

Tk’emlúps te Secwépemc
Consolidated Financial Statements
For the year ended March 31, 2020

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Tk’emlups te Secwépemc (the “Group”) are the responsibility of management and have been approved by the Chief and another Band Councilor of the Band Council.

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

The Tk’emlups te Secwépemc maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Group’s assets are appropriately accounted for and adequately safeguarded.

The Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. Council carries out this responsibility principally through its Finance review meetings.

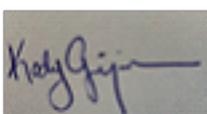
The Chief and Council review the Group’s consolidated financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor’s report. The Chief and Council take this information into consideration when approving the consolidated financial statements for issuance to the Members. The Chief and Council also appoint the engagement of the external auditors.

The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP has full access to the Band Council.



Chief Councilor

Band Administrator



Independent Auditor's Report

**To the Chief and Council of
Tk'emlups te Secwépemc**

Qualified Opinion

We have audited the consolidated financial statements of Tk'emlups te Secwépemc and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of changes in net financial assets, operations 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 effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at March 31, 2020 and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

As noted in the Summary of Significant Accounting Policies regarding tangible capital assets, the Social Housing tangible capital assets are required by Canada Mortgage and Housing Corporation to be amortized at a rate equivalent to the annual principal reduction of the related long term debt. This amortization policy is not in accordance with Canadian public sector accounting standards, which require that tangible capital assets be amortized over their estimated useful lives. The effect of this departure has not been determined on the net book value of tangible capital assets as at March 31, 2020 and 2019, the related amortization expense and annual surplus for the year ended March 31, 2020 and 2019 and equity in tangible capital assets as at April 1 and March 31 for both the 2020 and 2019 years.

Certain Government Business Enterprises have been prepared using the alternative accounting framework of Accounting Standards for Private Enterprises (ASPE) rather than International Financial Reporting Standards (IFRS). Other Government Business Enterprises have not been prepared in accordance with an accounting framework. We have not been engaged to audit the differences that arise using the alternative accounting framework of ASPE versus IFRS. The effects of this departure have not been determined; therefore, we are unable to determine whether adjustments to the Investment in Government Business Enterprises are appropriate as at March 31, 2020 and 2019, revenue and annual surplus (deficit) for the year ended March 31, 2020 and 2019, and accumulated surplus as at April 1 and March 31 for both the 2020 and 2019 years.

Our audit opinion on the consolidated financial statements for the year ended March 31, 2020 was modified for the above matters.

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 Group 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 audit opinion.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 20 to the consolidated financial statements, which explains that certain comparative information presented for the year ended March 31, 2019 has been restated. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of these 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's 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.

BDO Canada LLP

Chartered Professional Accountants

Kamloops, British Columbia

February 17, 2021

Tk’emlùps te Secwépemc
Exhibit A - Consolidated Statement of Financial Position

<u>As at March 31</u>	<u>2020</u>	<u>2019</u>
		(Restated)
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 33,822,370	\$ 29,055,196
Funded reserves (Note 4)	575,770	371,640
Ottawa trust funds (Note 5)	67,606	63,497
Temporary investments (Note 8)	1,192,457	1,173,683
Accounts receivable (Note 6)	3,553,190	3,964,994
Property taxes receivable	1,969,609	1,498,836
Inventories held for resale	-	203,413
Investment in partnerships (Note 9)	4,458,267	3,788,758
Advances to related entities (Note 10)	1,853,287	11,521,015
Investment in government business (Note 11)	<u>6,549,231</u>	<u>1,253,535</u>
	<u>54,041,787</u>	<u>52,894,567</u>
Liabilities		
Accounts payable and accrued liabilities	2,868,403	3,443,800
Deferred revenue (Note 12)	3,977,310	2,389,139
Debt (Note 13)	<u>3,706,829</u>	<u>4,075,131</u>
	<u>10,552,542</u>	<u>9,908,070</u>
Net financial assets	<u>43,489,245</u>	<u>42,986,497</u>
Non-financial Assets		
Tangible capital assets (Note 14)	39,043,898	30,537,625
Prepaid expenses and deposits	810,954	164,889
Inventories	<u>91,841</u>	<u>91,841</u>
	<u>39,946,693</u>	<u>30,794,355</u>
Accumulated Surplus (Note 15)	<u>\$ 83,435,938</u>	<u>\$ 73,780,852</u>

Approved on behalf of the Band Council:



 Chief Councilor

 Band Administrator

Tk’emlups te Secwépemc
Exhibit B - Consolidated Statement of Changes in Net Financial Assets

For the year ended March 31	Budget	2020	2019
		(Restated)	
Surplus - Exhibit C	\$ 11,519,201	\$ 9,655,086	\$ 7,414,983
Purchases of tangible capital assets	-	(3,326,552)	(829,125)
Amortization of tangible capital assets	-	1,651,518	1,796,965
Disposals of tangible capital assets	-	701,758	-
Net book value of assets consolidated in from former Business entities	(7,532,998)	-	-
Change in tangible capital assets	-	(8,506,274)	967,840
Change in prepaid expenses	-	(646,064)	27,747
Related party prior period adjustment (Note 20)	-	-	1,383,004
Write-down of investment in GBE prior period adjustment (Note 20)	-	-	(463,994)
	(646,064)	946,757	
Increase (decrease) in net financial assets	11,519,201	502,748	9,329,580
Net financial assets, beginning of year	42,986,497	42,986,497	33,656,917
Net financial assets, end of year	\$ 54,505,698	\$ 43,489,245	\$ 42,986,497
Net financial assets, opening - as previously stated	\$ -	\$ 42,083,702	\$ 33,656,917
Prior period adjustments (Note 20)	-	902,795	919,010
Net financial assets, opening - restated	-	42,986,497	34,575,927
Increase (decrease) in net financial assets - as previously stated	11,519,201	502,748	8,426,785
Prior period adjustment	11,519,201	-	(16,215)
Increase (decrease) in net financial assets - restated	11,519,201	502,748	8,410,570
Net financial assets, ending	\$ -	\$ 43,489,245	\$ 42,986,497

Tk’emlups te Secwépemc
Exhibit C - Consolidated Statement of Operations

For the year ended March 31	Budget	2020	2019
Revenue			(Restated)
Department of Indigenous Services Canada	\$ 7,910,137	\$ 7,024,760	\$ 7,077,680
Province of British Columbia	2,812,891	2,937,579	3,384,108
Kamloops Indian Band (K.I.B.) Sales Tax	1,635,275	1,965,643	1,533,493
Canada Mortgage and Housing Corporation	690,586	163,500	164,271
Contract revenue	479,550	497,202	649,208
Government business enterprises income (Note 11)	-	1,404,061	1,381,687
Health Canada	27,272	15,649	15,342
Interest and investment income	685,899	907,550	831,218
Lease and rental income	3,558,190	4,024,400	3,756,749
Management fees	653,309	623,187	701,316
Partnership income (Note 9)	-	1,799,629	2,935,720
Property taxation	7,500,724	7,574,836	7,291,058
User fees and other	17,364,787	5,656,360	5,390,041
Donations	2,000	1,750	2,500
	43,320,620	34,596,106	35,114,391
Expenses			
Administration	3,056,543	3,052,069	3,272,530
Land and Leases	930,574	653,849	1,103,577
Planning & Engineering	6,589,109	4,872,985	4,181,294
Education	2,468,478	3,699,065	2,891,501
Property Tax	4,056,961	3,412,532	3,375,212
Housing	1,271,453	940,601	1,019,178
Social Housing	362,834	186,695	777,298
Natural Resources	1,499,477	843,574	799,083
Band Council	1,209,020	1,016,413	1,031,227
Sk’elep School	2,139,344	1,870,367	1,832,319
Community Services	3,388,015	2,771,076	4,138,079
Amortization	-	1,789,513	1,796,965
Other	4,829,611	(167,719)	1,481,145
	31,801,419	24,941,020	27,699,408
Surplus for the year	\$ 11,519,201	\$ 9,655,086	\$ 7,414,983
Accumulated surplus, opening - as previously stated	\$ -	\$ 72,878,057	\$ 65,446,859
Prior period adjustments (Note 20)	-	902,795	919,010
Accumulated surplus, opening - restated	-	73,780,852	66,365,869
Surplus for the year - as previously stated	11,519,201	9,655,086	7,431,198
Prior period adjustment	11,519,201	-	(16,215)
Surplus for the year - restated	11,519,201	9,655,086	7,414,983
Accumulated surplus, ending	\$ -	\$ 83,435,938	\$ 73,780,852

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

Tk’emlups te Secwépemc
Exhibit D - Consolidated Statement of Cash Flows

<u>For the year ended March 31</u>	<u>2020</u>	<u>2019</u>
		(Restated)
Operating activities		
Cash receipts from various sources	\$ 18,591,268	\$ 14,418,691
Cash receipts from Department of Indigenous Services Canada	7,024,760	7,077,680
Cash receipts from Province of British Columbia	2,937,579	3,384,108
Cash receipts from property taxation	7,574,836	7,291,058
Cash paid to employees and suppliers	(24,993,866)	(25,857,610)
Interest earned	1,177,983	1,008,616
Cash flows from operating activities	<u>12,312,560</u>	<u>7,322,543</u>
Capital activity		
Purchase of capital assets	<u>(3,137,296)</u>	<u>(829,125)</u>
Investing activity		
Advances to related entities	<u>(3,831,550)</u>	<u>(4,137,177)</u>
Financing activity		
Repayment of long term debt	<u>(368,302)</u>	<u>(410,492)</u>
Net increase in cash and cash equivalents	<u>4,975,412</u>	<u>1,945,749</u>
Cash and cash equivalents, beginning of year	<u>29,490,333</u>	<u>27,544,584</u>
Cash and cash equivalents, end of year	<u><u>\$ 34,465,745</u></u>	<u><u>\$ 29,490,333</u></u>
Represented by:		
Cash and cash equivalents	\$ 33,822,370	\$ 29,055,196
Funded reserves and Ottawa trust funds	<u>643,375</u>	<u>435,137</u>
	<u><u>\$ 34,465,745</u></u>	<u><u>\$ 29,490,333</u></u>

Tk'emlups te Secwépemc Summary of Significant Accounting Policies

March 31, 2020

1. Basis of presentation and significant accounting policies

Description of Entity

Tk'emlups te Secwepemc ("TteS") is a First Nations government operating out of Kamloops, British Columbia. TteS is a progressive community committed to attaining self-sufficiency and independence through education and economic development. TteS was established in 1862 and is responsible for the well-being of its community and the enactment of legal policies and programs in areas of capital, education, membership, health, and social and economic development.

Basis of Accounting

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards for government entities, as defined in the CPA Public Sector Accounting and Auditing Handbook, which encompass the following.

Reporting Entity

The reporting entity includes TteS and all entities that are controlled by the organization. All controlled entities are consolidated in the TteS' financial statements according to the TteS' percentage ownership except for entities that meet the definition of a government business enterprise or a government business partnership, which are included in the financial statements on a modified equity basis. Accounting policies of consolidated and proportionately consolidated entities are conformed to those of the TteS and inter-organizational balances and transactions are eliminated upon consolidation.

The financial statements consolidate the assets, liabilities, and results of operations for the following entities:

- Tk'emlups te Secwepemc
- Tk'emlups te Secwepemc Social Housing Section 95 Phases 1-13
- Tk'emlups te Secwepemc Social Housing Section 95 Phases 14-20
- 1038547 B.C. Ltd.
- Big Horn Hops Inc.
- Spiyu7ullucw Ranch Corporation

Non-Coterminous Fiscal Periods

1038547 B.C. Ltd., Big Horn Hops Inc., and Spiyu7ullucw Ranch Corporation are included in the consolidated financial statements using financial information prepared as of January 31, 2020, covering the period April 1, 2019 to January 31, 2020.

Tk’emlups te Secwépemc Summary of Significant Accounting Policies

March 31, 2020

1. Basis of presentation and significant accounting policies (continued)

Investment in Government Business Enterprises

TteS' investment in the following government business enterprises are accounted for on a modified equity basis. Under the modified equity basis, these entities' accounting policies are not adjusted to conform with those of TteS and inter-organizational transactions and balances are not eliminated. TteS recognizes its equity interest in the annual income or loss of the entities in its consolidated statement of operations and accumulated surplus with a corresponding increase or decrease in its investment asset account. Any dividends that TteS may receive from these entities will be reflected as reductions in the investment asset account. Organizations accounted for on a modified equity basis include:

- Kamloops Indian Band Development Corporation;
- Kamloops Indian Band Utility Corporation;
- Mount Paul Centre Inc.;
- Kukpi7 Clexliqsen te Eyksem Holdings;
- Secwepemcetkwe Enterprises Ltd., which includes its pro-rated portion of its investment in the Secwepemcetkwe Limited Partnership; and
- Tk’emlupsemc Forestry Development Corporation, which includes its pro-rated portion of its investment in the Tk’emlupsemc Forestry Limited Partnership.

Investment in Partnerships

TteS' investment in the Tk’emlupsemc Forestry Limited Partnership, the Secwepemcetkwe Limited Partnership, and the Stk’emlupsemc Limited Partnership (the "partnerships") are accounted for on a modified equity basis.

Under the modified equity basis, the partnerships' accounting policies are not adjusted to conform with those of TteS and inter-organizational transactions and balances are not eliminated. TteS recognizes equity interest in the annual income or loss of the partnerships in its consolidated statement of operations and accumulated surplus, less cash advances or cash disbursements, with a corresponding increase or decrease in its investment asset account.

Tk’emlups te Secwépemc Summary of Significant Accounting Policies

March 31, 2020

1. Basis of presentation and significant accounting policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term, highly liquid investments that are readily convertible to cash.

Designated Cash

Internally designated cash represents internally restricted amounts reserved by TTeS for a specific future purpose.

Externally restricted cash

Externally restricted cash represents amounts externally restricted in relation to external funding requirements or by statute.

Temporary Investments

Temporary investments are recorded at cost, unless the market value of temporary investments has declined below cost, in which case they are written down to market value.

Deferred Revenue

Deferred revenue represents grants and other fees which have been collected, but for which the related expenses or services have yet to be incurred or performed. These amounts will be recognized as revenues in the fiscal year in which the services are performed or related expenses are incurred.

Development cost charge levies are restricted by law in their use for providing funds to assist TteS in paying the capital cost of providing, constructing, altering or expanding sewer, water, stormwater, parks, and recreation land and transportation facilities and the revenue is deferred until the expenses are incurred. When development cost charge expenses are made, a corresponding amount is recorded in revenue.

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tk’emlups te Secwépemc Summary of Significant Accounting Policies

March 31, 2020

1. Basis of presentation and significant accounting policies (continued)

Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the Group is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible capital assets are recorded at fair value at the time of the donation with a corresponding amount recorded as revenue. Expenses for repairs and maintenance that do not materially add to the useful life or service potential of the asset are not capitalized, but expensed as incurred.

Tangible capital assets acquired on April 1, 1975 or later are recorded at cost. Tangible capital assets acquired prior to April 1, 1975 are recorded at net replacement values as appraised by Harker Appraisals Ltd. at August 15, 1977 and July 13, 1978, except land, which is recorded at a nominal value of \$1.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized over their estimated useful lives as follows:

Tk’emlups te Secwépemc Summary of Significant Accounting Policies

March 31, 2020

1. Basis of presentation and significant accounting policies (continued)

Tangible Capital Assets (continued)

Asset	Basis	Rate
Automotive	Declining balance	30%
Buildings	Declining balance	4%
Social housing buildings	Straight-line	40 years
Computer equipment	Declining balance	50%
Equipment	Declining balance	20%
Fencing and other land improvements	Declining balance	4%
Furniture and fixtures	Declining balance	20%
Social housing fixtures	Straight-line	10 years
Property and equipment, recorded at appraised values	Declining balance	2.5 - 10%
Roadways, sewer and water systems	Declining balance	4-8%

Assets under construction are not amortized until the asset is available for productive use. When a tangible capital asset no longer contributed to TteS' ability to provide services, its carrying amount is written down to its recoverable amount.

All intangibles and items inherited by right of TteS, such as land, forests, water, and mineral resources, that have not been purchased, are not recognized in these consolidated financial statements.

Contributed tangible capital assets are recognized at fair market value at the date of contribution. Where an estimate of fair value cannot be made, the tangible capital asset is recognized at a nominal value.

Works of Art and Cultural and Historic Assets

Works of art and cultural and historic assets, including artifacts, paintings and sculptures, are not recorded as assets in these consolidated financial statements.

Inventories

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

Inventories held for resale

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value.

Tk’emlups te Secwépemc Summary of Significant Accounting Policies

March 31, 2020

1. Basis of presentation and significant accounting policies (continued)

Revenue Recognition

Revenue is recognized on the accrual basis as it is earned, or as services are provided, and is measurable and becomes receivable under the terms of the applicable funding agreements.

Government transfers are recognized as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria is met, and reasonable estimates of the amounts can be made. If the transfer contains stipulations that create a liability, the transfer is recognized as revenue in the period in which the liability is extinguished.

Contract revenues are recorded on an accrual basis and are recognized when the service has been provided.

Grants and donations are recognized as revenue when received or receivable if amounts can be reasonably estimated and collection is reasonably assured.

Interest and investment income is recorded as revenue in the period earned.

Lease and rental income is recorded on a straight-line basis over the term of the lease or agreement and is recognized when the tenant commences occupancy, the amounts to be received can be reasonably estimated and collection is reasonably assured.

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

Sales tax, user fees, and other income are recognized when received or receivable if the amounts to be received can be reasonably estimated and collection is reasonably assured.

Tk’emlups te Secwépemc Summary of Significant Accounting Policies

March 31, 2020

1. Basis of presentation and significant accounting policies (continued)

Use of Estimates

The preparation of financial statements 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 revenues and expenses during the period. The recoverable amounts of accounts receivable and property taxes receivable, and the recoverable amount and estimated useful lives of tangible capital assets are significant items subject to such estimates and assumptions. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are adjusted prospectively.

Budgets

Budget information for individual programs has been included in the consolidated financial statements when the information is available and represents the 2019/2020 operating and capital budgets approved by Chief and Council.

Funded Reserves

In order to provide for replacement of major tangible capital assets, the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC") provide that a Replacement Reserve Fund be established by annual charges to operations in an amount prescribed by the agreement. Interest is to accrue on the cumulative reserve balance. In addition, under the terms of the agreement for the 2% Subsidy Program, TteS may retain, in a Subsidy Surplus Reserve, excess federal assistance payments up to a maximum of \$500 per unit plus interest, and under the terms of the agreement for the Full Subsidy Program, TteS may retain in an Operating Reserve all excess federal assistance, plus interest.

Employee Future Benefits

TteS contributes to a private defined contribution pension plan. Contributions are expensed as incurred.

Segmented Disclosure

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of TteS. TteS identifies its segments based on specific projects and funding arrangements. Revenue and expenses are allocated to these segments according to methods of identification.

Tk’emlups te Secwépemc Summary of Significant Accounting Policies

March 31, 2020

1. Basis of presentation and significant accounting policies (continued)

Ottawa Trust Funds

TteS uses the accrual method of accounting for Ottawa Trust Fund revenues earned in the Fund. Trust monies are recognized as revenue upon authorized withdrawal from the Ottawa Trust Fund.

Leased Assets

A lease that transfers substantially all of the benefits and risks of ownership to the lessee is recorded as a tangible capital asset and the incurrence of a lease obligation. At inception, a tangible capital asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments, excluding executory costs, and the leased property's fair value at the beginning of the lease. The discount rate used to determine the present value of the lease payments is the lower of the Group's rate for incremental borrowing or the interest rate implicit in the lease. Leased tangible capital assets are amortized in a manner consistent with the tangible capital assets owned by the Group, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

Tk’emlúps te Secwépemc

Notes to Consolidated Financial Statements

March 31, 2020

2. COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

As the impacts of COVID-19 continue, there could be further impact on the Group, its funders and its business entities. The Group has continued to deliver services during this pandemic through a variety of means, whether face-to-face or utilizing technology as the Group was deemed an essential service. 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 Group is not able to fully estimate the effects of the COVID-19 outbreak on its result of operations, financial condition, or liquidity at this time.

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Notes to Consolidated Financial Statements

March 31, 2020

3. Designated and restricted cash and cash equivalents

Certain funds have been internally designated by TteS for the following specific purposes determined by Chief and Council or externally designated by federal or provincial government authorities. These funds have been invested in separate investment funds and bank accounts.

	2020	2019
Externally restricted		
Six Mile Settlement Fund	\$ 75,301	\$ 75,302
Tessie J. Jules Bursary Fund	117,534	114,972
First Nations Market Housing Fund	29,247	28,656
Stk’emlupsemc te Secwepemc Nation		
Economic and Community Development Agreement	2,264,791	2,215,423
Net Smelter Fund	1,824,762	1,784,986
Forestry Contribution Revenue Sharing Agreement	3,086,460	3,019,182
First Nations Land Acquisitions	1,711,462	1,674,216
Kinder Morgan Mutual Benefits Agreement	3,239,323	2,857,834
Development cost charges	<u>2,714,464</u>	<u>1,072,500</u>
	<u>15,063,344</u>	<u>12,843,071</u>
Internally designated		
Capital reserve	280,728	274,609
Long-term capital plan reserve	<u>807,522</u>	<u>789,939</u>
	<u>1,088,250</u>	<u>1,064,548</u>
Operating cash and cash equivalents	<u>17,670,776</u>	<u>15,147,577</u>
Total cash and cash equivalents	<u>\$ 33,822,370</u>	<u>\$ 29,055,196</u>

Included in the Kinder Morgan Mutual Benefits Agreement internally designated balance is \$2,450,000 (2019 - \$2,450,000) in Royal Bank of Canada ("RBC") money market funds with an annual rate of return of approximately 0.43%. Designated cash and cash equivalents reported on the consolidated statement of financial position have a cost that approximates market value.

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Notes to Consolidated Financial Statements

March 31, 2020

4. Funded Reserves

Replacement Reserve:

Under the terms of the agreement with CMHC, the Replacement Reserve account was credited during the year ended March 31, 2020, in the amount of \$71,970 (2019 - \$78,703) including interest. The funds in the account may only be used as approved by CMHC. The Replacement Reserve, as reported in the consolidated statement of financial position, consists of:

	2020	2019
Restricted cash - replacement reserve	\$ 575,770	\$ 371,640
Monies to be deposited (withdrawn) subsequent to year-end	<u>(128,655)</u>	<u>125,844</u>
	<u>\$ 447,115</u>	<u>\$ 497,484</u>

As at March 31, 2020, total funded reserves are \$575,770 (2019 - \$371,640).

5. Ottawa Trust Funds

Indigenous Services Canada ("ISC") holds certain funds in trust for TteS. These funds are designated as revenue or capital funds 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 and are subject to audit by the Office of the Auditor General of Canada. Subject to approval by the Minister of Indigenous Services Canada, TteS is permitted to expend its revenue funds for any purpose that will promote the general progress and welfare of TteS and TteS members. The expense of capital funds requires the consent of the Minister of Indigenous Services and such expense generally must be for projects of a capital nature. At March 31, 2020, the balance in revenue funds was \$67,606 (2019 - \$63,497).

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Notes to Consolidated Financial Statements

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6. Accounts Receivable

	2020	2019
ISC	\$ 355,024	\$ 1,446,597
Social Housing	12,626	12,867
Band Members	951,863	1,012,678
Mt. Paul lease, sk'elep school, permits & miscellaneous	<u>3,173,004</u>	<u>2,794,700</u>
Allowance for doubtful accounts	<u>4,492,517</u> (939,327)	<u>5,266,842</u> (1,301,848)
	<u><u>\$ 3,553,190</u></u>	<u><u>\$ 3,964,994</u></u>

7. Comparative Figures

Certain comparative amounts presented in the consolidated financial statements have been reclassified to conform to current year's presentation.

8. Temporary Investments

	2020	2019
First Nations Finance Authority	\$ 1,036,187	\$ 1,017,413
All Nations Trust Company ("ANTCO")	<u>156,270</u>	<u>156,270</u>
	<u><u>\$ 1,192,457</u></u>	<u><u>\$ 1,173,683</u></u>

Temporary investments include a money market fund through First Nations Finance Authority with maturity of 366 days or less. The annualized interest rate is 1.9% per annum. Temporary investments in ANTCO consist of 156,720 Class A common shares.

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Notes to Consolidated Financial Statements

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9. Investment in Partnerships

Tk'emplupsemc Forestry Development Corporation ("TFDC") and TteS have an investment in Tk'emplupsemc Forestry Limited Partnership ("TFLP"). TFLP operates forest licenses. TFDC, the general partner, owns 0.5% (1/200) of the units of TFLP and TteS, the limited partner, owns 99.5% (199/200) of the units of TFLP.

Stk'emplupsemc Enterprises Inc. ("SEI"), the Skeetchestn Indian Band ("SIB") and TteS have an investment in Stk'emplupsemc Limited Partnership ("SLP"). SLP shares in mining royalties. SEI is the general partner and owns 0.01% of SLP, while the limited partners, SIB and TteS, each own 49.995% of SLP.

Secwepemcetkwe Enterprises Ltd. and TteS have an investment in Secwepemcetkwe Limited Partnership. Secwepemcetkwe Limited Partnership is an employment contract service. Secwepemcetkwe Enterprises Ltd., the general partner, owns 0.5% (1/200) of the units of Secwepemcetkwe Limited Partnership and TteS, the limited partner, owns 99.5% (199/200) of the units of Secwepemcetkwe Limited Partnership.

As at March 31, 2020, the assets, liabilities, equity, and net income of TFLP, SLP and Secwepemcetkwe Limited Partnership are as follows:

	Tk'emplupsemc Forestry Limited Partnership	Stk'emplupsemc Limited Partnership	Secwepemcetkwe Limited Partnership	2020	2019
Current assets	\$ 3,155,577	\$ 4,565,309	\$ 751,224	\$ 8,472,110	\$ 7,899,962
Non-current assets	347,999	419,386	-	767,385	901,684
Total assets	3,503,576	4,984,695	751,224	9,239,495	8,801,646
Current liabilities	175,150	3,193,998	3,636	3,372,784	3,698,941
Non-current liabilities	510,249	-	-	510,249	606,157
Total liabilities	685,399	3,193,998	3,636	3,883,033	4,305,098
Partners' equity	2,818,177	1,790,697	747,588	5,356,462	4,496,548
Total liabilities and partners' equity	3,503,576	4,984,695	751,224	9,239,495	8,801,646
Net income:					
Revenue	3,480,296	5,093,072	347,229	8,920,597	15,283,500
Expenses	3,689,865	1,267,581	250,597	5,208,043	10,044,579
Net income	\$ (209,569)	\$ 3,825,491	\$ 96,632	\$ 3,712,554	\$ 5,238,921

Tk'emplüps te Secwépemc

Notes to Consolidated Financial Statements

March 31, 2020

9. Investment in Partnerships (continued)

As at March 31, 2020, TteS' investment in partnerships is comprised of:

	2020	2019
Tk'emlupsemc Forestry Limited Partnership	\$ 2,815,170	\$ 3,012,607
Stk'emlupsemc Limited Partnership	894,602	320,653
Secwepemcetkwe Limited Partnership	<u>748,495</u>	<u>455,498</u>
Total investment	<u><u>\$ 4,458,267</u></u>	<u><u>\$ 3,788,758</u></u>

10. Advances to (from) Related Entities

The amounts advanced to (from) related entities are non-interest bearing, unsecured and have no specified terms of repayment.

The advances eliminated upon consolidation are with respect to the entities that ceased to be government business enterprises in the year. (Note 24)

	2020	2019
1038547 BC Ltd.	\$ 80,349	\$ 80,349
Kamloops Indian Band Utility Corporation	185,478	63,081
Kamloops Indian Band Development Corporation	948,387	433,976
Mount Paul Centre Inc.	6,640	10
Spiyu7ullucw Ranch Corporation	9,169,131	9,140,795
TK'emlupsemc Forestry Development Corporation	738,128	660,284
Big Horn Hops Inc.	852,482	1,557,914
Other	<u>(28,545)</u>	<u>289,994</u>
Less: allowance for uncollectible inter-entity advances	<u><u>11,952,050</u></u>	<u><u>12,226,403</u></u>
	<u><u>-</u></u>	<u><u>(705,388)</u></u>
Advances eliminated upon consolidation of related entities:	<u><u>11,952,050</u></u>	<u><u>11,521,015</u></u>
1038547 BC Ltd.	(80,349)	-
Spiyu7ullucw Ranch Corporation	(9,165,932)	-
Big Horn Hops Inc.	<u>(852,482)</u>	<u>-</u>
	<u><u>\$ 1,853,287</u></u>	<u><u>\$ 11,521,015</u></u>

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Notes to Consolidated Financial Statements

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11. Investment in Government Business Enterprises

	Kamloops Indian Band Development Corporation	Kamloops Indian Band Utility Corporation	SpiyuUllucw Ranch Corporation	Mount Paul Centre Inc.	Tk’emlupsemc Forestry Development Corporation	1038547 BC Ltd.	Big Horn Hops Inc.	Secwepemctkwe Enterprises Ltd.	Kukpi7 Clexixqen te Eyksem Holdings	2020 Total	2019 Total
Current assets	\$5,835,617	\$3,784,721	\$-	\$172,106	\$49,282	\$-	\$-	\$93	\$-	\$9,841,819	\$9,173,273
Non-current assets	219,781	2,086,909	-	1,535	330,322	-	-	-	-	2,638,547	10,353,694
Total assets	6,055,398	5,871,630	-	173,641	379,604	-	-	93	-	12,480,366	19,526,967
Current liabilities	2,702,448	2,081,148	-	2,203	70,172	-	-	9	111	4,856,091	3,471,798
Non-current liabilities	-	-	-	6,640	1,067,392	-	-	4,975	-	1,079,007	14,805,488
Total liabilities	2,702,448	2,081,148	-	8,843	1,137,564	-	-	4,984	111	5,935,098	18,277,286
Share capital	8	8	-	8	8	-	-	1	1	34	44
Retained earnings (deficit)	3,352,942	3,790,474	-	64,790	(757,968)	-	-	(4,892)	(112)	6,545,234	1,249,637
Total liabilities and equity	6,055,398	5,871,630	-	173,641	379,604	-	-	93	-	12,480,366	19,526,967
Net income (loss):											
Revenue	1,432,196	15,310,474	-	3,220	360,555	-	-	10	-	17,106,455	18,928,941
Expenses	663,640	14,517,143	-	15,536	501,978	-	-	3,985	112	15,702,394	17,547,754
Net income (loss)	\$768,556	\$793,331	\$-	\$(12,316)	\$(141,423)	\$-	\$-	\$(3,975)	\$(112)	\$1,404,061	\$1,381,687

TteS holds 100% ownership or otherwise exerts control over the above entities.

TteS has a 100% investment in Cuwkeltan Leasing Inc., which is an inactive company. The total investment at March 31, 2020 is \$1 (2019 - \$1). TteS also has a 100% investment in Kamloops Property Management Association, which is an inactive association.

Tk’emlúps te Secwépemc

Notes to Consolidated Financial Statements

March 31, 2020

12. Deferred Revenue

	2019	Funding Received	Revenue Recognized	2020
ISC contributions:				
Q3BJ-001 - Municipal services	144,834	-	(289,668)	(144,834)
Q3BN-001 - Fire protection training	42,760	-	(85,520)	(42,760)
Q3FO-001 - Flood reimbursement	146,508	12,017	(146,508)	12,017
Q2BJ - Institutional care	73,865	58,030	(73,865)	58,030
Q38M-001 - Renovations	-	788,644	-	788,644
Q3AB-001 - Renovations	-	37,890	-	37,890
Q3AA-001 - Construction	-	30,659	-	30,659
Other ISC	293,327	674,374	(640,544)	327,157
	701,294	1,601,614	(1,236,105)	1,066,803
Unearned property tax	-	301,933	-	301,933
Unearned business licenses	75,228	115,346	(109,400)	81,174
Unearned lease rental	884,541	2,403,509	(2,659,827)	628,223
Environmental security funds	135,003	-	-	135,003
Other unearned revenue	593,073	2,432,547	(1,381,001)	1,644,619
Spiy7ullucw Ranch Corporation	-	134,764	(15,209)	119,555
	1,687,845	5,388,099	(4,165,437)	2,910,507
	\$ 2,389,139	\$ 6,989,713	\$ (5,401,542)	\$ 3,977,310

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13. Debt

	2020	2019
Social Housing:		
ANTCO, mortgages, repayable in combined monthly installments of \$21,075, including interest at rates ranging from 1.03% to 2.22% per annum, secured by ISC guarantees for all loan amounts outstanding, with the exception of \$121,604, maturities ranging from July 2020 to December 2033	\$ 1,190,247	\$ 1,399,478
TteS Term Loans and Other:		
RBC, term loan, repayable in monthly installments of \$18,559, including interest at 2.69% per annum, secured as per below, maturing September 2032	2,516,582	2,675,653
	<hr/>	<hr/>
	\$ 3,706,829	\$ 4,075,131

The estimated principal repayments required over the next five years are as follows:

2021	\$ 320,835
2022	310,837
2023	293,562
2024	300,133
2025	283,788
Thereafter	<hr/>
	2,197,674
	<hr/>
	\$ 3,706,829

Total interest paid on debt for the year was \$91,367 (2019 - \$98,518).

The RBC facilities include two unused, revolving demand lines of credit to a maximum of \$300,000 (2019 -\$300,000) and \$500,000 (2019 - \$500,000), respectively, which bear interest at the RBC prime rate plus 0.15% and plus 0.5% per annum, respectively (2019 - 0.15% and 0.5% in aggregate, respectively).

The RBC lines of credit and term loans are secured by a general security agreement constituting a first ranking security interest in all personal property of TteS as well as a security agreement over accounts receivable constituting a first ranking security interest in all sales tax revenues and other income or monies payable to TteS by the Government of Canada.

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Notes to Consolidated Financial Statements

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14. Tangible Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1,023,225	\$ -	\$ 1,023,225	\$ -
Automotive	2,931,396	2,464,519	2,629,255	2,329,174
Buildings	16,786,631	8,935,965	15,709,386	8,634,072
Computer equipment	1,910,306	1,904,875	1,910,306	1,899,445
Equipment	2,509,845	1,633,732	2,420,796	1,425,835
Fencing and other land improvements	3,469,464	2,344,506	4,650,775	2,348,823
Furniture and fixtures	724,271	661,627	724,271	645,966
Property and equipment, recorded at appraised values	3,545,768	3,204,587	3,545,768	3,190,371
Roadways, sewer and water systems	29,493,991	15,748,396	29,951,653	14,982,240
Assets under construction	3,497,090	-	-	-
	65,891,987	36,898,207	62,565,435	35,455,926
 Social Housing				
Land	176,000	-	367,386	-
Buildings and fixtures	4,816,010	2,474,890	6,908,584	3,847,854
	4,992,010	2,474,890	7,275,970	3,847,854
 Spiyu7ullucw Ranch Corporation				
Land and timber	6,738,385	-	-	-
Buildings	384,027	208,605	-	-
Computer equipment	4,105	4,096	-	-
Equipment	589,267	484,655	-	-
Furniture and fixtures	227,158	214,546	-	-
	7,942,942	911,902	-	-
 Big Horn Hops Inc.				
Buildings	43,033	5,038	-	-
Equipment	402,736	205,433	-	-
Farm development	16,802	4,553	-	-
Leasehold improvements	140,693	17,108	-	-
Rhizomes	153,799	22,973	-	-
	757,063	255,105	-	-
	79,584,002	40,540,104	69,841,405	39,303,780
Net book value	\$ 39,043,898		\$ 30,537,625	

Tk’emlúps te Secwépemc

Notes to Consolidated Financial Statements

March 31, 2020

14. Tangible Capital Assets (continued)

	<u>2020</u>										
	Land	Automotive	Furniture and Equipment	Buildings	Buildings Improvements	Fencing and Other Land	Sewer and Water Systems	Computer Equipment	Property and Equipment	Rhizomes	Assets Under Construction
Cost, beginning of year	\$ 1,390,611	\$ 2,629,255	\$ 3,145,067	\$ 22,617,970	\$ 3,469,464	\$ 29,951,653	\$ 1,910,306	\$ 3,545,768	\$ 1,181,311	\$ 1,181,310	\$ 71,022,715
Additions	-	302,141	89,049	-	1,181,311	-	62,703	-	-	2,872,659	3,326,552
Relocation	-	-	-	-	(104,066)	-	-	-	-	(1,181,311)	-
Reallocation	-	-	-	-	-	-	-	-	-	104,066	-
Disposals	(191,386)	-	-	(2,092,574)	-	(520,366)	-	-	-	520,366	-
Consolidation of former business entities											(2,283,960)
(Note 24)	6,738,385	-	227,158	427,060	157,495	-	4,105	992,005	153,799	-	8,700,007
Cost, end of year	7,937,610	2,931,396	3,461,274	22,029,701	3,626,959	29,493,990	1,914,411	4,537,773	153,799	3,497,090	80,765,314
Accumulated amortization, beginning of year	-	2,329,173	2,071,800	12,481,927	2,348,823	14,982,241	1,899,445	3,190,371	-	-	39,303,780
Amortization	-	135,346	223,558	511,130	(4,319)	766,156	5,430	14,217	-	-	1,651,518
Disposals	-	-	-	(1,582,202)	-	-	-	-	-	-	(1,582,202)
Consolidation of former business entities											
(Note 24)	-	214,546	213,644	21,661	-	-	4,096	690,089	22,973	-	1,167,009
Accumulated amortization, end of year	-	2,464,519	2,509,904	11,624,499	2,366,165	15,748,397	1,908,971	3,894,677	22,973	-	40,540,105
Net carrying amount, end of year	\$ 7,937,610	\$ 466,877	\$ 951,370	\$ 10,405,202	\$ 1,260,794	\$ 13,745,593	\$ 5,440	\$ 643,096	\$ 130,826	\$ 3,497,090	\$ 39,043,898

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Notes to Consolidated Financial Statements

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14. Tangible Capital Assets (continued)

	2019									
	Land	Automotive	Furniture and Equipment	Buildings	Other Land Improvements	Fencing and Roadways, Sewer and Water Systems	Computer Equipment	Property and Equipment	Assets Under Construction	Total
Cost, beginning of year	\$ 1,390,611	\$ 2,471,249	\$ 3,127,567	\$ 22,484,717	\$ 3,469,464	\$ 29,431,287	\$ 1,910,306	\$ 3,545,768	\$ 1,181,311	\$ 69,012,280
Additions	158,006	17,500	133,253	-	520,366	-	-	-	-	829,125
Disposals/Transfers	-	-	-	-	-	-	-	-	-	-
Cost, end of year	<u>1,390,611</u>	<u>2,629,255</u>	<u>3,145,067</u>	<u>22,617,970</u>	<u>3,469,464</u>	<u>29,951,653</u>	<u>1,910,306</u>	<u>3,545,768</u>	<u>1,181,311</u>	<u>69,841,405</u>
Accumulated amortization, beginning of year	-	2,268,284	1,807,859	11,943,662	2,252,908	14,169,955	1,888,584	3,175,563	-	37,506,815
Amortization	60,889	263,941	538,265	95,915	812,286	10,861	14,808	-	-	1,796,965
Accumulated amortization, end of year	<u>-</u>	<u>2,329,173</u>	<u>2,071,800</u>	<u>12,481,927</u>	<u>2,348,823</u>	<u>14,982,241</u>	<u>1,899,445</u>	<u>3,190,371</u>	<u>-</u>	<u>39,303,780</u>
Net carrying amount, end of year	<u>\$ 1,390,611</u>	<u>\$ 300,082</u>	<u>\$ 1,073,267</u>	<u>\$ 10,136,043</u>	<u>\$ 1,120,641</u>	<u>\$ 14,969,412</u>	<u>\$ 10,861</u>	<u>\$ 355,397</u>	<u>\$ 1,181,311</u>	<u>\$ 30,537,625</u>

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Notes to Consolidated Financial Statements

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15. Accumulated Surplus

	2020	2019
Unrestricted operating surplus	\$ 9,206,961	\$ 6,313,924
Equity in replacement reserve (Note 4)	447,115	497,484
Equity in capital assets	35,337,069	32,661,798
Equity in Ottawa trust	63,550	59,441
Internally restricted surplus	22,251,899	20,003,395
Externally restricted surplus	<u>16,129,344</u>	<u>14,244,810</u>
	<u>\$83,435,938</u>	<u>\$ 73,780,852</u>

Internally Restricted Surplus consists of:

	2020	2019
Capital Equipment Reserve Fund	\$ 570,610	\$ 543,327
KIBST Transfer to KIBST Reserve	3,725,820	2,275,000
Long-term Capital Plan Reserve	1,253,809	1,253,809
Development Cost Charges Reserve	5,224,557	4,486,763
Ottawa Trust Withdrawal	286,883	270,570
Stk'emplupsemc te Secwepemc Nation	133,724	133,724
Replacement Reserve from Phases 4-7, 9 and 12	32,668	9,835
Day Scholar	81,560	81,560
General Reserve	1,900,000	1,900,000
Economic Development	200,000	200,000
Capacity Development	223,690	223,690
Property Taxation	-	6,539
Investments Reserve	7,618,578	7,618,578
Advances to 588531	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$22,251,899</u>	<u>\$ 20,003,395</u>

Externally Restricted Surplus consists of:

	2020	2019
Tessie J. Jules Bursary	110,273	110,273
Six Mile Settlement	75,302	75,302
Little Fawn Daycare Fund	25,962	25,962
First Nation Housing Market Fund	30,000	30,000
Forestry Contribution Revenue Sharing Agreement	3,995,852	3,398,235
Stk'emplupsemc te Secwepemc Nation		
New Gold NSR Reserve	2,650,313	2,190,104
Economic and Community Development Agreement	3,509,982	2,720,581
Land Acquisitions	2,024,989	1,987,682
Kinder Morgan Mutual Benefits Agreement	<u>3,706,671</u>	<u>3,706,671</u>
	<u>\$16,129,344</u>	<u>\$ 14,244,810</u>

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Notes to Consolidated Financial Statements

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16. Contingencies

Ministerial Guarantees

As at March 31, 2020, TteS is contingently liable for ministerial guarantees provided to individual TteS members for loans made by various financial institutions totaling \$2,516,582 (2019 - \$2,675,653) for purposes of acquiring on-reserve housing. In the event the TteS member default on their obligations under these loans, TteS would be required to pay the outstanding loan balance to the lenders. TteS' guarantee is secured by the related real properties. All loans are in good standing as at March 31, 2020.

Hazardous Materials

TteS has identified potential obligations relating to the removal and disposal of environmentally hazardous materials in certain facilities held by TteS. Such potential obligations would be incurred only upon major renovations or demolition of the site in the future. No liability has been recognized in these consolidated financial statements as there are currently no plans for such renovations or demolition; a settlement date is therefore indeterminate, and the fair value cannot be reasonably estimated at this time.

Ministry of Transportation Funds Held in Trust

TteS is disputing the amount of compensation receivable for use of land by the British Columbia Ministry of Transportation for the highway. Monies in the amount of \$202,521 (2019 - \$202,521) held in trust by a law firm on behalf of TteS are not recorded as an asset in the consolidated statement of financial position pending resolution of the dispute. The final compensation amount is not determinable.

Letters of Guarantee

TteS is contingently liable with respect to two individual \$50,000 letters of guarantee issued by RBC in favour of Her Majesty the Queen for a timber permit, and in favour of the City of Kamloops for November 12, 1996 Sanitary Sewer Effluent agreement.

Tk’emlúps te Secwépemc

Notes to Consolidated Financial Statements

March 31, 2020

17. Commitments

The Group has entered into lease agreements for office equipment. The annual payments for the next five years is estimated as follows:

2021	\$ 126,010
2022	126,010
2023	126,010
2024	126,010
2025	<u>60,120</u>
	<u>\$ 564,160</u>

18. Employee Future Benefits

TteS matches employee contributions to a defined contribution multi-employer plan, which is administered by Manulife. The total pension expense, representing employer contributions to the plan, for the year ended March 31, 2020 is \$4,880 (2019 - \$4,704).

19. Economic Dependence

TteS receives a major portion of its revenue pursuant to a funding arrangement with ISC. Any disruption in this funding could have a negative effect on TteS' operations.

20. Prior Period Adjustments

During the year, it was determined that there was an understatement in the advances receivable from one of the related entities (Note 10) due to an error in the accounting for a past transaction. As a result, the comparative figures have been restated to record an additional \$1,383,004 in advances to related parties and opening accumulated surplus.

TteS also determined that a write down to investments in government business enterprises (Note 11) was insufficiently reported. As a result, the comparative figures have been restated to record an additional write down of \$463,994 in investments in government business enterprises and opening accumulated surplus.

The total adjustment to opening accumulated surplus amounted to \$919,010.

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Notes to Consolidated Financial Statements

March 31, 2020

21. Related Party Transactions

During the year, TteS entered into the following transactions with related entities:

	2020	2019
Management fees received from:		
Kamloops Indian Band Development Corporation	\$ 450,000	\$ 450,000
Kamloops Indian Band Utility Corporation	123,309	123,312
Spiyu7ullucw Ranch Corporation	17,500	23,004
Tk’emlupsemc Forestry Limited Partnership	30,000	105,000
Secwepemcetkwe Limited Partnership	16,961	-
Fuel purchased from:		
Kamloops Indian Band Utility Corporation	<u>193,419</u>	247,071
	831,189	948,387
Management fees eliminated upon consolidated:		
Spiyu7ullucw Ranch Corporation	<u>(14,583)</u>	-
	\$ 816,606	\$ 948,387

At March 31, 2020, accounts payable and accrued liabilities includes amounts owed to Kamloops Indian Band Utility Corporation of \$36,073 (2019 - \$32,705) and to Tk’emlupsemc Forestry Limited Partnership of \$2,100 (2019 - \$nil).

At March 31, 2020, accounts receivable includes amounts due from Kamloops Indian Band Utility Corporation of \$11,420 (2019 - \$42), from Tk’emlupsemc Forestry Limited Partnership of \$1,138 (2019 - \$nil), from Tk’emlupsemc Forestry Development Corporation of \$24,601 (2019 - \$nil), and from Kamloops Indian Band Development Corporation of \$130 (2019 - \$nil).

These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related entities.

Tk’emlúps te Secwépemc

Notes to Consolidated Financial Statements

March 31, 2020

22. Employee and Chief & Council Remuneration

During the year, 9 (2019 - 8) employees were paid in excess of \$75,000 each, for a total of \$967,571 (2019 - \$737,713).

In addition, in accordance with the First Nations Financial Transparency Act, 8 (2019 - 13) elected officials were paid total remuneration of \$653,034 (2019 - \$631,107), plus travel benefits of \$71,360 (2019 - \$85,842), net of reimbursements received.

23. Expenses by Object

	2020	2019
Advertising and promotion	\$ 75,287	\$ 502,878
Amortization	1,789,514	1,796,965
Bad debt (recovery)	(1,933,288)	399,189
Contract Services	4,266,974	4,119,025
Fuel	193,419	247,071
Honoraria	674,457	614,149
Insurance	566,605	660,587
Interest and bank charges	83,912	84,954
Interest on long-term debt	91,367	98,518
Licenses and dues	1,061,377	1,502,338
Materials and supplies	780,223	1,635,633
Office	352,950	206,075
Professional fees	569,216	786,757
Program expenses	3,038,109	2,839,205
Rent	144,809	88,949
Repairs and maintenance	1,438,606	1,546,331
Salaries and wages	9,359,529	8,514,914
Telephone	139,196	201,951
Training and workshops	597,147	242,216
Travel	226,265	238,732
Utilities	613,025	606,456
Other	812,321	766,515
	<hr/> \$ 24,941,020	<hr/> \$ 27,699,408

Tk’emlúps te Secwépemc

Notes to Consolidated Financial Statements

March 31, 2020

24. Change in status of government business enterprises

During the year, 1038547 BC Ltd., Spiyu7ullucw Ranch Corporation and Big Horn Hops Inc. ceased to meet criteria to be accounted for as government business enterprises as they can no longer maintain their operations and meet liabilities from revenues outside of the government reporting entity.

The restated carrying amount of the investments at March 31, 2019 was a (\$2,310,856) deficit. A prior period adjustment was posted to write-down prior year investment in GBE for 1038547 B.C Ltd (Note 20). Upon consolidation, this amount has been allocated to the underlying assets and liabilities effective April 1, 2019.

Statement of Financial Position:

	Upon Consolidation
Financial Assets	
Cash	350,705
Accounts receivable	294,320
Advances to related entities	(12,179,988)
Inventory	219,430
Investment in government business enterprises	<u>3,891,525</u>
	<u>(7,424,008)</u>
Liabilities	
Accounts payable	(274,308)
Deferred revenue	(113,305)
Long-term debt	<u>(8,108)</u>
	<u>(395,721)</u>
Impact on Net Financial Assets	<u>(7,819,729)</u>
Non-Financial Assets	
Prepaid expenses	7,574
Tangible capital assets	<u>7,812,155</u>
Impact on Non-Financial Assets	<u>7,819,729</u>

Tk’emlups te Secwépemc

Notes to Consolidated Financial Statements

March 31, 2020

25. Segment Disclosure

Segment disclosure has been identified based upon lines of service provided by TteS. TteS services are provided by departments and their activities are reported by functional area in the consolidated statement of operations and accumulated surplus. Certain lines of service that have been separately disclosed are as follows:

Administration

Administration provides the functions of corporate administration, finance, human resources, and any other functions not categorized to a specific department.

Land and Leases

Land and leases administers the leasing of Tk’emlups land through a business opportunity analysis, leasing application and/or development approval process.

Planning and Engineering

This service area provides services relating to the development, maintenance and service of the TteS assets, infrastructure and common property.

Education

This service area provides educational services through the operations of elementary, secondary and post secondary education support and the operations of various other educational programs. The goal of this segment is to enhance the educational opportunities of the TteS members.

Property Tax

Property tax is responsible for the levy and collection of tax and fees for designated lands and leasehold interest.

Housing

Housing provides construction, renovations and capital maintenance programs that service the needs of its members.

Social Housing

Social housing administers services to provide social housing to TteS members.

Natural Resources

This service area includes exploration of natural resources and development of natural resource revenues.

Band Council

Band council encompasses the costs and services provided by Chief and Council to TteS.

Sk’elep School

Sk’elep School is responsible for administering and operating an on-reserve school of elementary grades (full time kindergarten to grade seven), with a vision of combining tradition with the tactics of modern education in order to provide TteS members’ children with an encompassing future.

Tk’emlùps te Secwépemc

Notes to Consolidated Financial Statements

March 31, 2020

25. Segment Disclosure (continued)

Community Services

Own source revenues are contributed to underfunded programs that provide services to the membership.

Other

This represents non-governmental services, which includes non-core revenues and expenses relating to primary own source revenues and partnership income.

Tk’emlúps te Secwépemc
Notes to Consolidated Financial Statements

March 31, 2020

25. Segment Disclosure (continued)

	2020	Administration	Land and Leases	Planning & Engineering	Education	Property Tax	Housing	Social Housing	Natural Resources	Band Council	Skelep School	Community Services	Other	Total
Revenue														
ISC	\$ 832,284	\$ 402,897	\$ 537,843	\$ 2,174,676	\$ -	\$ 4,524	\$ -	\$ -	\$ -	\$ 1,295,547	\$ 1,115,939	\$ 661,030	\$ 7,024,760	
Province of BC	-	-	-	37,657	-	-	-	-	856,488	-	752,534	268,792	1,022,109	2,937,580
Property taxation	-	-	-	-	7,574,836	-	-	-	-	-	-	-	-	7,574,836
Other	4,887,957	3,036,590	1,460,816	944,296	255,365	(44,636)	572,645	233,207	31,883	335,269	412,584	4,922,954	-	17,058,930
Expenses														
Payroll	1,715,383	436,215	2,126,454	816,498	171,144	329,167	-	498,720	76,756	1,410,248	913,966	872,043	9,366,594	
Other	1,336,686	217,634	2,746,531	2,882,567	3,241,388	611,434	186,695	344,854	939,657	460,119	1,857,110	(1,039,762)	13,784,913	
Amortization	-	-	-	-	-	-	209,238	-	-	5,987	-	-	1,574,288	1,789,513
Surplus (deficit)	\$ 3,052,069	633,849	4,872,985	3,699,065	3,412,532	940,601	395,933	843,574	1,016,413	1,876,354	2,771,076	1,406,569	24,941,020	
Surplus (deficit)	\$ 2,668,172	\$ 2,785,638	\$ (2,874,326)	\$ (542,436)	\$ 4,417,669	\$ (980,713)	\$ 176,712	\$ 246,121	\$ (984,530)	\$ 506,996	\$ (973,741)	\$ 5,209,524	\$ 9,655,086	

Tk’emlúps te Secwépemc
Notes to Consolidated Financial Statements

March 31, 2020

25. Segment Disclosure (continued)

	<u>2019</u>	Administration	Land and Leases	Planning & Engineering	Education	Property Tax	Housing	Social Housing	Natural Resources	Band Council	Sk'elep School	Community Services	Other	Total
Revenue														
ISC	\$ 881,055	\$ 523,672	\$ 228,096	\$ 1,904,944	\$ -	\$ 1,411,665	\$ -	\$ -	\$ -	\$ 1,005,958	\$ 1,108,242	\$ 14,048	\$ 7,077,680	
Province of BC	-	-	-	4,157	-	-	-	1,379,382	-	1,215,261	281,317	1,355,075	4,235,192	
Property taxation	<u>3,799,586</u>	<u>3,124,791</u>	<u>1,730,783</u>	<u>676,419</u>	<u>7,291,058</u>	<u>271,749</u>	<u>370</u>	<u>553,907</u>	<u>175,676</u>	<u>17,627</u>	<u>366,350</u>	<u>561,803</u>	<u>5,231,400</u>	<u>7,291,058</u>
Other	<u>4,680,641</u>	<u>3,648,463</u>	<u>1,958,879</u>	<u>2,585,520</u>	<u>7,562,807</u>	<u>1,412,035</u>	<u>553,907</u>	<u>1,555,058</u>	<u>17,627</u>	<u>2,587,569</u>	<u>1,951,362</u>	<u>6,600,523</u>	<u>35,114,391</u>	<u>16,510,461</u>
Expenses														
Payroll	1,521,979	613,110	2,003,031	925,192	151,044	254,698	-	311,415	79,793	1,260,578	986,596	414,739	8,522,175	
Other	1,750,551	490,467	2,178,263	1,966,309	3,224,168	764,480	777,298	487,668	951,434	571,741	3,151,483	1,066,406	17,380,268	
Amortization	-	-	-	-	-	-	249,013	-	-	8,141	-	1,539,811	1,796,945	
Surplus (deficit)	<u>\$ 1,408,111</u>	<u>\$ 2,544,886</u>	<u>\$ (2,222,415)</u>	<u>\$ (305,981)</u>	<u>\$ 4,187,595</u>	<u>\$ 392,857</u>	<u>\$ (472,404)</u>	<u>\$ 755,975</u>	<u>\$ (1,013,600)</u>	<u>\$ 747,109</u>	<u>\$ (2,186,717)</u>	<u>\$ 3,579,567</u>	<u>\$ 7,414,983</u>	