

Consolidated Financial Statements of

YUULU?IL?ATH? GOVERNMENT

And Independent Auditors' Report thereon

Year ended March 31, 2020

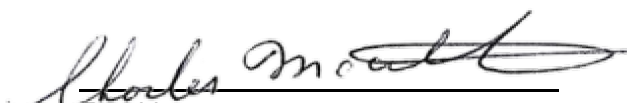
MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS


The accompanying consolidated financial statements of Yuulu?il?ath? Government (the "Government") are the responsibility of management, and have been prepared in compliance with legislation, and in accordance with the CPA Canada Public Sector Accounting Handbook. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Government's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Executive meet with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Government. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Government's consolidated financial statements.



President

Director of Operations



KPMG LLP
200-9123 Mary Street
Chilliwack BC V2P 4H7
Canada
Telephone 604-793-4700
Fax 604-793-4747

INDEPENDENT AUDITORS' REPORT

To the Council and Members of Yuulu?il?ath? Government

Opinion

We have audited the consolidated financial statements of the Yuulu?il?ath Government (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2020
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2020, and its consolidated results of operations, its consolidated changes in net financial assets 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 "***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause Entity 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Chilliwack, Canada
December 3, 2020

YUULU?IL?ATH? GOVERNMENT

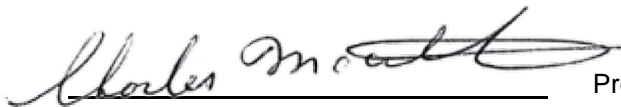
Consolidated Statement of Financial Position

March 31, 2020, with comparative information for 2019

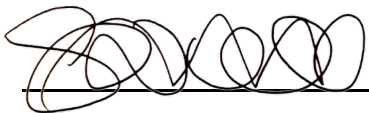
| | 2020 | 2019 |
|--|----------------------|----------------------|
| Financial assets: | | |
| Cash | \$ 8,517,045 | \$ 1,940,921 |
| Accounts receivable (note 2) | 901,817 | 379,070 |
| Restricted cash (note 3) | 3,699,761 | 3,656,706 |
| Long-term investments (note 4) | 40,703,856 | 39,264,934 |
| Advances to related entities (note 4) | 922,537 | 887,951 |
| | <u>54,745,016</u> | <u>46,129,582</u> |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities | 1,586,440 | 487,545 |
| Deferred revenue | 1,877,817 | 1,870,200 |
| Long-term debt (note 5) | 7,508,794 | 8,846,069 |
| | <u>10,973,051</u> | <u>11,203,814</u> |
| Net financial assets | 43,771,965 | 34,925,768 |
| Non-financial assets: | | |
| Tangible capital assets (note 6) | 18,404,661 | 19,194,235 |
| Prepaid expenses | 28,801 | - |
| | <u>18,433,462</u> | <u>19,194,235</u> |
| Contingent liabilities (note 12) | | |
| Impact of COVID-19 (note 14) | | |
| Subsequent event (note 5 and 8) | | |
| Accumulated surplus (note 7) | <u>\$ 62,205,427</u> | <u>\$ 54,120,003</u> |

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

On behalf of Yuulu?il?ath? Government:



President



Director of Operations

YUULU?IL?ATH? GOVERNMENT

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2020, with comparative information for 2019

| | Budget (note 9) | 2020 | 2019 |
|---|----------------------|----------------------|----------------------|
| Federal Government - grants and transfers: | | | |
| Indigenous Services Canada | \$ 12,046,599 | \$ 13,639,793 | \$ 9,019,628 |
| Other grants | 35,000 | 291,091 | 302,339 |
| Other Government Sources: | | | |
| Province of BC | 55,000 | 309,335 | 148,992 |
| Nuu-chah-nulth Tribal Council | 254,000 | 555,847 | 783,490 |
| CMHC and housing charges | 116,000 | 126,075 | 124,772 |
| Other funding | 5,000 | 208,635 | 118,156 |
| Interest and other | 125,000 | 325,685 | 218,079 |
| First Nation: | | | |
| Investment Income - Implementation fund | 800,000 | 560,710 | 729,996 |
| Settlement Trust - Investment Income | 850,000 | 936,469 | 1,130,391 |
| Rental | - | 380,855 | 399,133 |
| Property taxation | 5,000 | 6,678 | 2,263 |
| Forestry revenue | - | - | 105,629 |
| Total revenue | 14,291,599 | 17,341,173 | 13,082,868 |
| Expenses: | | | |
| Administration | 4,701,676 | 4,173,241 | 3,329,136 |
| Community Services | 3,743,067 | 3,694,718 | 3,455,370 |
| Lands and Resources | 782,278 | 769,335 | 762,595 |
| Housing and Maintenance | 111,010 | 549,250 | 501,853 |
| Culture, Language and Heritage | 405,309 | 374,944 | 341,532 |
| Settlement Trust | - | 106,362 | 129,945 |
| Implementation Fund | - | 64,143 | 62,678 |
| Equity loss in subsidiary (note 4) | - | 11,751 | 537,039 |
| Total expenses | 9,743,340 | 9,743,744 | 9,120,148 |
| Income before the undernoted | 4,548,259 | 7,597,429 | 3,962,720 |
| Forgiveness of Treaty Loan (note 5) | - | 487,995 | - |
| Annual surplus | 4,548,259 | 8,085,424 | 3,962,720 |
| Accumulated surplus, beginning of year | 54,120,003 | 54,120,003 | 50,157,283 |
| Accumulated surplus, end of year | \$ 58,668,262 | \$ 62,205,427 | \$ 54,120,003 |

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

YUULU?IL?ATH? GOVERNMENT

Consolidated Statement of Change in Net Financial Assets

Year ended March 31, 2020, with comparative information for 2019

| | Budget (note 9) | 2020 | 2019 |
|---|--------------------|---------------|---------------|
| Annual surplus | \$ 4,548,259 | \$ 8,085,424 | \$ 3,962,720 |
| Tangible capital assets: | | | |
| Acquisition of tangible capital assets | (1,231,400) | (597,121) | (666,789) |
| Amortization of tangible capital assets | 1,039,061 | 1,386,695 | 1,333,759 |
| | 4,355,920 | 789,574 | 666,970 |
| Change in prepaids | - | (28,801) | - |
| Change in net financial assets | 4,355,920 | 8,846,197 | 4,629,690 |
| Net financial assets, beginning of year | 34,925,768 | 34,925,768 | 30,296,078 |
| Net financial assets, end of year | \$ 39,281,688 | \$ 43,771,965 | \$ 34,925,768 |

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

YUULU?IL?ATH? GOVERNMENT

Consolidated Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|---|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 8,085,424 | \$ 3,962,720 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 1,386,695 | 1,333,759 |
| Equity loss in subsidiary | 11,751 | 537,039 |
| Forgiveness of Treaty loan | (487,995) | - |
| Changes in non-cash working capital: | | |
| Accounts receivable | (522,747) | (7,882) |
| Accounts payable and accrued liabilities | 1,098,895 | (758,614) |
| Deferred revenue | 7,617 | (458,883) |
| Prepaid expenses | (28,801) | - |
| | 9,550,839 | 4,608,139 |
| Capital activities: | | |
| Acquisition of tangible capital assets | (597,121) | (666,789) |
| Investing activities: | | |
| Advances to related entities | (34,586) | (15,809) |
| Increase in long term investments | (1,450,673) | (3,761,941) |
| Restricted cash | (43,055) | (37,737) |
| | (1,528,314) | (3,815,487) |
| Financing activities: | | |
| Repayment of long-term debt (net of proceeds) | (849,280) | (828,569) |
| Change in cash | 6,576,124 | (702,706) |
| Cash, beginning of year | 1,940,921 | 2,643,627 |
| Cash, end of year | \$ 8,517,045 | \$ 1,940,921 |

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

YUULU?IL?ATH? GOVERNMENT

Notes to Consolidated Financial Statements

Year ended March 31, 2020

1. Significant accounting policies:

The consolidated financial statements of Yuulu?il?ath? Government (the "Government") are prepared by management in accordance with the CPA Canada Public Sector Accounting Handbook. Significant accounting policies adopted by the Government are as follows:

(a) Fund accounting:

The Government 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. The Government maintains the following funds:

- The Operating Fund which reports the general activities of the Government administration.
- The Enterprise Fund which reports the enterprise activities of the Government.
- The Social Housing Fund which reports the social housing assets of the Government, together with related activities.
- The Trust Fund which reports the trust fund assets of the Government, together with related activities.

(b) Reporting entity and principles of financial reporting:

The Government reporting entity includes the Yuulu?il?ath? Government and all related entities which are accountable to the Government and are either owned or controlled by the Government.

Investments in incorporated business entities are included in the consolidated financial statements using the modified equity method. This includes YFN Holdings Limited Partnership ("YFN HLP").

All inter-entity balances have been eliminated on consolidation.

(c) Government transfers:

Transfers from other governments, including Federal, Provincial and other governments, relate to social development, child care, housing and health programs. Amounts transferred by the Government relate to social services programs. Transfers are recognized in the consolidated financial statements as revenues or expenses in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

YUULU?IL?ATH? GOVERNMENT

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(d) Non-financial capital assets:

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

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

| Asset | Useful life - years |
|----------------------------------|---------------------|
| Buildings, except social housing | 3-25 |
| Water and waste water systems | 20 |
| Roads | 10-20 |
| Machinery and equipment | 3-20 |

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

YUULU?IL?ATH? GOVERNMENT

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(e) Contaminated sites:

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standard;
- (iii) The Government is directly responsible or accepts responsibility;
- (iv) It is expected that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(f) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating collectibility of accounts receivable, the estimated useful lives of tangible capital assets and the estimated liability for contaminated sites. Actual results could differ from these estimates.

YUULU?IL?ATH? GOVERNMENT

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(g) Financial instruments are classified into two categories - fair value or cost::

- (i) Fair value category: Includes portfolio investments that are quoted in an active market and derivative instruments reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is recorded as an expense. Unrealized gains and losses on financial assets would be recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is de-recognized due to disposal or impairment. At the time of de-recognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus.
- (ii) Cost category: Gains and losses are recognized in the Statement of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments.

The Government has not elected to record any investments at fair value.

(h) Investments:

Investments are carried at cost or at cost less impairment losses to reflect any declines in value which are other-than-temporary. Dividends from these investments are included in revenue. Discounts/premiums arising on purchase of bonds are amortized over the period to maturity.

YUULU?IL?ATH? GOVERNMENT

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

2. Accounts receivable:

Accounts receivable consists of the following:

| | 2020 | 2019 |
|--------------------------------------|------------|------------|
| Due from members: | | |
| Tenant rent receivable | \$ 159,519 | \$ 171,442 |
| Less allowance for doubtful accounts | (159,519) | (171,442) |
| | \$ - | \$ - |
| Due from others: | | |
| GST receivable | 112,532 | 113,106 |
| PST receivable | 198,375 | 148,114 |
| Other amounts | 667,027 | 146,168 |
| | 977,934 | 407,388 |
| Less allowance for doubtful accounts | (76,117) | (28,318) |
| | 901,817 | 379,070 |
| | \$ 901,817 | \$ 379,070 |

3. Restricted cash:

Restricted cash is comprised of:

| | 2020 | 2019 |
|--|--------------|--------------|
| Restricted - external | \$ 2,609,832 | \$ 2,567,993 |
| Designated - internal | 701,956 | 690,786 |
| Social Housing Replacement & Operating Reserve | 387,973 | 397,927 |
| Total restricted and designated funds | \$ 3,699,761 | \$ 3,656,706 |

YUULU?IL?ATH? GOVERNMENT

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

4. Long-term investments:

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Implementation Fund - marketable securities, at cost | \$ 15,568,478 | \$ 15,071,912 |
| Settlement Trust - marketable securities, at cost | 23,165,488 | 22,375,381 |
| Investment in YFN Holdings Limited Partnership | 1,969,890 | 1,817,641 |
| | \$ 40,703,856 | \$ 39,264,934 |

The fair market value of the marketable securities held is as follows:

| | 2020 | 2019 |
|---------------------|----------------------|----------------------|
| Implementation fund | \$ 13,587,981 | \$ 14,654,516 |
| Settlement Trust | 21,370,033 | 23,564,177 |
| | \$ 34,958,014 | \$ 38,218,693 |

The decline in fair value in the marketable securities is considered a temporary decline due to market conditions at year end.

The Government owns 99.9% of the units of YFN HLP. The Government's Investment in all controlled limited partners was transferred to this limited partnership on January 1, 2012. The YFN HLP's year end is December 31, and it's net earnings (loss) are reported by the Yuulu?il?ath Government using the modified equity method.

The Government recorded their share of the equity loss in YFN HLP of \$11,751 (2019 - \$537,039) based on the December 31, year end.

The Government has also loaned to YFN HLP or its subsidiary entities \$922,537 (2019 - \$887,142). These loans are without interest or fixed terms of repayment.

YUULU?IL?ATH? GOVERNMENT

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

4. Long-term investments (continued):

Condensed summary fiscal information for YFN Holdings Partnership at December 31, 2019 is noted below.

| | 2019 | 2018 |
|---|-------------|--------------|
| Current assets | \$ 126,756 | \$ 214,681 |
| Capital assets | 4,921,790 | 5,318,165 |
| Investment in NCN Cannery Limited Partnership | 425,251 | 411,931 |
| Related party loans | 38,485 | 34,460 |
| Total assets | 5,512,282 | 5,979,237 |
| Current liabilities | 658,595 | 1,038,000 |
| Long term debt | 2,594,826 | 2,842,616 |
| Related party loans | 481,646 | 459,646 |
| Partner's capital | 1,777,215 | 1,638,975 |
| Total liabilities and capital | 5,512,282 | 5,979,237 |
| Revenues | 1,634,544 | 1,758,753 |
| Expenses | 1,646,304 | 2,296,381 |
| | \$ (11,760) | \$ (537,628) |

YUULU?IL?ATH? GOVERNMENT

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

5. Long-term debt:

| | 2020 | 2019 |
|---|--------------|--------------|
| Bank of Montreal, term loan, repayable at \$28,196 per month including interest at 2.85% secured by a promissory note of the Government and a general security agreement, renews April 30, 2020 | \$ 4,977,280 | \$ 5,170,518 |
| Mortgage payable - All Nations Trust Co., repayable at \$11,537 per month, including interest at 2.5% per annum; secured by a guarantee of the Government and the Government of Canada; renews June 1, 2023 | 1,544,765 | 1,643,356 |
| Construction loan - Bank of Montreal, repayable at \$3,633 per month, including interest at 2.86%; secured by a general security agreement, matures September 1, 2021 | 661,822 | 686,082 |
| Mortgage payable - All Nations Trust Co repayable at \$3,014 per month including interest at 1.11% per annum; secured by the guarantee of the Government and the Government of Canada; renews April 1, 2021 | 209,856 | 243,492 |
| Bank of Montreal demand loan, repayable at \$2,733 per month, including interest at prime plus .75%; secured by a general security agreement | 115,071 | 19,116 |
| Government of Canada Maanulth Treaty loan. | - | 954,775 |
| Bank of Montreal, construction loan. Interest only at prime plus 1.75% during construction | - | 128,730 |
| | \$ 7,508,794 | \$ 8,846,069 |

YUULU?IL?ATH? GOVERNMENT

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

5. Long-term debt (continued):

During the year the Government of Canada forgave the balance of the Treaty loan and committed to refunding Treaty loan payments previously paid, over the next five years. Refunds of prior loan payments will be treated as revenue when received.

Scheduled principal repayments for the next five years are as follows:

| | |
|------------|------------|
| 2021 | \$ 442,252 |
| 2022 | 510,939 |
| 2023 | 928,774 |
| 2024 | 1,451,325 |
| 2025 | 224,144 |
| Thereafter | 3,951,360 |

Subsequent to March 31, 2020, the Bank of Montreal term loan was renewed for an additional five years, repayable at \$28,489 per month, including interest at 2.89%.

In addition to the above long-term debt, the Government has a \$600,000 overdraft loan facility which bears interest at prime plus .75%. This facility is not being utilized at March 31, 2020 (2019 - nil).

YUULU?IL?ATH? GOVERNMENT

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

6. Tangible capital assets:

| Cost | Balance March 31, 2019 | Additions/ Transfers | Disposals | Balance March 31, 2020 |
|-------------------------------|------------------------------|-------------------------|---------------------|------------------------------|
| Land | \$ 1,125,006 | \$ - | \$ - | \$ 1,125,006 |
| Buildings | 15,278,151 | 1,176,409 | - | 16,454,560 |
| Machinery and equipment | 1,467,937 | 61,733 | - | 1,529,670 |
| Roads | 887,952 | - | - | 887,952 |
| Water and waste water systems | 7,826,968 | - | - | 7,826,968 |
| Social housing | 4,967,355 | - | - | 4,967,355 |
| Assets under construction | 641,021 | - | (641,021) | - |
| Total | \$ 32,194,390 | \$ 1,238,142 | \$ (641,021) | \$ 32,791,511 |

| Accumulated amortization | Balance March 31, 2019 | Disposals | Amortization/ transfers | Balance March 31, 2020 |
|-------------------------------|------------------------------|-------------|----------------------------|------------------------------|
| Buildings | \$ 6,456,801 | \$ - | \$ 677,890 | \$ 7,134,691 |
| Machinery and equipment | 1,264,911 | - | 87,199 | 1,352,110 |
| Roads | 516,565 | - | 24,783 | 541,348 |
| Water and waste water systems | 3,137,434 | - | 348,455 | 3,485,889 |
| Social housing | 1,624,444 | - | 248,368 | 1,872,812 |
| Total | \$ 13,000,155 | \$ - | \$ 1,386,695 | \$ 14,386,850 |

| | Net book value March 31, 2019 | Net book value March 31, 2020 |
|-------------------------------|-------------------------------------|-------------------------------------|
| Land | \$ 1,125,006 | \$ 1,125,006 |
| Buildings | 8,821,350 | 9,319,869 |
| Machinery and equipment | 203,026 | 177,560 |
| Roads | 371,387 | 346,604 |
| Water and waste water systems | 4,689,534 | 4,341,079 |
| Social housing | 3,342,911 | 3,094,543 |
| Assets under construction | 641,021 | - |
| Total | \$ 19,194,235 | \$ 18,404,661 |

YUULU?IL?ATH? GOVERNMENT

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

7. Accumulated surplus:

Accumulated surplus consists of individual fund surplus, invested in tangible capital assets and reserve funds as follows:

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Surplus: | | |
| Unrestricted equity in funds | \$ 48,066,563 | \$ 43,446,723 |
| Internally restricted - GAP funding | 2,909,590 | - |
| Surplus associated with tangible capital assets: | | |
| Invested in tangible capital assets | 10,895,867 | 10,348,166 |
| Reserve funds set aside by statutory requirements: | | |
| Replacement reserve fund (note 8) | 333,407 | 325,114 |
| | \$ 62,205,427 | \$ 54,120,003 |

8. Replacement reserve fund:

In accordance with the terms and conditions of the Operating Agreement with Canada Mortgage and Housing Corporation, Yuulu?il?ath Government Non-Profit Housing must set aside funds annually for the non-annual expenditures of the Program for the repair, maintenance and replacement of worn out assets.

These funds are to be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement Reserve Fund.

A continuity of the required funds is as follows:

| | 2020 | 2019 |
|----------------------------------|-------------------|-------------------|
| Replacement reserve fund: | | |
| Opening balance | \$ 325,114 | \$ 298,645 |
| Contributions | 38,450 | 38,450 |
| Interest earned during the year | 4,430 | 3,482 |
| Replacement reserve expenditures | (34,587) | (15,463) |
| Closing balance | \$ 333,407 | \$ 325,114 |

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

8. Replacement reserve fund (continued):

As at March 31, 2020, the Replacement Reserve Fund was under funded by \$80,911 (2019 - \$45,066).

Subsequent to March 31, 2020, the Government transferred \$45,066 to the Replacement Reserve Fund.

9. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2020 operating and capital budgets. These budgets have been approved by the legislature.

Certain budget classifications have been reclassified to conform with the financial statement presentation. These reclassifications did not impact budgeted earnings.

10. Economic dependence:

The Government receives a major portion of its revenue pursuant to a funding arrangement with Indigenous Services Canada (ISC).

11. Comparative information:

Certain 2019 comparative information has been reclassified to conform with the financial statement presentation adopted in the current year. These reclassifications did not impact earnings.

12. Contingent liabilities:

- a) The Government is contingently liable to the Federal Government for guaranteed mortgages of certain Government's citizens. At March 31, 2020 the amount of this contingent liability was approximately \$20,000 from estimates provided by ISC.
- b) The Government has guaranteed the loans of certain Limited Partnerships and Corporations which it owns. As at March 31, 2020 the total loans being guaranteed were originally issued for \$5,374,270 (2019 - \$5,458,749) and have a current balance totaling \$2,461,596 (2019 - \$2,236,098). The Government has also guaranteed \$645,000 in overdraft and credit card facilities for these Limited Partnerships and Corporations

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

12. Contingent liabilities (continued):

- c) The Government has received funding from CMHC to provide major renovations to the homes of certain of its citizens. This funding of \$85,065 (2019 - \$85,065) becomes repayable in the event that the citizen does not remain in the house for a period of five years.
- d) The Government and its incorporated businesses are subject to legal proceedings and claims which arise in the ordinary course of business. While the outcome is not currently determinable, the Government's management does not expect that the results of these proceedings will have a material adverse effect on the Government's financial condition or results of operations.

13. Financial risks:

The financial instruments of the Government consist of cash, accounts receivable, restricted cash, investments, advances to related entities, accounts payable and accruals. Unless otherwise noted, it is managements opinion that the Government is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair value of the instruments approximates their carrying values, unless otherwise noted.

The Government is exposed to financial risk that arises from the fluctuation in interest rates and in the credit quality of its customers and related-parties.

Credit risk

The Governments credit risk consists principally of cash and cash equivalents, accounts receivable, and loans receivable. The Government maintained cash and cash equivalents with reputable and major financial institutions.

Interest rate risk

The Government is exposed to interest rate risk with respect to cash and cash equivalents, and borrowings. There are no derivative financial instruments to mitigate these risks.

There has been no change to the risk exposure outlined above from 2019, other than the pervasive impact of COVID-19 as described in Note 14.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

14. Impact of COVID-19:

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation presents uncertainty over the Government's future cash flows, and may have a significant impact on the Government's future operations. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the Government is not practicable at this time.

15. Segmented information:

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1. The following table presents the expenses incurred and the revenue generated by each main object of expense and by major revenue type. The segment results for the period are as follows:

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Notes to Consolidated Financial Statements

Year ended March 31, 2020

15. Segmented information (continued):

| | Administration | Community Services | Lands and Resources | Housing and Maintenance | Culture, Language and Heritage | Settlement Trust and Implementation Fund | 2020 | 2019 |
|---|----------------|--------------------|---------------------|-------------------------|--------------------------------|--|---------------|--------------|
| Revenues: | | | | | | | | |
| Federal government | \$ 13,463,936 | \$ 515,625 | \$ 1,340 | \$ 55,718 | \$ 102,900 | \$ - | \$ 14,139,519 | \$ 9,440,124 |
| Other government sources | 236,435 | 531,482 | 25,000 | 150,867 | 47,473 | - | 991,257 | 1,057,254 |
| First Nation economic activities | - | 16,128 | - | 371,405 | - | - | 387,533 | 507,025 |
| Interest and other | 248,064 | 51,674 | 6,471 | 19,476 | - | 1,497,179 | 1,822,864 | 2,078,466 |
| | 13,948,435 | 1,114,909 | 32,811 | 597,466 | 150,373 | 1,497,179 | 17,341,173 | 13,082,869 |
| Expenses: | | | | | | | | |
| Operating expenses | 1,839,489 | 2,552,951 | 501,789 | 185,830 | 146,070 | - | 5,226,129 | 4,520,146 |
| Salaries, wages & benefits | 1,005,084 | 1,141,767 | 267,546 | 53,328 | 228,874 | - | 2,696,599 | 2,268,581 |
| Equity loss on subsidiary | - | 11,751 | - | - | - | - | 11,751 | 537,039 |
| Interest and investment fees | 190,342 | - | - | 61,724 | - | 170,505 | 422,570 | 460,623 |
| Amortization of tangible capital assets | 1,138,327 | - | - | 248,368 | - | - | 1,386,695 | 1,333,760 |
| | 4,173,241 | 3,706,469 | 769,335 | 549,250 | 374,944 | 170,505 | 9,743,744 | 9,120,149 |
| Forgiveness of Treaty Loan | - | - | - | - | - | - | (487,995) | - |
| Annual (surplus) deficit | \$ 9,775,194 | \$ (2,591,560) | \$ (736,524) | \$ 48,216 | \$ (224,571) | \$ 1,326,674 | \$ 8,085,424 | \$ 3,962,720 |