

**Stswecem'c Xgat'tem First Nation
Consolidated Financial Statements**

March 31, 2020

Stswecem'c Xgat'tem First Nation
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For the year ended March 31, 2020

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Management's Responsibility

To the Members of Stswecem'c Xgat'tem First Nation:

The accompanying consolidated financial statements of Stswecem'c Xgat'tem First Nation are the responsibility of management and have been approved by the Chief and Council.

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

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

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

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

October 6, 2020



Band Administrator

Independent Auditor's Report

To the Members of Stswecem'c Xgat'tem First Nation:

Opinion

We have audited the consolidated financial statements of Stswecem'c Xgat'tem First Nation and its subsidiaries (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations, accumulated surplus, changes in net financial assets and cash flows, and related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2020, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with 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 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 cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit

evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Prince George, British Columbia

October 6, 2020

MNP LLP

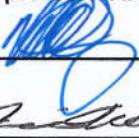
Chartered Professional Accountants

MNP
LLP

Stswecem'c Xgat'tem First Nation
Consolidated Statement of Financial Position
As at March 31, 2020

	2020	2019
Financial assets		
Cash (Note 3)	2,140,402	1,493,347
Trade and other receivables (Note 4)	1,082,148	1,275,386
Guaranteed investment certificates (Note 5)	2,069,130	1,304,123
Inventory	66,789	44,324
Funds held in trust (Note 6)	1,396,976	1,373,163
Restricted cash - Canada Mortgage and Housing Corporation (Note 7)	264,292	242,633
Investment in government business entities (Note 8)	433,174	701,904
Advances to related parties (Note 9)	67,170	43,003
Total financial assets	7,520,081	6,477,883
Liabilities		
Trade and other payables (Note 10)	552,573	796,110
Deferred revenue (Note 11)	1,409,712	1,700,388
Debt (Note 12)	1,077,195	412,055
Capital lease obligations (Note 13)	61,607	81,448
Total liabilities	3,101,087	2,990,001
Net financial assets	4,418,994	3,487,882
Contingencies (Note 14)		
Subsequent events (Note 15)		
Non-financial assets		
Tangible capital assets (Schedule 1)	9,782,667	6,903,974
Prepaid expenses	3,115	10,994
Total non-financial assets	9,785,782	6,914,968
Accumulated surplus (Note 16)	14,204,776	10,402,850

Approved on behalf of the Council:


Chief
S. St. John
Councilor

Councilor


Wendy Dunn
Elaine Camille
Councilor

Councilor
Councilor

Stswecem'c Xgat'tem First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2020

	<i>Schedules</i>	<i>2020 Budget (Note 21)</i>	<i>2020</i>	<i>2019</i>
Revenue				
Indigenous Services Canada (Note 17)		1,989,991	5,696,316	3,192,217
Province of British Columbia		96,860	1,560,553	1,390,152
Land referrals		275,000	831,629	178,439
Northern Shuswap Treaty Society		488,657	488,507	433,267
Three Corners Health Services Society		384,362	435,652	450,165
First Nations Health Authority		78,806	173,603	106,340
First Nations Education Steering Committee		77,000	153,424	129,692
Canada Mortgage and Housing Corporation		-	45,379	61,780
Cariboo Chilcotin Aboriginal Training Employment Centre Society		52,000	165,535	149,808
Other		592,778	518,648	554,608
First Nation store sales		5,800	511,580	519,885
Rental income		185,000	301,491	325,147
Knucwentwecw Society		105,000	115,500	61,022
Interest income		7,500	62,258	46,306
Enbridge		-	50,000	80,000
Red Cross		-	-	24,875
Loss on disposal of tangible capital assets		-	-	(19,336)
Earnings (loss) from investment government business entities (Note 8)		-	(268,730)	564,845
		4,338,754	10,841,345	8,249,212
Program expenses				
Administration	3	743,225	1,351,108	1,480,072
Operations and Maintenance	4	307,109	284,390	316,833
Stewardship	5	430,804	692,000	554,560
Education	6	1,214,567	1,271,570	1,404,583
Social Development	7	309,641	617,301	564,184
Health and Wellness	8	656,529	750,132	657,820
Capital Projects	9	-	573,663	545,043
Housing	10	253,659	586,844	734,152
Treaty	11	488,157	401,803	440,731
First Nation Store	12	-	510,608	530,843
Total expenses (Schedule 2)		4,403,691	7,039,419	7,228,821
Annual surplus		(64,937)	3,801,926	1,020,391
Accumulated surplus, beginning of year		10,402,850	10,402,850	9,382,459
Accumulated surplus, end of year		10,337,913	14,204,776	10,402,850

Stswecem'c Xgat'tem First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2020

	2020 Budget (Note 21)	2020	2019
Annual surplus	(64,937)	3,801,926	1,020,391
Purchases of tangible capital assets	-	(3,681,801)	(2,624,465)
Amortization of tangible capital assets	-	803,108	781,650
Loss on disposal of tangible capital assets	-	-	19,336
Capital lease tangible capital asset additions	-	-	(85,000)
Proceeds of disposal of tangible capital assets	-	-	78,084
	-	(2,878,693)	(1,830,395)
Acquisition of prepaid expenses	-	-	(3,268)
Use of prepaid expenses	-	7,879	-
Increase (decrease) in net financial assets	(64,937)	931,112	(813,272)
Net financial assets, beginning of year	3,487,882	3,487,882	4,301,154
Net financial assets, end of year	3,422,945	4,418,994	3,487,882

Stswecem'c Xgat'tem First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	3,801,926	1,020,391
Non-cash items		
Amortization	803,108	781,650
Loss (earnings) from investment in government business entities	268,730	(564,845)
Ottawa trust interest revenue	(23,813)	(32,447)
Loss on disposal of tangible capital assets	-	19,336
	4,849,951	1,224,085
Changes in working capital accounts		
Trade and other receivables	193,238	(408,113)
Prepaid expenses	7,879	(3,268)
Restricted cash	(21,659)	(50,368)
Trade and other payables	(243,537)	391,395
Deferred revenue	(290,676)	(631,550)
Purchase of inventory	(22,468)	(22,862)
	4,472,728	499,319
Financing activities		
Advances of debt	850,863	104,520
Repayment of debt	(185,724)	(221,578)
Change in bank indebtedness	-	(3,681)
Repayment of capital lease obligations	(19,842)	-
	645,297	(120,739)
Capital activities		
Purchases of tangible capital assets	(3,681,801)	(2,624,465)
Proceeds of disposal of tangible capital assets	-	78,084
	(3,681,801)	(2,546,381)
Investing activities		
Advances to related parties	(24,164)	-
Withdrawal (contribution) of guaranteed investment certificates	(765,005)	919,301
Related party loan forgiveness	-	397,439
	(789,169)	1,316,740
Increase (decrease) in cash	647,055	(851,061)
Cash, beginning of year	1,493,347	2,344,408
Cash, end of year	2,140,402	1,493,347

Stswecem'c Xgat'tem First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

1. Operations

The Stswecem'c Xgat'tem First Nation (the "Nation") is located in the Province of British Columbia, and provides various services to its members. Stswecem'c Xgat'tem First Nation includes the Nation's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

2. Significant accounting policies

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

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities. Trusts administered on behalf of third parties by Stswecem'c Xgat'tem First Nation are excluded from the First Nation reporting entity.

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

- Stswecem'c Xgat'tem Housing Program
- Stswecem'c Xgat'tem Health Program
- Stswecem'c Xgat'tem Treaty Program
- Stswecem'c Xgat'tem Store

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

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

- SXD Limited Partnership
- SXDC Ltd.

Basis of presentation

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

Cash

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

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Stswecem'c Xgat'tem First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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

Tangible capital assets

Tangible capital assets are initially recorded at cost. Contributed tangible assets are recorded at their fair value at the date of contribution.

All intangible assets and items inherited by the rights of the Nation, such as reserve land, forests, water and mineral resources are not recognized in the Nation's consolidated financial statements.

Tangible capital assets are amortized over their expected useful life of the assets using the straight-line method. In the year of acquisition amortization is taken at one-half the rates. See below for amortization rates of specific assets categories.

Automotive equipment	5 years
Buildings and infrastructure	20 to 50 years
Capital leased assets	5 years
Computers/ Furniture & equipment	3 to 10 years

Funds held in Ottawa Trust Fund

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

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

Net financial assets

The Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of consolidated financial position. The net financial assets of the Nation is determined by its financial assets less its liabilities. Net financial assets is comprised of two components, non-financial assets and accumulated surplus.

Asset classification

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

Stswecem'c Xgat'tem First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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

Revenue recognition

i) **Government Funding**

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

ii) **First Nation Capital and Revenue Trust Funds**

The Nation recognizes revenue of the Capital and Revenue trusts when earned.

iii) **Canada Mortgage and Housing Corporation ("CMHC") and First Nation Health Authority ("FNHA")**

CMHC and FNHA revenue are recognized as it become receivable under the terms of the applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the consolidated statement of financial position in the year of receipt.

iv) **Housing rental income**

Rental revenue is recorded in the year it is earned. At the end of each year, management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

vi) **Other revenue**

Revenue such as administration fee, contract revenue and other revenue is recognized when performance is achieved, amounts are reasonably estimated and collection is reasonably assured.

Measurement uncertainty (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 revenue and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the Nation is responsible for. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations of the periods in which they become known.

Long-lived assets

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

The Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when an asset's service potential is reduced. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Any impairment is included in operations for the year. Prices for similar items are used to measure fair value of long-lived assets.

The Nation does not perform impairment testing on its long-lived assets that are held for public administration and situated on its reserve land as it is not possible to determine their fair market value.

Stswecem'c Xgat'tem First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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

Segments

The Nation conducts its business through a number of reportable segments as described in Note 20. These operating segments are established by senior management to facilitate the achievement of the Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

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

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements, as disclosed in Note 2 of the *Significant account policies*.

Liability for contaminated site

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

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

Future changes in accounting policies

The following summarizes the upcoming changes to the Canadian public sector accounting standards issued by the Public Sector Accounting Standards Board (PSAB). The Nation will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently.

i) Portfolio investments

Section PS 3041 Portfolio Investments has removed the distinction between temporary and portfolio investments. This section now includes pooled investments in its scope and was amended to conform to Financial instruments PS 3450. Upon adoption of PS 3450 and PS 3041, PS 3030 Temporary Investments will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2022.

ii) Asset retirement obligations

PSAB issued PS 3280 Asset Retirement Obligations applicable for fiscal years beginning on or after April 1, 2022. This standard establishes standards on how to account for and report a liability for asset retirement obligations.

iii) Revenue

PS 3400 Revenue issued November 2018 establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations, referred to as "exchange transactions", and transactions that do not have performance obligations, referred to as "non-exchange transactions".

Revenue from transactions with performance obligations should be recognized when (or as) the school district satisfies a performance obligation by providing the promised goods or services to a payor.

Revenue from transactions with no performance obligations should be recognized when a school district:

- (a) has the authority to claim or retain an inflow of economic resources; and
- (b) identifies a past transaction or event that gives rise to an asset.

This standard may be applied retroactively or prospectively.

Stswecem'c Xgat'tem First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

3. Cash

Included in cash is \$421,396 of restricted cash related to BC First Nations Gaming Revenue Sharing Limited Partnership Agreement.

4. Trade and other receivables

	2020	2019
Due from members:		
Rent	394,699	425,945
Less: Allowance for doubtful accounts	<u>(382,004)</u>	<u>(422,577)</u>
	12,695	3,368
Trade and other receivables		
Trade receivables	722,720	244,191
Three Corners Health Services Society	105,830	96,091
Indigenous Services Canada	90,434	717,000
Province of British Columbia	70,000	30,000
First Nations Education Steering Committee	67,767	-
First Nation Store	9,612	36,994
Canada Mortgage and Housing Corporation	3,090	27,939
Goods and services tax receivable	-	16,823
Northern Shuswap Treaty Society	-	102,980
	<u>1,069,453</u>	<u>1,272,018</u>
	<u>1,082,148</u>	<u>1,275,386</u>

5. Guaranteed investment certificates

	2020	2019
Royal Bank of Canada GIC - 1.65% interest, maturing October 2020	431,525	429,618
Royal Bank of Canada GIC - 1.65% interest, maturing June 2020 (subsequently re-invested until June 2020 at 1.34% interest)	464,124	455,647
Royal Bank of Canada GIC - 1.65% interest, maturing June 2020 (subsequently re-invested until June 2020 at 1.34% interest)	146,898	143,866
Royal Bank of Canada GIC - 1.65% interest, maturing June 2020 (subsequently re-invested until June 2020 at 1.34% interest)	279,583	274,992
Royal Bank of Canada GIC - 1.4% interest, maturing April 2020 (subsequently re-invested until April 2021 at 1.7% interest)	747,000	-
	<u>2,069,130</u>	<u>1,304,123</u>

Stswecem'c Xgat'tem First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

6. Funds held in trust

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

	2020	2019
Capital Trust		
Balance, beginning and end of year	447,495	447,495
Revenue Trust		
Balance, beginning of year	925,668	893,222
Interest	22,098	30,734
BC Special	1,715	1,712
Balance, end of year	949,481	925,668
	1,396,976	1,373,163

Ottawa Trust Funds

The Ottawa Trust accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Section 63 to 69 of the *Indian Act*.

7. Restricted cash

Under the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC"), the replacement reserve account is to be credited in the amount of \$16,933 (2019 - \$17,537) annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC.

At year end, the replacement reserve pre-1997 was adequately funded by (2019 - adequately funded).

Stswecem'c Xgat'tem First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

8. Investment in Nation business entities

The First Nation has an investment in the following entities:

	<i>Investment, beginning of year</i>	<i>Earnings adjustment to investment balance</i>	<i>Share of loss</i>	<i>Total investment</i>	2020
Wholly-owned Business:					
SXDC Ltd.	467,146	-	(34,225)	432,921	
First Nation Business Partnerships – Modified Equity:					
SXDC Limited Partnership - 99.99%	234,758	-	(234,505)	253	
	701,904	-	(268,730)	433,174	
	<i>Investment, beginning of year</i>	<i>Earnings adjustment to investment balance</i>	<i>Share of loss</i>	<i>Total investment</i>	2019
Wholly-owned Business:					
SXDC Ltd.	14	11,345	455,787	467,146	
First Nation Business Partnerships – Modified Equity:					
SXD Limited Partnership - 99.99%	137,045	-	97,713	234,758	
	137,059	11,345	553,500	701,904	

Stswecem'c Xgat'tem First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

8. Investments in Nation business entities (Continued from previous page)

Summary financial information for the Nation business entities, accounted for using the modified equity method, for the year ended March 31, 2020 is provided below. The following financial information for SXD Limited Partnership and SXDC Ltd. is unaudited.

	SXD Limited Partnership As at March 31, 2020 (Unaudited)	SXDC Ltd. As at March 31, 2020 (Unaudited)
Assets		
Cash	108,601	2,297
Accounts receivable	461,234	52,905
Short-term investments	5,850	5,206
Prepaid expenses and security deposits	9,367	2,990
Equipment	265,138	7,532
Advances to related parties	-	384,426
Total assets	850,190	455,356
Liabilities		
Accounts payable and accruals	308,988	22,435
Deferred revenue	130,546	-
Advances from related parties	384,426	-
Debt	25,976	-
Total liabilities	849,936	22,435
Partners' equity/ Shareholders' equity	254	432,921
Total revenue	1,899,519	176,767
Total expenses	2,133,012	210,992
Earnings before other items	(233,493)	(34,225)
Other comprehensive loss	(1,035)	-
Net earnings	(234,528)	(34,225)

Stswecem'c Xgat'tem First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

9. Advances to related parties

Advances to related parties are unsecured, non-interest bearing with no set terms of repayment.

10. Trade and other payables

	2020	2019
Trade payables	242,767	432,908
Salary and benefits payable	180,969	149,261
Accrued liabilities	66,905	105,601
Other payables	34,924	-
Government remittances payable	27,008	34,789
Indigenous Services Canada recoveries	-	73,551
	552,573	796,110

11. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each project related to Indigenous Services Canada funding:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Recognized in the current year</i>	<i>Balance, end of year</i>
Subdivision - CPMS #6493	715,158	593,645	-	1,308,803
Solid waste centre and transfer station - ICMS #126557	433,059	100,909	(433,059)	100,909
Housing funds - ICMS #9-0012695NAHS	552,171	-	(552,171)	-
	1,700,388	694,554	(985,230)	1,409,712

12. Debt

The Nation has access to a line of credit authorized to \$225,000, bearing interest at prime plus 1.3%. As at March 31, 2020 the line of credit was not drawn on (2019 - nil).

	2020	2019
Royal Bank of Canada demand loan, repayable in monthly blended payments of \$5,712 including interest at 4.45% per annum, secured by building with a net book value of \$709,659, maturing in March 2021	712,107	-
Royal Bank of Canada demand loan, repayable in monthly blended payments of \$1,795 including interest at 2.19% per annum, secured by building with a net book value of \$514,212 (2019 - \$731,573), maturing in October 2021	70,863	92,243
Toyota Credit Canada Inc. loan, repayable in monthly blended payments of \$913 including interest at 2.49% per annum, secured by a vehicle with a net book value of \$41,167, maturing in January 2025	49,845	-
Toyota Credit Canada Inc. loan, repayable in monthly blended payments of \$941 including interest at 2.99% per annum, secured by a vehicle with a net book value of \$42,323, maturing in October 2024	48,330	-

Stswecem'c Xgat'tem First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

12. Debt (Continued from previous page)

	2020	2019
Ford Credit Canada loan, repayable in monthly blended payments of \$851 including interest at 0% per annum, secured by a vehicle with a net book value of \$36,758 (2019 - \$49,010), maturing in November 2024	47,649	57,859
Royal Bank of Canada demand loan, repayable in monthly blended payments of \$4,613 including interest at 2.44% per annum, secured by building with a net book value of \$495,928 (2019 - \$661,702), maturing in December 2020	40,392	94,234
Toyota Credit Canada Inc. loan, repayable in monthly blended payments of \$798 including interest at 4.29% per annum, secured by a vehicle with a net book value of \$25,954 (2019 - \$34,606), maturing in February 2024	34,708	42,613
Ford Credit Canada loan, repayable in bi-weekly blended payments of \$379 including interest at 2.99% per annum, secured by a vehicle with a net book value of \$28,525 (2019 - \$39,935), maturing in October 2023	32,974	41,698
Royal Bank of Canada bridge financing loan, repayable in monthly blended payments of \$683 including interest at 4.25% per annum, secured by building with a net book value of \$122,942 (2019 - \$158,706), maturing in October	27,458	34,356
Royal Bank of Canada term loan, repayable in monthly blended payments of \$672 including interest at 4.99% per annum, secured by equipment with a net book value of \$19,251 (2019 - \$35,789) maturing November 2021	12,869	20,086
Meridian OneCap loan - fully repaid during the year	-	13,522
Royal Bank of Canada Phase V demand loan - fully repaid during the year	-	9,559
Toyota Credit Canada Inc. Loan - fully repaid during the year	-	5,885
	1,077,195	412,055

Principal repayments on debt in each of the next five years, assuming debt subject to refinancing is renewed, are estimated as follows:

2021	854,410
2022	73,914
2023	70,492
2024	56,021
2025	22,358
	<hr/>
	1,077,195

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

13. Capital lease obligations

	2020	2019
John Deere finance lease		
- Interest at 4.75% per annum		
- Monthly blended payments of \$1,940		
- Maturing February 2023	61,607	81,448

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

2021	23,282
2022	23,282
2023	23,282
	<hr/>
	69,846
Less: imputed interest	<hr/>
	(8,239)
	<hr/>
Balance of obligation	61,607

Amortization expense includes \$17,000 (2019 - \$21,416) on leased tangible capital assets.

14. Contingencies

- a) The Nation may be contingently liable with respect to Ministerial guarantees for "On Reserve Housing Loans" to various financial institutions in the amount of \$188,819 (2019 - \$188,819). These guarantees are in addition to CMHC mortgages.
- b) The financial results of the CMHC Social Housing program are subject to review by CMHC. It is possible that adjustments could be made based on the results of their review.
- c) The Nation is subject to funding recoveries according to their agreements with federal government agencies. It has not yet been determined to what extent any funding amounts related to the year ended March 31, 2020 might be recovered.

15. Subsequent event

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Nation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus

Stswecem'c Xgat'tem First Nation
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For the year ended March 31, 2020

16. Accumulated surplus

Accumulated surplus consists of the following:

	2020	2019
Equity in Ottawa trust funds	1,396,976	1,373,163
Equity in operating fund	3,466,242	1,671,507
Equity in tangible capital assets	8,643,867	6,410,470
Investment in business entities	433,174	701,904
Replacement reserve	264,517	245,806
	14,204,776	10,402,850

17. Indigenous Services Canada ("ISC") funding reconciliation

	2020	2019
Direct Nation Funding		
Revenue per confirmation	5,463,109	2,963,901
Revenue deferred to next fiscal year	(694,554)	(715,158)
Deferred revenue recognized in the current year	985,231	1,064,049
Funding recoveries	(57,470)	(120,575)
	5,696,316	3,192,217

18. Economic dependence

Stswecem'c Xgat'tem First Nation receives a significant portion of its revenue from Indigenous Services Canada ("ISC") as a result of funding agreements entered into with the Government of Canada. These funding agreements are administered by ISC under the terms and conditions of the *Indian Act*. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitment as guaranteed by these agreements.

19. Defined contribution plan

Defined contribution pension plan

The Nation provides a defined contribution pension plan to qualifying employees. Under the plan, the members' defined contributions, the Nation contributions, and the related plan earnings comprise the members' money purchase amount. The plan is registered with the Canada Revenue Agency as 1022920.

The Nation contributed \$36,105 (2019 - \$42,504) to the plan during the year, to match its employees required contributions.

Stswecem'c Xgat'tem First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

20. Segments

The Nation receives revenue from many different projects and sources. For management and reporting purposes, the revenue, expenses and surplus or deficits are organized by the following segments:

Administration:

Includes general operations, support, and financial management of Stswecem'c Xgat'tem First Nation.

Operations and Maintenance:

Includes revenue and expenses related to infrastructure projects in the Stswecem'c Xgat'tem First Nation community.

Health and Wellness:

Includes activities related to the provision of health and wellness services within Stswecem'c Xgat'tem First Nation.

Stewardship:

Includes activities related to the growth of revenue producing projects within the Stswecem'c Xgat'tem First Nation.

Education:

Includes revenue and expenses related to primary, secondary and post secondary education of the members of Stswecem'c Xgat'tem First Nation.

Social Development:

Includes revenue and expenses relating to the social assistance of members of Stswecem'c Xgat'tem First Nation.

Treaty:

Includes the allocation for the Northern Shuswap Treaty Society funds for negotiation work in the community.

Capital Projects:

Includes revenue and expenses related to capital projects.

Housing:

Includes revenue and expenses relating to the operation of Stswecem'c Xgat'tem First Nation Social Housing Program.

First Nation Store:

Includes revenue and expenses relating to the operation of the store located in the Dog Creek community.

21. Budget information

Budgets were not prepared for all segments and all departments in 2020. As such, the budget figures in the Consolidated Statement of Operations are not presented for the same scope of activities as the actual results.

The disclosed budget information has been approved by the Chief and Council of Stswecem'c Xgat'tem First Nation. The original budget was approved at the Chief and Council meeting held December 19, 2019.

22. Comparative figures

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