

ESK'ETEMC
Consolidated Financial Statements
Year Ended March 31, 2021

ESK'ETEMC**Index to Consolidated Financial Statements****Year Ended March 31, 2021**

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Esk'etemc 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. 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.

Esk'etemc maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that Esk'etemc's assets are appropriately accounted for and adequately safeguarded.

The Chief and Council are responsible for ensuring the integrity of Esk'etemc's accounting and reporting systems and that appropriate internal controls are in place, including those for monitoring risk, financial reporting and compliance with the laws and that management fulfils its responsibilities for financial reporting. The Chief and Council are ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council review Esk'etemc's consolidated financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the independent auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and independent auditor's report. The Chief and Council also consider the engagement of the independent auditor.

The consolidated financial statements have been audited by FBB Chartered Professional Accountants LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. FBB Chartered Professional Accountants LLP has full access to the Chief and Council.


Chief
Councillor



INDEPENDENT AUDITOR'S REPORT

To the Members of Esk'etemc

Opinion

We have audited the consolidated financial statements of the Esk'etemc, which comprise the consolidated statement of financial position as at March 31, 2021, 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, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Esk'etemc as at March 31, 2021, and its financial performance and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the First Nation in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*FBB Chartered Professional
Accountants LLP*

ESK'ETEMC

Consolidated Statement of Financial Position

Year Ended March 31, 2021

	2021	2020
Financial Assets		
Cash	\$ 4,967,069	\$ 2,324,693
Short term investments (Note 4)	1,483,869	1,230,501
Cash restricted as to use (Note 5)	94,208	177,678
Trade accounts receivable (Note 6)	2,439,662	1,901,475
Ottawa Trust Accounts (Note 7)	485,243	477,367
Inventory	30,392	46,187
Investments (Note 8)	3,075,141	4,151,128
	12,575,584	10,309,029
Liabilities		
Bank indebtedness (Note 9)	-	105,000
Accounts payable and accrued liabilities (Note 10)	883,838	1,069,310
Silviculture responsibility	1,204,563	1,210,842
Long term debt (Note 11)	1,444,687	1,543,715
	3,533,088	3,928,867
Net financial assets (debt)	9,042,496	6,380,162
Non-financial assets		
Prepaid expenses	88,949	96,628
Tangible capital assets (Note 12)	29,315,160	28,001,768
	29,404,109	28,098,396
Band equity	\$ 38,446,605	\$ 34,478,558
Band equity		
Accumulated surplus (Note 13) - page 6	\$ 38,199,460	\$ 34,179,689
Replacement reserve (Note 14)	62,196	113,920
Contributed surplus (Note 15)	184,949	184,949
	\$ 38,446,605	\$ 34,478,558

Contingencies (Note 18)

Approved on behalf of Esk'etemc


Chief


Councilor

ESK'ETEMC**Consolidated Statement of Changes in Net Financial Assets****Year Ended March 31, 2021**

	2021 Budget (unaudited)	2021	2020
Net revenue for the year	\$ 4,019,771	\$ 4,019,771	\$ 3,889,741
Amortization	-	907,075	849,403
Net contribution by replacement reserve	-	(51,724)	(71,095)
Change in prepaid expenses	-	7,679	16,872
Tangible capital asset acquisitions	-	(2,305,215)	(2,171,599)
Loss (gain) on disposal of tangible capital assets	-	84,748	(33,820)
Forgiveness of Treaty negotiation loan	-	-	7,773,605
 Increase in net financial assets	1,730,803	2,662,334	2,479,502
Net financial assets (debt) - beginning of year	6,380,162	6,380,162	(3,872,945)
Net financial assets - end of year	\$ (2,142,142)	\$ 9,042,496	\$ 6,380,162

ESK'ETEMC
Consolidated Statement of Operations
Year Ended March 31, 2021

	2021 Budget (Unaudited)	2021	2020
Revenues (from Schedule 1)	\$ 11,784,707	\$ 16,744,067	\$ 13,233,677
Expenses (from Schedule 2)	<u>9,595,014</u>	<u>13,833,370</u>	12,946,556
Net revenue before the following	2,189,693	2,910,697	287,121
Other income			
Surplus recoveries	-	(62,291)	-
Operating results of Band enterprises	-	(1,075,987)	1,294,352
Change in silviculture liability	-	6,279	102,849
Tangible capital assets purchases	-	2,305,215	2,171,599
Gain (loss) on disposal of tangible capital assets	<u>-</u>	<u>(84,748)</u>	<u>33,820</u>
Net revenue for the year	2,189,693	3,999,165	3,889,741
Interfund transfers			
Replacement reserve transferred to surplus	<u>-</u>	<u>20,606</u>	<u>-</u>
Net change in surplus	2,189,693	4,019,771	3,889,741
Accumulated surplus - beginning of year	<u>30,289,948</u>	<u>34,179,689</u>	<u>30,289,948</u>
Accumulated surplus - end of year - page 4	<u>\$ 32,479,641</u>	<u>\$ 38,199,460</u>	<u>\$ 34,179,689</u>

	2021 Budget (Unaudited)	2021	2020
Revenues			
Federal Government			
ISC Operating	\$ 5,269,124	\$ 5,647,841	\$ 3,688,329
ISC Capital	1,022,301	1,022,301	653,800
First Nations Health Authority	1,851,442	2,144,975	1,636,154
CMHC	-	80,718	129,541
CCATEC	102,944	132,854	145,959
Department of Justice	30,192	34,311	30,192
Fisheries and Oceans (recovery)	-	6,000	(600)
Natural Resources	-	150,000	30,000
First Nations Education Steering Committee	294,996	473,273	377,645
Province of British Columbia	1,039,006	2,153,526	3,296,971
Enbridge	50,000	64,000	50,000
Store sales	990,480	930,439	1,155,803
Investment income (loss)	-	269,868	(34,558)
Wage subsidy	-	9,764	2,280
BC Hydro	-	79,738	79,738
Rental income	52,006	607,940	721,844
Royalties	-	1,000,000	-
Administration	-	2,537	1,760
New Relationship Trust	-	24,850	25,000
Service agreement	-	342,719	318,610
Daycare fees	30,720	19,860	27,222
All other sources	1,051,496	1,546,553	897,987
	\$ 11,784,707	\$ 16,744,067	\$ 13,233,677

ESK'ETEMC**Consolidated Expenses****(Schedule 2)****Year Ended March 31, 2021**

	2021 Budget (Unaudited)	2021	2020
Administration and economic development	\$ 3,659,153	4,094,024	\$ 2,356,072
Amortization	-	907,075	849,403
Capital improvement projects	-	1,081,068	1,635,411
Education	1,746,535	1,916,245	1,960,297
Health and well-being	1,488,573	1,752,340	1,899,641
Housing	-	421,087	372,210
Natural resources	181,373	276,746	432,488
Public works	-	962,201	1,057,381
Social development	1,513,720	1,391,640	1,209,442
Store - Alkali Enterprises	<u>1,005,660</u>	<u>1,030,944</u>	1,174,211
	<u>\$ 9,595,014</u>	<u>\$ 13,833,370</u>	<u>\$ 12,946,556</u>

ESK'ETEMC
Consolidated Statement of Cash Flows
Year Ended March 31, 2021

	2021	2020
Cash flows from operating activities		
Net revenue for the year	\$ 4,019,771	\$ 3,889,741
Items not affecting cash:		
Amortization	907,075	849,403
Loss (gain) on disposal of tangible capital assets	84,748	(33,820)
Operating results of Band enterprises	<u>1,075,987</u>	(1,294,352)
	<u>6,087,581</u>	3,410,972
Changes in non-cash working capital:		
Accounts receivable	(1,302,863)	(265,171)
Replacement reserve	(51,724)	(71,094)
Cash restricted as to use	83,470	69,967
Inventory	15,795	(8,939)
Accounts payable and accrued liabilities	579,204	(303,633)
Silviculture responsibility	(6,279)	(102,849)
Deferred revenue	-	-
Prepaid expenses	<u>7,679</u>	16,872
	<u>(674,718)</u>	(664,847)
Cash flows from operating activities	<u>5,412,863</u>	2,746,125
Cash flows used (from) by investing activities		
Change in trust funds held by Canada	(7,876)	786,342
Advances to related parties	-	14,999
Cash flows from (used by) investing activities	<u>(7,876)</u>	801,341
Cash flows from (used by) financing activities		
Change in bank indebtedness	(105,000)	35,000
Proceeds from long term financing	-	455,140
Repayment of long term debt	<u>(99,028)</u>	(116,174)
Cash flows from (used by) financing activities	<u>(204,028)</u>	373,966
Cash flows used by capital activities		
Tangible capital asset acquisitions	<u>(2,305,215)</u>	(2,171,599)
Increase in cash flow	<u>2,895,744</u>	1,749,833
Cash - beginning of year	<u>3,555,194</u>	1,805,361
Cash - end of year	<u>\$ 6,450,938</u>	\$ 3,555,194
Represented by:		
Cash	\$ 4,967,069	\$ 2,324,693
Marketable securities	<u>1,483,869</u>	1,230,501
	<u>\$ 6,450,938</u>	\$ 3,555,194

1. Basis of presentation

In order to satisfy the Reporting Guide's Financial Reporting Requirements of Indigenous Services Canada ("ISC") these consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards, as defined in the CPA Canada Public Sector Accounting Handbook, which encompasses the following:

- a. The focus of PSAB statements is on the financial position of Esk'etemc and the changes thereto. The Consolidated Statement of Financial Position includes all the assets and liabilities of Esk'etemc. Financial assets are economic resources controlled by Esk'etemc as a result of past transactions from which future economic benefits may be obtained. Liabilities are present obligations of Esk'etemc to others arising from past transactions, the settlement of which is expected to result in the future sacrifice of economic benefits.
- b. Esk'etemc uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions.

The various funds have been amalgamated for the purpose of presentation in the consolidated financial statements. Details of the operation of each fund are set out in the supplementary schedules.

Esk'etemc maintains the following funds:

- The Operations Fund which reports the general activities of Esk'etemc.
- The Capital Fund which reports the capital projects of Esk'etemc together with their related financing, other than those tangible capital assets funded by CMHC.
- The Investment Fund which reports Esk'etemc's investments in related entities.
- The Trust Fund which reports on the trust funds owned by Esk'etemc and held by third parties.
- The CMHC Social Housing Fund which reports assets, liabilities, revenues, expenses and reserves specifically related to housing funded by CMHC.
- The Treaty Self-Government Fund which reports on activities related to treaty negotiations.

c. Reporting entity and principles of financial reporting

The Esk'etemc reporting entity includes Esk'etemc and all related entities which are accountable to the Chief and Council and are either owned or controlled by Esk'etemc.

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

- Band government administration (Operating and Capital funds)
- Band Investment Fund
- Band Trust Fund (comprising the Ottawa Trust Funds)
- Band CMHC Social Housing Fund
- Treaty Self-Government Fund

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

(continues)

1. Basis of presentation (continued)

Business entities, which are owned or significantly influenced by Esk'etemc and which are not dependent on Esk'etemc for their continuing operations, are included in the consolidated financial statements using the modified equity method. These include:

- Ecolink Forest Services Ltd.
- Alkali Resource Management Ltd.

2. Summary of significant accounting policiesCash and cash equivalents

Cash and cash equivalents consist of cash on hand less outstanding cheques and deposits with a maturity of less than three months at the time of purchase. When outstanding cheques are in excess of cash on hand, the excess is reported in bank indebtedness.

Inventory

Inventory is stated at the lower of cost and net realizable value. Inventory is valued using the first-in, first-out (FIFO) method.

Tangible capital assets

Tangible capital assets are non-financial assets having physical substance that:

- Are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
- Have useful economic lives extending beyond an accounting period;
- Are to be used on a continuing basis; and
- Are not for sale in the ordinary course of operations.

Tangible capital assets purchased are recorded at cost. Tangible capital assets contributed are recorded at the fair market value as at the date of the contribution.

Tangible capital assets are amortized over their expected useful life using the declining balance method at the following rates:

Buildings	2%
Buildings and Infrastructure	1.25%
Automotive equipment	20%
Equipment and machinery	20%
Computer and office equipment	30%

Assets under construction are not amortized as they are not available for use.

Housing tangible capital assets acquired under Canada Mortgage and Housing Corporation sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in the related long term debt, as required for Canada Mortgage and Housing Corporation reporting purposes.

(continues)

2. Summary of significant accounting policies (continued)Surplus recoveries and deficit funding

Under the terms of funding arrangements, remaining surpluses of certain programs may be recovered by the funding agency, and remaining deficits may be funded by the funding agency.

Trust funds held by Canada (Ottawa Trust Fund)

Ottawa Trust Fund operating account revenues are recorded on an accrual basis, and include interest earned on the Ottawa Trust account.

Ottawa Trust Fund capital account revenues are recorded when Esk'etemc is notified of their deposit by ISC.

Revenue recognition

Revenue is recognized as it becomes receivable and collection is reasonably assured under the terms of applicable funding agreements. Funding received under funding arrangements which relate to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Consolidated Statement of Financial Position.

Expenses are accounted for in the period the goods and services are acquired and a liability is incurred, or transfers are due.

Rental revenue is recognized when a tenant commences occupancy and rent is due. Esk'etemc retains all benefits and risks of ownership of its property and, therefore, accounts for leases with its tenants as operating leases.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the impairment of assets, and rates for depreciation and amortization. Actual results could differ from those estimates.

Liability for contaminated sites

Esk'etemc has reviewed the implications of the CPA Canada Public Sector Accounting Handbook Section PS 3260 - *Liability for Contaminated Sites* and has concluded that it is not exposed to any contaminated sites. It has therefore not recorded any liability for remediation of contaminated sites.

3. Economic dependence

Esk'etemc receives a significant portion of its revenues pursuant to funding arrangements with ISC. Esk'etemc's ability to continue operations would be severely impacted should this funding be discontinued.

ESK'ETEMC**Notes to Consolidated Financial Statements****Year Ended March 31, 2021****4. Marketable Securities**

	2021	2020
Forest and Range Capital, at fair market value	\$ 367,290	\$ 310,075
Silviculture, at fair market value	<u>1,116,579</u>	<u>920,426</u>
	\$ 1,483,869	\$ 1,230,501

The cost amount of the above marketable securities are \$336,686 and \$1,008,567 as at March 31, 2021. The above investment mix is approximately 70% equity investments and 30% fixed income and cash and cash equivalents and the investment portfolio is held by Raymond James.

5. Cash restricted as to use

	2021	2020
Replacement reserve	\$ 94,208	\$ 177,678

Under the terms of the Band's Social Housing Agreement with Canada Mortgage and Housing Corporation, a separate replacement reserve account is maintained. The funds in this account may only be used for repairs and maintenance as approved by Canada Mortgage and Housing Corporation.

6. Accounts receivable

	2021	2020
Due from members:		
Rent	\$ 714,430	\$ 616,482
Due from others:		
First Peoples Cultural Council	67,654	30,000
Department of Fisheries and Oceans - Canada	-	3,337
Enbridge	50,000	50,000
ISC	377,897	68,860
FNESC	47,465	24,572
CCATEC	60,572	35,380
GST recoverable	85,919	119,698
CMHC	21,146	5,564
Province of British Columbia	401,437	319,081
First Nation Health Authority	84,971	84,971
All others	160,181	543,530
Northern Development Initiative Trust	125,000	-
Shuswap Nations Tribal Council Society	142,990	-
Tolko	50,000	-
Natural Resources Canada	<u>50,000</u>	<u>-</u>
	\$ 2,439,662	\$ 1,901,475

The above accounts receivable are presented net of an allowance for doubtful accounts in the amount of \$773,050 (2020 - \$773,050).

ESK'ETEMC**Notes to Consolidated Financial Statements****Year Ended March 31, 2021**

7. Trust funds held by Canada

	2021	2020
Ottawa Trust Accounts	\$ 485,243	\$ 477,367

The Ottawa Trust Accounts arise from monies 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 and are subject to audit by the office of the Auditor General of Canada. The management of these funds is governed primarily by Sections 63 and 69 of the *Indian Act*.

Funds on deposit in the Ottawa Trust Accounts may be withdrawn by Band Council Resolution.

8. Investments

Investment in Ecolink Forest Services Ltd.

	2021	2020
Shareholder's Loan, due on demand, interest free, unsecured, no specific terms of repayment	\$ 64,739	\$ 64,739
Equity income in Ecolink	<u>679,338</u>	<u>431,020</u>
	<u>744,077</u>	<u>495,759</u>
Investment in Alkali Resource Management Ltd.		
1 share of 1 share issued, at cost, held in Trust by Esk'etemc Band Council	1	1
Investment in Alkali Resource Management Ltd.	765,188	765,188
Equity gain (loss) in Alkali Resource Management Ltd.	<u>1,165,875</u>	<u>2,490,180</u>
Subtotal	<u>1,931,064</u>	<u>3,255,369</u>
Dog Creek Ranch Ltd., 100 shares at cost, Sole ownership	<u>400,000</u>	<u>400,000</u>
	<u>2,331,064</u>	<u>3,655,369</u>
	<u>\$ 3,075,141</u>	<u>\$ 4,151,128</u>

A summary of the unaudited financial statements of Alkali Resource Management Ltd. (A.R.M.), for the year ended April 30, 2020, and for Ecolink for the year ended December 31, 2020 follows:

	A.R.M.	EcoLink
Statement of Financial Position		
Current assets	\$ 3,819,986	\$ 1,090,255
Long-term assets	<u>794,514</u>	<u>2,191,593</u>
	<u>\$ 4,614,500</u>	<u>\$ 3,281,848</u>
Current liabilities	\$ 1,202,018	\$ 917,504
Long term liabilities	57,248	876,191
Due to shareholders	2,189,359	129,478
Share capital	1	200
Surplus	<u>1,165,874</u>	<u>1,358,475</u>
	<u>\$ 4,614,500</u>	<u>\$ 3,281,848</u>
Statement of Operations		
Revenue	\$ 8,189,317	\$ 3,378,464
Expenses	<u>9,513,622</u>	<u>2,980,301</u>
Net Income	(1,324,305)	398,163
Surplus, beginning of year	<u>2,490,179</u>	<u>960,312</u>
Surplus, end of year	<u>\$ 1,165,874</u>	<u>\$ 1,358,475</u>

9. Bank indebtedness

	2021	2020
RBC Line of Credit - Overdraft - Alkali Enterprises	\$ -	\$ 105,000

Esk'etemc has negotiated a line of credit with the Royal Bank of Canada to a maximum of \$450,000 with interest at the bank prime rate plus 0.25%, secured by a general security agreement. The facility was unused as at March 31, 2021.

The bank indebtedness for the store is in the form of an operating line payable to the Royal Bank of Canada to a maximum of \$200,000 with interest at the bank prime plus 0.75%, secured by a general security agreement. The facility was unused as at March 31, 2021.

As at March 31, 2021, the bank's prime rate was 2.45%.

10. Accounts payable and accrued liabilities

	2021	2020
Trade accounts	\$ 865,083	\$ 1,031,724
Payroll and withholding taxes	18,755	37,586
	\$ 883,838	\$ 1,069,310

11. Long term debt

	2021	2020
Royal Bank of Canada non-revolving term loan, repayable in monthly instalments including interest at bank prime plus 0.5% (March 31, 2020 - 2.95%), secured by a general security agreement and guarantee and postponement of claim in the amount of \$260,000 signed by Dog Creek Ranch Ltd. and a general security agreement over all assets of Dog Creek Ranch, due July 2044.	\$ 1,099,804	\$ 1,143,634
CMHC mortgage, repayable in monthly instalments of \$2,921 including interest at 1.3%, maturing August 1, 2020.	-	14,556
CMHC mortgage, repayable in monthly instalments of \$1,667 including interest at 1.11%, maturing February 1, 2021.	-	18,234
CMHC mortgage, repayable in monthly instalments of \$1,440 including interest at 1.86%, maturing April 1, 2034.	200,662	214,100
CMHC mortgage, repayable in monthly instalments of \$901 including interest at 1.3%, maturing November 1, 2035.	<u>144,221</u>	<u>153,191</u>
	<u>\$ 1,444,687</u>	<u>\$ 1,543,715</u>

The above CMHC mortgages are secured by a ministerial guarantee.

Principal repayments are scheduled as follows:

2022	\$ 39,569
2023	40,800
2024	42,075
2025	43,205
2026	45,100
Thereafter	<u>1,233,938</u>
	<u>\$ 1,444,687</u>

12. Tangible capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land improvements - cost	\$ 71,952	\$ -	\$ 71,952	\$ 71,952
Automotive equipment	1,946,526	1,249,735	696,791	365,612
Buildings and Infrastructure	36,683,598	9,773,464	26,910,134	26,360,766
Computer and office equipment	2,904,410	2,328,306	576,104	351,571
CMHC Social Housing	1,195,268	576,756	618,512	673,710
Alkali Enterprises	854,292	412,625	441,667	178,157
	\$ 43,656,046	\$ 14,340,886	\$ 29,315,160	\$ 28,001,768

Tangible capital asset acquisitions during the year:

Water treatment additions	\$ 17,105
Solid waste transfer station	272,339
NAHS project	79,504
Building under insurance claim	213,719
Computer and server equipment for health department	58,198
Forestry equipment	223,596
Copiers, smartboard, seacans and miscellaneous	89,363
Covid-19 travel trailers	133,563
Ford F550 Hooklift truck	219,253
2020 Chevrolet Silverado*	71,385
Alkali Enterprises store - refridgerator, equipment and cargo van	85,018
Alkali Enterprises store renovations	223,744
2020 Toyota Tundra, 2021 GMC Sierra	105,986
Biomass heating project	512,442
	\$ 2,305,215

There were no asset write-downs during the year (2020 - \$nil). During the year, Phase 7 and 9 buildings and accumulated depreciation were transferred from CMHC Social Housing to Buildings and Infrastructure in the amount of \$1,205,224.

*The 2020 Chevrolet Silverado was subsequently traded in for the 2020 GMC Sierra. During the year, 3 vehicles were disposed of with a net carrying value of \$84,748.

13. Band equity - accumulated surplus

	2021	2020
Operating and Capital Projects Fund	\$ 35,923,034	\$ 30,752,989
CMHC Social Housing Fund	(54,030)	28,133
Ottawa Trust Fund	485,243	477,367
Investment in Business Enterprises	1,845,213	2,921,200
	\$ 38,199,460	\$ 34,179,689

ESK'ETEMC**Notes to Consolidated Financial Statements****Year Ended March 31, 2021****14. Replacement reserve**

The replacement reserve represents funds set aside by Esk'etemc to fund future anticipated costs. The replacement fund balance consists of the following amounts:

	2021	2020
CMHC replacement reserve - beginning of year	\$ 113,920	\$ 185,014
Interest	104	3,138
Contributions required	13,559	26,059
Expenditures for replacements	(82,781)	(100,291)
Transfer to Esk'etemc	(20,606)	-
CMHC supplemental assistance	38,000	-
CMHC replacement reserve - end of year	\$ 62,196	\$ 113,920

Under the terms of the mortgage agreements with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited in the amount of \$13,559 annually. These funds, along with accumulating interest are to be held in a separate bank account. The funds in this account may only be used as approved by Canada Mortgage and Housing Corporation. During the year, Phase 7 and 9 mortgages were paid off and related replacement reserves were transferred to band-owned housing.

15. Contributed surplus

Contributed surplus consists of the following:

	2021	2020
Band construction contribution	\$ 184,949	\$ 184,949

16. Financial instruments and risk management

Esk'etemc's financial instruments consist of cash, cash restricted as to use, accounts receivable, trust funds held by Canada, accounts payable and accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that Esk'etemc is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Esk'etemc is exposed to financial risk that arises from the credit quality of the entities to which it provides services. Credit risk arises from the possibility that the entities to which Esk'etemc provides services may experience financial difficulty and be unable to fulfill their obligations.

Esk'etemc is exposed to interest rate risk arising from fluctuations in interest rates on its cash and investments and does not hold any financial instruments that mitigate this risk.

17. Federal assistance payments

Esk'etemc Social Housing Fund has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56-1 of the National Housing Act to reduce mortgage interest expense to 2% to enable the project to provide housing to low income individuals. The amount of the assistance received for the year ended March 31, 2021 was \$80,718 (2020 - \$90,299). This assistance will continue, providing Esk'etemc is not in default of the agreement.

ESK'ETEMC

Notes to Consolidated Financial Statements

Year Ended March 31, 2021

18. Contingent liability

Esk'etemc member loans

Esk'etemc has guaranteed loans made in previous years by various financial institutions under the CMHC Housing Program. The original balances on these loans were \$2,141,013. As at March 31, 2021 the balances outstanding were:

CMHC Housing Program	<u>\$ 344,883</u>
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19. Reconciliation of ISC Comprehensive Funding Arrangement Revenue

Pursuant to the ISC's Reporting Guide's Financial Reporting Requirements, the following reconciliation has been prepared:

Revenue total as per 2021 funding confirmation	<u>\$ 6,669,339</u>
Revenue as per Statement of Operations	
ISC Operating	\$ 5,647,841
ISC Capital	1,022,301
Timing differences - retropay Child Out of Parent Home	
2018/2019	<u>(803)</u>
	<u>\$ 6,669,339</u>

20. Band registered pension plan

Esk'etemc provides a defined contribution pension plan to qualifying employees. Under the plan, the defined members' contributions, the Esk'etemc contributions, and the related plan earnings comprise the members' money purchase amount. The plan is registered with the Canada Revenue Agency.

Esk'etemc contributed \$152,748 to the plan during the year ended March 31, 2021 (March 31, 2020 - \$158,737), to match its employees' required contributions.

21. Covid-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At this time, these factors continue to present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time. Esk'etemc has managed the financial impact of Covid-19 by obtaining additional federal and other funding related to Covid-19 relief as necessary.

22. Expenses by object

	2021	2020
Amortization	\$ 907,075	\$ 849,403
Contracted services	2,738,951	2,602,349
Honouraria	108,126	139,003
Bad debts	-	42,556
Insurance	195,413	159,598
Interest and bank charges	65,521	110,840
Materials and supplies	1,787,554	1,107,463
Rent, maintenance and utilities	1,135,036	795,743
Salaries, wages and benefits	4,720,020	4,737,923
Social assistance	879,983	566,553
Store purchases	686,459	795,620
Travel	189,371	428,188
Tuition and education	419,861	611,317
	<u>\$ 13,833,370</u>	<u>\$ 12,946,556</u>

23. Comparative figures

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