43,847 | 50,448 |
| Consultants and Professional fees | - | - | 5,761 | 40,180 | 136,773 | 226,419 | 252,558 | 264,483 |
| Debt servicing | - | - | - | - | - | 323 | 175 | 404 |
| Amortization | - | - | - | - | - | - | 166,620 | 176,169 |
| Other | - | - | 251,111 | 214,180 | 121,984 | 147,039 | 322,147 | 659,966 |
| | - | - | 341,830 | 293,356 | 297,829 | 431,042 | 785,347 | 1,151,470 |
| ANNUAL SURPLUS (DEFICIT) | - | - | 16,798 | 149,319 | (97,726) | 1,344,862 | (2,904) | (743,174) |

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2020

14. EXPENSES BY OBJECT

The following is a summary of expenses by object.

| | 2020 | 2019 |
|---------------------------|------------------|-------------|
| Consultants | 806,601 | 581,776 |
| Depreciation | 229,576 | 239,125 |
| Government transfer | 695,237 | 658,780 |
| Interest and bank charges | 51,803 | 64,895 |
| Materials and supplies | 269,547 | 181,164 |
| Professional fees | 194,670 | 221,904 |
| Wages and benefits | 486,668 | 372,974 |
| Other | 1,245,900 | 1,076,814 |
| | 3,980,002 | 3,397,432 |

15. CONTINGENT LIABILITY

Halalt First Nation has a contingent liability of \$573,487 for various on-reserve housing loan guarantees.

16. GOVERNMENT TRANSFER

Halalt First Nation received funding of \$2,749,000 as per the Executed Incremental Treaty Agreement dated February 20, 2020, on completion of the purchase of the following property:

- 8377 CHEMAUINUS ROAD, CHEMAINUS, BC V0R 1K5
- 8397 CHEMAUINUS ROAD, CHEMAINUS, BC V0R 1K5
- 8421 CHEMAUINUS ROAD, CHEMAINUS, BC V0R 1K5

As of March 31, 2020, Halalt First Nation has purchased property 8377 CHEMAUINUS ROAD and the remaining balance of funds are to be held in Trust for the purchase of another property until December 31, 2020 otherwise returned to Her Majesty the Queen in Right of the Province of British Columbia represented by the Deputy Minister for the Ministry of Indigenous Relations and Reconciliation.

17. ECONOMIC DEPENDENCE

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

18. BUDGET FIGURES

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

19. SUBSEQUENT EVENTS

The Band evaluated its March 31, 2020 financial statements for subsequent events to the date the financial statements were issued. As of this date, the global outbreak of the coronavirus disease (COVID-19) has caused economic uncertainties that are likely to have a material impact on the annual surplus of the Band and a material negative impact on the Government Business Partnerships of the Band for the year ending March 31, 2020.

The extent that the effects of COVID-19 may have on the Band and its operations for the year ending March 31, 2020 cannot be determined at this time.

The Band received insurance proceed due to the Chemainus River flooding occurred in February 2020, after the fiscal year of 2021.

The Band also received financial aid from the Disaster Financial Assistance of the provincial government after the fiscal year of 2021.

20. COMPARATIVE FIGURES

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