

XATSULL FIRST NATION

CONSOLIDATED FINANCIAL
STATEMENTS

For the year ended March 31, 2021

**XATSULL FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2021**

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MANAGEMENT RESPONSIBILITY STATEMENT

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

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. 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.

Soda Creek Indian Band 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 that the Band's assets are appropriately accounted for and adequately safeguarded.

The Chief and Council are responsible for ensuring the integrity of the Band'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 fulfills its responsibilities for financial reporting. The Chief and Council are ultimately responsible for reviewing and approved the consolidated financial statements.

The Chief and Council review Soda Creek Indian Band'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 Chief and Council.


Chief


Councillor



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INDEPENDENT AUDITOR'S REPORT

To the Chief and Council of

Xatsull First Nation

Opinion

We have audited the consolidated financial statements of Xatsull First Nation, 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 changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the organization as at March 31, 2021, and its consolidated results of 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 organization 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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



INDEPENDENT AUDITOR'S REPORT

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 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 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 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 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 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*

XATSULL FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2021

	<u>2021</u>	<u>2020</u>
FINANCIAL ASSETS		
Cash (note 3)	\$ 13,976,167	\$ 10,860,994
Restricted cash (note 4)	356,676	344,674
Accounts receivable (note 5)	913,149	642,250
Trust funds held by Canada (note 6)	681,490	677,172
Investments (note 7)	<u>1,893,400</u>	<u>1,753,113</u>
	<u>17,820,882</u>	<u>14,278,203</u>
LIABILITIES		
Accounts payable and accrued liabilities (note 9)	592,704	400,412
Deferred revenue (note 10)	275,292	325,242
Long-term debt (note 11)	150,370	205,402
Due to related party (note 12)	<u>81,223</u>	<u>113,035</u>
	<u>1,099,589</u>	<u>1,044,091</u>
NET FINANCIAL ASSETS	<u>\$ 16,721,293</u>	<u>\$ 13,234,112</u>
NON-FINANCIAL ASSETS		
Prepaid expenses (and deposits)	72,832	88,103
Ranch inventory	1,079,000	1,080,300
Tangible capital assets (note 8)	<u>9,550,943</u>	<u>8,933,777</u>
	<u>10,702,775</u>	<u>10,102,180</u>
	<u>27,424,068</u>	<u>23,336,292</u>
NATION EQUITY		
NATION EQUITY		
Replacement reserve (note 13)	596,230	511,273
Contributed surplus (note 14)	271,381	271,381
Accumulated surplus	<u>26,556,457</u>	<u>22,553,638</u>
	<u>\$ 27,424,068</u>	<u>\$ 23,336,292</u>

On behalf of the Chief and Council



Chief



Councillor

See accompanying notes

XATSULL FIRST NATION
CONSOLIDATED CHANGES IN NET FINANCIAL ASSETS
As at March 31, 2021

	2021 Budget	2021 Actual	2020 Actual
(Deficiency) excess of revenues over expenses	<u>\$ (1,149,430)</u>	<u>\$ 4,002,819</u>	<u>\$ 3,558,975</u>
Acquisition of prepaid expenses (and deposits)	<u>-</u>	<u>15,271</u>	<u>(25,294)</u>
Acquisition of ranch inventory	<u>-</u>	<u>-</u>	<u>(1,080,300)</u>
Change in ranch inventory	<u>-</u>	<u>1,300</u>	<u>-</u>
	<u>-</u>	<u>1,300</u>	<u>(1,080,300)</u>
Acquisition of tangible capital assets	1,149,430	(1,136,885)	(830,426)
Amortization	-	498,473	350,677
Proceeds of disposition	-	18,000	-
Gain on disposal of tangible capital assets	<u>-</u>	<u>3,246</u>	<u>-</u>
	<u>1,149,430</u>	<u>(617,166)</u>	<u>(479,749)</u>
Change in replacement reserve	<u>-</u>	<u>84,957</u>	<u>38,267</u>
Increase in net financial assets	-	3,487,181	2,011,899
Net financial assets, beginning of year	<u>-</u>	<u>13,234,112</u>	<u>11,222,213</u>
Net financial assets, end of year	<u>\$ -</u>	<u>\$ 16,721,293</u>	<u>\$ 13,234,112</u>

See accompanying notes

XATSULL FIRST NATION**CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**

For the year ended March 31, 2021

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>2020 Actual</u>
REVENUES, Schedule 1	\$ 6,036,975	\$ 10,436,003	\$ 8,199,209
EXPENSES, Schedule 2	<u>7,186,405</u>	<u>7,724,168</u>	<u>4,996,797</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>(1,149,430)</u>	<u>2,711,835</u>	<u>3,202,412</u>
OTHER INCOME (EXPENSES)			
ISC recoveries	-	-	(34,099)
Equity income in investments	-	172,099	(439,765)
Tangible capital asset acquisitions	<u>-</u>	<u>1,118,885</u>	<u>830,427</u>
	<u>-</u>	<u>1,290,984</u>	<u>356,563</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	(1,149,430)	4,002,819	3,558,975
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>-</u>	<u>22,553,638</u>	<u>18,994,663</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ -</u>	<u>\$ 26,556,457</u>	<u>\$ 22,553,638</u>

See accompanying notes

XATSULL FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended March 31, 2021

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 4,002,819	\$ 3,558,975
Items not affecting cash		
Amortization	498,473	350,677
Gain on disposal of tangible capital assets	<u>3,246</u>	<u>-</u>
	4,504,538	3,909,652
Change in non-cash working capital items		
Accounts receivable	(270,899)	439,628
Ranch inventory	1,300	(1,080,300)
Prepaid expenses	15,271	(25,294)
Trust funds held by Canada	(4,318)	12,914
Investments	(140,287)	410,402
Accounts payable and accrued liabilities	192,292	8,563
Deferred revenue	(49,950)	10,895
Long-term debt	<u>(55,032)</u>	<u>(75,088)</u>
	<u>4,192,915</u>	<u>3,611,372</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(1,136,885)	(830,427)
Proceeds on disposal of tangible capital assets	<u>18,000</u>	<u>-</u>
	<u>(1,118,885)</u>	<u>(830,427)</u>
FINANCING ACTIVITIES		
Advances to related party	(31,812)	29,363
Replacement reserve	<u>84,957</u>	<u>38,266</u>
	<u>53,145</u>	<u>67,629</u>
INCREASE IN CASH	3,127,175	2,848,574
CASH, BEGINNING OF YEAR	<u>11,205,668</u>	<u>8,357,094</u>
CASH, END OF YEAR	<u><u>\$ 14,332,843</u></u>	<u><u>\$ 11,205,668</u></u>
CASH CONSISTS OF:		
Cash	\$ 13,976,167	\$ 10,860,994
Restricted cash	<u>356,676</u>	<u>344,674</u>
	<u><u>\$ 14,332,843</u></u>	<u><u>\$ 11,205,668</u></u>

See accompanying notes

XATSULL FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2021

1. Nature of operations

Xatsull First Nation (the "Nation") is a First Nation, formerly known as the Soda Creek Indian Band providing various municipal services to community members such as administration, capital improvements, education, health and well-being, housing, natural resource management, infrastructure, social development, archaeology, and treaty negotiation.

2. Accounting policies

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards as required by the Reporting Guide to Financial Reporting as issued by Indigenous Services Canada ("ISC"). The significant accounting policies are detailed as follows:

(a) Cash 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.

(b) Ranch inventory

Inventory of ranch supplies is recorded at the lower of cost and net realizable value on the first-in-first-out method. Biological assets, such as livestock ranch inventory are recorded at fair value less estimated costs to sell at the point of sale in accordance with IAS41 (International Accounting Standards), since Public Sector Accounting Standards does not address the treatment of biological assets.

(c) 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 are recorded at cost. Tangible capital assets contributed are recorded at fair market value. The Nation provides for amortization using the declining balance method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Buildings	2-4%
Vehicles	20%
Office equipment	20%
Machinery and equipment	20%

XATSULL FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2021

2. Accounting policies, continued

(c) Tangible capital assets, continued

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.

(d) Investments

The Nation accounts for its investment in Nation owned enterprises using the equity method. Under this method, the investment is initially recorded at cost and then increased or decreased to recognize subsequent earnings or losses. The investment is also increased or decreased to reflect advances to or repayments from the Limited Partnership.

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

(e) Liability for contaminated sites

The Nation recognizes a liability for contaminated sites when as at the reporting date:

- a) An environmental standard exists;
- b) Contamination exceeds the environmental standard;
- c) the government is directly responsible or accepts responsibility;
- d) it is expected that future economic benefits will be given up; and
- e) a reasonable estimate of the amount can be made.

The Nation has reviewed the implications of the Section and has concluded that it is not exposed to any contaminated sites. It has therefore not recorded any liability for remediation of contaminated sites.

(f) 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. The Nation retains all benefits and risks of ownership of its property and, therefore, accounts for leases with its tenants as operating leases.

XATSULL FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2021

2. Accounting policies, continued

(g) 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.

(h) Use of estimates

The preparation of financial statements in conformity with requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are the useful lives of assets and rates for depreciation and amortization.

XATSULL FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2021

2. Accounting policies, continued

(i) Basis of presentation

a. The focus of PSAB statements is on the consolidated financial position of the Nation and the changes thereto. The Consolidated Statement of Financial Position includes all the assets and liabilities of the Nation. Financial assets are economic resources controlled by the Nation as a result of past transactions from which future economic benefits may be obtained. Liabilities are present obligations of the Nation to others arising from past transactions, the settlement of which is expected to result in the future sacrifice of economic benefits.

b. The Nation 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 consolidated for the purpose of presentation in the consolidated financial statements. Details of the operation of each fund are set out in the supplementary schedules.

The Nation maintains the following funds:

- The Operations Fund which reports the general activities of the Nation.
- The Capital Fund which reports the capital projects of the Nation together with their related financing, other than those tangible capital assets funded by CMHC and the Enterprise Fund.
- The Enterprise Fund which reports the Nation's investment in Nation owned enterprises.
- The Trust Fund which reports on the trust funds owned by the Nation 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 Nation reporting entity includes the Nation and all related entities which are accountable to the Chief and Council and are either owned or controlled by the Nation.

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:

- Nation government administration (Operating and Capital funds)
- Nation Enterprise Fund
- Nation Trust Fund (comprising the Ottawa Trust Funds)
- Nation 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.

XATSULL FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2021

3. Cash

	<u>2021</u>	<u>2020</u>
Operations	\$ 5,635,376	\$ 2,489,872
CMHC housing program	46,862	83,901
Treaty self government program	90,264	114,210
Savings	<u>8,203,665</u>	<u>8,173,011</u>
	<u>\$ 13,976,167</u>	<u>\$ 10,860,994</u>

4. Restricted cash

	<u>2021</u>	<u>2020</u>
Replacement reserve	<u>\$ 356,676</u>	<u>\$ 344,674</u>

Under the terms of the Nation'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.

5. Accounts receivable

	<u>2021</u>	<u>2020</u>
Barkerville Gold Mines Ltd.	\$ 167,426	\$ -
ISC	43,689	142,611
Province of British Columbia	53,109	59,151
Government of Canada	82,650	-
Three Corners Health Services Society	84,900	75,437
Enbridge	6,210	3,210
CCATEC	99,535	8,866
Northern Development Initiative Trust	9,962	-
GST recoverable	6,093	3,677
CMHC	62,369	2,684
First Nations Health Authority	8,400	8,400
All other	85,557	99,809
Housing program	302,304	302,460
Tolko	<u>-</u>	<u>35,000</u>
	1,012,204	741,305
Less: Allowance for doubtful accounts	<u>99,055</u>	<u>99,055</u>
	<u>\$ 913,149</u>	<u>\$ 642,250</u>

XATSULL FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2021

6. Trust funds held by Canada

	<u>2021</u>	<u>2020</u>
Revenue account	\$ 25,930	\$ 21,612
Capital account	<u>655,560</u>	<u>655,560</u>
	<u>\$ 681,490</u>	<u>\$ 677,172</u>

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 by Sections 63 and 69 of the *Indian Act*.

7. Investments

	<u>2021</u>	<u>2020</u>
Xat'sull Limited Partnership equity interest	\$ 1,565,492	\$ 1,373,454
Likely Xat'sull Community Forest Ltd. equity interest	327,906	379,657
Investment in Xat'sull Logging Ltd	1	1
Investment in Xat'sull Development Ltd.	<u>1</u>	<u>1</u>
	<u>\$ 1,893,400</u>	<u>\$ 1,753,113</u>
	<u>2021</u>	<u>2020</u>
Xat'sull Limited Partnership interest - beginning of year	\$ 1,373,454	\$ 1,646,693
Share in net revenues of partnership	230,862	(302,602)
Distributions (by) to Limited Partnership	(31,812)	29,363
Difference in 2020 net revenues	<u>(7,012)</u>	<u>-</u>
Xat'sull Limited Partnership interest - end of year	<u>\$ 1,565,492</u>	<u>\$ 1,373,454</u>

The Nation holds a 99.99% interest in the Xat'sull Limited Partnership (the "Partnership") and a 100% interest in the general partner. For the year ended March 31, 2021, the Partnership reported revenues of \$924,595, expenses of \$684,315, current assets of \$2,014,978, capital assets of \$50,658 and current liabilities of \$500,144 (including the amount as disclosed in Note 12).

The Nation also holds a 50% interest in the Likely Xat'sull Community Forest along with the community of Likely, B.C. The Nation records its investment in the Community Forest using the modified equity method whereby it records its share of the net earnings or loss from the Community Forest. The year end of the Community Forest is August 31, 2020 which does not coincide with the year end of the Nation. The Nation has reported its 50% share of the loss in equity from the Community Forest in the amount of \$51,751 from the August 31, 2020 financial statements in the Nation's year ended March 31, 2021.

XATSULL FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2021

8. Tangible capital assets

	<u>2021</u>			<u>2020</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>	<u>Net</u>
Land	\$ 337,995	\$ -	\$ 337,995	\$ 337,995
Buildings	14,356,212	6,002,078	8,354,134	7,894,429
Vehicles	776,476	287,210	489,266	235,901
Office equipment	217,976	217,821	155	3,711
Machinery and equipment	<u>558,953</u>	<u>189,560</u>	<u>369,393</u>	<u>461,741</u>
	<u>\$ 16,247,612</u>	<u>\$ 6,696,669</u>	<u>\$ 9,550,943</u>	<u>\$ 8,933,777</u>
Buildings consists of:				
Community building	\$ 4,191,929	\$ 385,573	\$ 3,806,356	\$ 3,884,036
Soda Creek Emporium	122,988	81,137	41,851	43,008
Campsite building	97,384	23,699	73,685	76,756
CMHC Buildings	1,689,637	1,539,446	150,191	205,402
Community infrastructure	6,209,005	3,063,800	3,145,205	2,501,012
Xat'sull Heritage Village buildings	147,542	82,292	65,250	67,969
Health Centre Building	<u>1,897,727</u>	<u>826,131</u>	<u>1,071,596</u>	<u>1,116,246</u>
	<u>\$ 14,356,212</u>	<u>\$ 6,002,078</u>	<u>\$ 8,354,134</u>	<u>\$ 7,894,429</u>

The Nation made the following tangible capital asset purchases during 2021:

	<u>2021</u>
Water well project	\$ 775,693
Admin vehicle - Chevrolet Trax	26,443
Water vehicle - Chevrolet Colorado	36,421
Garbage truck - Packer	186,500
Garbage truck	<u>111,828</u>
	<u>\$ 1,136,885</u>

XATSULL FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2021

9. Accounts payable and accrued liabilities

	<u>2021</u>	<u>2020</u>
Trade payables	\$ 398,260	\$ 257,720
Accrued payroll and source deductions	177,444	125,692
Other accrued liabilities	<u>17,000</u>	<u>17,000</u>
	<u>\$ 592,704</u>	<u>\$ 400,412</u>

10. Deferred revenue

	<u>2021</u>	<u>2020</u>
Province of British Columbia	\$ 89,900	\$ 110,000
Unearned rentals	450	450
Enbridge pipeline project	132,442	132,442
Forestry harvest revenues	25,000	25,000
Strategic Forestry Initiative	20,000	20,000
Nenqayni Wellness Society	-	14,850
IHA - Food Action Initiative	-	10,000
First Nations Financial Management Board	7,500	7,500
Tolko	<u>-</u>	<u>5,000</u>
	<u>\$ 275,292</u>	<u>\$ 325,242</u>

11. Long-term debt

	<u>2021</u>	<u>2020</u>
All Nations Trust mortgage bearing interest at 1.04% per annum, repayable in monthly blended payment of \$2,298. The loan matures on June 1, 2020	\$ -	\$ 6,883
All Nations Trust mortgage bearing interest at 1.03% per annum, repayable in monthly blended payment of \$2,181. The loan matures on August 1, 2021.	10,886	36,791
All Nations Trust mortgage bearing interest at 1.43% per annum, repayable in monthly blended payment of \$2,047. The loan matures on February 1, 2027.	<u>139,484</u>	<u>161,728</u>
	<u>\$ 150,370</u>	<u>\$ 205,402</u>

XATSULL FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2021

Estimated principal repayments are as follows:

2022	\$ 33,609
2023	23,051
2024	23,383
2025	23,719
2026	24,061
Subsequent years	<u>22,547</u>
	<u>\$ 150,370</u>

The above mortgages are secured by a ministerial guarantee by the Minister of Finance - Canada.

12. Due to related party

(a) During the year, the Nation entered into transactions with Xat'sull Limited Partnership, a partnership in which the Nation holds a 99.99% limited partnership interest. The Nation also owns 100% of the shares of the general partner. The transactions are recorded at the exchange amount, which is the amount established and agreed to by the related parties.

(b) Advances from related party

	<u>2021</u>	<u>2020</u>
Due to Xat'sull Limited Partnership	<u>\$ 81,223</u>	<u>\$ 113,035</u>

The balances due to related parties are unsecured, non-interest bearing with no specific terms of repayment.

XATSULL FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2021

13. Replacement reserve

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

	<u>2021</u>	<u>2020</u>
CMHC replacement reserve, beginning of year	\$ 395,273	\$ 379,355
Appropriation	15,320	21,453
Replacements	(50,078)	(16,367)
Interest	715	8,180
CMHC adjustments	-	2,652
Equipment replacement reserves	<u>235,000</u>	<u>116,000</u>
	<u>\$ 596,230</u>	<u>\$ 511,273</u>

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 \$14,093 annually (CMHC phase 2 was paid off during the year so no CMHC replacements are required going forward). 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.

As at the year-end, the reserve is unfunded by the amount of \$4,554 - (2020 - \$50,599).

During the year, the Nation internally restricted \$119,000 of their accumulated surplus for equipment replacements. The reserve is now \$235,000 in total as at March 31, 2021.

14. Contributed surplus

	<u>2021</u>	<u>2020</u>
Nation land contribution to social housing program	<u>\$ 271,381</u>	<u>\$ 271,381</u>

XATSULL FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2021

15. Accumulated surplus

	<u>2021</u>	<u>2020</u>
Operating and capital project funds	\$ 23,908,247	\$ 20,031,640
CMHC Social Housing Fund	(4,610)	(10,984)
Investment in Nation Business Enterprises	1,893,400	1,753,113
Ottawa Trust Funds	681,490	677,172
Treaty Self-Government Program	77,930	102,697
Replacement reserve	596,230	511,273
Contributed surplus	<u>271,381</u>	<u>271,381</u>
	<u>\$ 27,424,068</u>	<u>\$ 23,336,292</u>

16. Contingent liabilities

The Band has guaranteed loans under the CMHC Housing Program with balances as at March 31, 2021 aggregating \$280,490 (2020 - \$280,490) and a loan made to a band member in the original amount of \$110,000 with a balance as at March 31, 2021 of \$6,883 (2020 - \$16,482).

17. Financial instruments

The Nation'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 the Nation 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.

The Nation 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 the Nation provides services may experience financial difficulty and be unable to fulfill their obligations. The Nation 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.

18. Federal assistance payments

The Xatsull First Nation 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 \$23,921 (2020 - \$32,211). This assistance will continue, providing the Nation is not in default of the agreement.

XATSULL FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2021

19. Reconciliation of ISC Comprehensive Funding Arrangement Revenue

Pursuant to the Indigenous and Northern Affairs Canada Reporting Guide's Financial Reporting Requirements, the following reconciliation has been prepared:

	<u>2021</u>
ISC - Operating revenue	\$ 4,613,407
ISC - Capital	<u>-</u>
	<u>2021</u>
ISC 2020/2021 Funding Confirmation Report	<u>\$ 4,613,407</u>

20. Nation registered pension plan

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

The Nation contributed \$37,796 to the plan during the year ended March 31, 2021 (2020 -\$21,320), to match its employees' required contributions.

21. Expenses by object

	<u>2021</u>	<u>2020</u>
Salaries, wages and benefits	\$ 2,006,474	\$ 1,393,413
Materials and supplies	381,982	674,285
Contracted services	2,213,994	1,055,171
Rent, maintenance and utilities	950,388	410,549
Honoraria	269,205	123,794
Insurance	103,880	72,190
Tuition and education related	697,481	408,469
Interest	8,308	7,153
Amortization	498,473	350,677
Travel	126,833	129,779
Social assistance	<u>467,150</u>	<u>371,317</u>
	<u>\$ 7,724,168</u>	<u>\$ 4,996,797</u>

XATSULL FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2021

22. Economic dependence

The Nation receives a significant portion of its revenues pursuant to funding arrangements with Indigenous Services Canada. The Nation's ability to continue operations would be severely hampered should this funding be discontinued.

XATSULL FIRST NATION
CONSOLIDATED SCHEDULE OF REVENUES
For the year ended March 31, 2021

	2021 Budget	2021 Actual	2020 Actual
ISC - Operating	\$ 2,759,925	\$ 4,613,407	\$ 2,596,515
Northern Shuswap Treaty Society	434,014	434,014	434,015
Three Corners Health Society	318,252	330,232	305,648
First Nations Health Authority	188,516	180,793	123,423
CCATEC	122,929	156,878	55,059
CMHC	44,941	80,583	130,025
Northern Shuswap Tribal Council	25,000	205,782	51,105
Canada Summer Jobs	4,400	13,654	8,191
Interest income	-	66,849	164,485
National Energy	112,961	159,759	21,600
Province of British Columbia	446,512	1,760,597	3,043,813
BC Wildfires	-	-	78,963
Mount Polley Mining Corporation	1,000	-	-
Rentals	157,339	167,259	178,122
Taxation	139,391	139,391	136,390
Administration and management fees	(67,861)	-	3,770
Northern Development Initiative Trust	10,250	23,000	-
Knucwentwecw Society	220,000	235,000	115,500
Tolko Industries Ltd.	80,000	88,747	60,000
FNESC	27,463	59,463	34,200
Enbridge	60,000	90,000	67,500
New Relationship Trust	5,000	7,000	22,500
Archaeology projects	35,000	36,734	68,565
Gibraltar Mines	97,500	492,577	130,500
Barkerville Gold Mines	-	237,996	6,272
All other sources	814,443	856,288	363,048
	<u>\$ 6,036,975</u>	<u>\$ 10,436,003</u>	<u>\$ 8,199,209</u>

XATSULL FIRST NATION
CONSOLIDATED SCHEDULE OF EXPENSES
For the year ended March 31, 2021

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>2020 Actual</u>
Administration	\$ 1,525,809	\$ 1,388,649	\$ 907,480
Amortization	57,635	498,473	350,677
Capital improvement projects	-	763,999	215,384
Education	909,661	925,345	607,240
Health and well-being	757,399	798,361	481,635
Housing	1,116,140	501,356	169,009
Natural resources	603,678	690,119	390,109
Infrastructure	706,655	689,390	343,906
Social development	547,475	558,355	415,655
Archaeology projects	43,200	50,268	47,837
Treaty	393,991	415,381	393,661
Chief and Council	216,561	122,516	159,123
Carpenter Mountain Ranch	234,201	252,252	515,081
Information Technology	74,000	69,704	-
	<u>\$ 7,186,405</u>	<u>\$ 7,724,168</u>	<u>\$ 4,996,797</u>