

Shackan Indian Band
Financial Statements
March 31, 2020

Shackan Indian Band Contents

For the year ended March 31, 2020

| | Page |
|---|-------------|
| Management's Responsibility | |
| Independent Auditor's Report | |
| Financial Statements | |
| Statement of Financial Position..... | 1 |
| Statement of Operations and Accumulated Surplus..... | 2 |
| Statement of Changes in Net Financial Assets..... | 3 |
| Statement of Cash Flows..... | 4 |
| Notes to the Financial Statements | 5 |
| Schedule 1 - Schedule of Tangible Capital Assets..... | 14 |
| Schedule 2 - Segmented Information..... | 16 |

Management's Responsibility

To the Members of Shackan Indian Band:

The accompanying financial statements of Shackan Indian Band 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 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 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 financial statements.

The Shackan Indian Band Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the 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 financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

October 14, 2020

Executive Director

Independent Auditor's Report

To the Members of Shackan Indian Band:

Opinion

We have audited the financial statements of Shackan Indian Band (the "First Nation"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 financial statements, including the disclosures, and whether the 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.

Chilliwack, British Columbia

October 14, 2020

MNP **LLP**

Chartered Professional Accountants

Shackan Indian Band Statement of Financial Position

As at March 31, 2020

| | 2020 | <i>2019 (Restated)</i> |
|--|------------------|----------------------------|
| Financial assets | | |
| Cash and cash equivalents | 1,298,131 | 655,881 |
| Accounts receivable | 160,551 | 241,414 |
| Marketable securities <i>(Note 3)</i> | 1,018,111 | 425,572 |
| Restricted cash <i>(Note 4)</i> | 15,431 | 15,471 |
| Investments <i>(Note 5)</i> | 6,230 | 6,120 |
| Investments in Nation business entities <i>(Note 6), (Note 15)</i> | 1,358,933 | 1,253,240 |
| Funds held in trust <i>(Note 7)</i> | 408,664 | 378,633 |
| Note receivable <i>(Note 8)</i> | 45,068 | 45,068 |
| Total of financial assets | 4,311,119 | 3,021,399 |
| Liabilities | | |
| Accounts payable and accruals | 246,281 | 300,613 |
| Deferred revenue <i>(Note 10)</i> | 1,113,618 | 656,866 |
| Long-term debt <i>(Note 11)</i> | 143,412 | 152,234 |
| Reforestation obligation | 34,954 | 34,954 |
| Total of financial liabilities | 1,538,265 | 1,144,667 |
| Net financial assets | 2,772,854 | 1,876,732 |
| Commitments <i>(Note 12)</i> | | |
| Significant event <i>(Note 13)</i> | | |
| Non-financial assets | | |
| Tangible capital assets <i>(Schedule 1)</i> | 3,675,803 | 3,110,065 |
| Prepaid expenses | 23,961 | 11,138 |
| Total non-financial assets | 3,699,764 | 3,121,203 |
| Accumulated surplus <i>(Note 14)</i> | 6,472,618 | 4,997,935 |

Approved on behalf of the Council

_____ Chief

_____ Councilor

Shackan Indian Band Statement of Operations and Accumulated Surplus

For the year ended March 31, 2020

| | 2020 <i>Budget</i> | 2020 | 2019 <i>(Restated)</i> |
|--|-----------------------|------------------|---------------------------|
| Revenue | | | |
| Band contracts and other income | 845,506 | 1,483,683 | 724,530 |
| Indigenous Services Canada | 564,679 | 1,446,896 | 2,054,970 |
| Province of British Columbia | 325,980 | 282,122 | 125,038 |
| First Nation Education Steering Committee | 21,000 | 22,886 | 65,988 |
| Canada Mortgage and Housing Corporation | 6,011 | 6,105 | 7,900 |
| First Nations and Inuit Youth Employment Strategy | - | 21,000 | - |
| BC Hydro | 90,441 | 16,100 | 170,160 |
| Interest income | - | 50,672 | 20,766 |
| Investment income | - | 263,499 | - |
| Emergency funding | - | 34,393 | 20,340 |
| Rental income | 6,000 | 13,540 | 14,583 |
| Administration fees | 1,000 | 550 | 450 |
| Ottawa Trust Income | - | 23,723 | 309 |
| Earnings (loss) from investment in Nation business entities <i>(Note 15)</i> | - | (134,901) | 338,622 |
| Funding recovery | - | (20,879) | (4,492) |
| | 1,860,617 | 3,509,389 | 3,539,164 |
| Program expenses | | | |
| Administration | 460,790 | 544,474 | 452,966 |
| Band Revenue | 232,330 | 268,785 | 506,639 |
| Special Services | 750,983 | 247,022 | 169,935 |
| Housing | 46,560 | 39,978 | 47,227 |
| Education | 52,482 | 176,769 | 145,711 |
| Community Operations & Maintenance | 280,628 | 403,354 | 249,547 |
| Special Projects | 169,056 | 211,823 | 241,893 |
| Capital | 88,579 | 142,501 | 240,747 |
| Total expenditures | 2,081,408 | 2,034,706 | 2,054,665 |
| Annual surplus (deficit) | (220,791) | 1,474,683 | 1,484,499 |
| Accumulated surplus, beginning of year, as previously stated | 4,599,359 | 4,599,359 | 3,513,436 |
| Correction of an error <i>(Note 15)</i> | 398,576 | 398,576 | - |
| Accumulated surplus, beginning of year, as restated | 4,997,935 | 4,997,935 | 3,513,436 |
| Accumulated surplus, end of year <i>(Note 14)</i> | 4,777,144 | 6,472,618 | 4,997,935 |

The accompanying notes are an integral part of these financial statements

Shackan Indian Band
Statement of Changes in Net Financial Assets
For the year ended March 31, 2020

| | <i>2020 Budget</i> | <i>2020</i> | <i>2019 (Restated)</i> |
|--|------------------------|------------------|----------------------------|
| Annual surplus (deficit) | (220,791) | 1,474,683 | 1,484,499 |
| Purchases of tangible capital assets | - | (705,473) | (1,199,642) |
| Amortization of tangible capital assets | - | 139,735 | 81,360 |
| | - | (565,738) | (1,118,282) |
| Acquisition of prepaid expenses | - | (23,961) | - |
| Use of prepaid expenses | - | 11,138 | - |
| | - | (12,823) | - |
| Increase (decrease) in net financial assets | (220,791) | 896,122 | 366,217 |
| Net financial assets, beginning of year | 1,876,732 | 1,876,732 | 1,510,515 |
| Net financial assets, end of year | 1,655,941 | 2,772,854 | 1,876,732 |

The accompanying notes are an integral part of these financial statements

Shackan Indian Band
Statement of Cash Flows
For the year ended March 31, 2020

| | 2020 | <i>2019</i> <i>(Restated)</i> |
|---|------------------|----------------------------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Annual surplus | 1,474,683 | 1,484,499 |
| Non-cash items | | |
| Amortization | 139,735 | 81,360 |
| Ottawa trust income | (30,031) | (8,785) |
| Earnings (loss) from investment in Nation business entities | 134,901 | (242,217) |
| Gain on sale of investments | - | (160,587) |
| | 1,719,288 | 1,154,270 |
| Changes in working capital accounts | | |
| Accounts receivable | 80,863 | (156,170) |
| Prepaid expenses | (12,823) | - |
| Restricted cash | 40 | 20 |
| Accounts payable and accruals | (54,332) | (11,172) |
| Deferred revenue | 456,752 | 540,927 |
| | 2,189,788 | 1,527,875 |
| Financing activities | | |
| Repayment of long-term debt | (8,822) | (8,702) |
| Capital activities | | |
| Purchases of tangible capital assets | (705,473) | (1,199,642) |
| Investing activities | | |
| Purchase of investments | (110) | - |
| Advances to Nation business entities | (240,594) | (105,873) |
| | (240,704) | (105,873) |
| Increase in cash resources | 1,234,789 | 213,658 |
| Cash resources, beginning of year | 1,081,453 | 867,795 |
| Cash resources, end of year | 2,316,242 | 1,081,453 |
| Cash resources are composed of: | | |
| Cash and cash equivalents | 1,298,131 | 655,881 |
| Marketable securities | 1,018,111 | 425,572 |
| | 2,316,242 | 1,081,453 |
| Supplementary cash flow information | | |
| Interest paid | 8,904 | 8,171 |

The accompanying notes are an integral part of these financial statements

1. Operations

Shackan Indian Band (the "First Nation") is located in the province of British Columbia, and provides various services to its members. Shackan Indian Band includes the First Nation's government and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

2. Significant accounting policies

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

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.

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.

Net financial assets

The First Nation's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

Measurement uncertainty

The preparation of 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 financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable, and amounts due from related First Nation entities and departments, are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

Cash and cash equivalents

Cash and cash equivalent 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 restricted cash.

Marketable securities

Marketable securities with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment.

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 statement of financial position with an offsetting amount in accumulated surplus. Trust monies consist of:

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

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

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution.

Amortization

Tangible capital assets are amortized annually using the following method at terms intended to amortize the cost of the assets over their estimated useful lives:

| | <i>Method</i> | <i>Term</i> |
|---------------|----------------------|--------------------|
| Automotive | straight-line | 10 years |
| Buildings | straight-line | 20 to 40 years |
| Bridges | straight-line | 50 years |
| Equipment | straight-line | 5 to 10 years |
| Roads | straight-line | 10 to 75 years |
| Water Systems | straight-line | 50 years |
| Housing | straight-line | 40 years |

Long-lived assets and discontinued operations

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.

When the First Nation determines that a long-lived asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Revenue recognition

Government Transfers

The First 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 First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

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.

Funds held in Ottawa Trust Fund

Due to measurement uncertainty, revenue related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

Own source revenue

Own source revenue derived from such sources as resource based revenues, interest income and other revenue are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investments

The First Nation uses the modified equity method to account for its investment in Shackan Development Corporation, Spayum Holdings Limited Partnership, and K'en T'em Limited Partnership whereby the Nation records its proportionate share of annual earnings as revenue.

Other equity investments not traded in an active market are recorded at cost less impairment.

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

Retirement benefits

The First Nation has a defined contribution pension plan covering substantially all full-time employees who have completed one year of service. There are no prior service costs. Contributions are discretionary, and are based on percentage of participants' contributions, up to a maximum. The First Nation contributions totaled \$17,563 (2019 - \$17,983).

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. Management has determined that no liability exists as at March 31, 2020.

3. Marketable securities

The market value of the marketable securities at March 31, 2020 is \$1,018,111 (2019 - \$447,558).

4. Restricted cash

| | 2020 | 2019 |
|---------------------|---------------|-------------|
| Operating Reserve | - | 6,189 |
| Replacement Reserve | 15,431 | 9,282 |
| | 15,431 | 15,471 |
| Total | 15,431 | 15,471 |

Operating Reserve

Under agreements with Canada Mortgage and Housing Corporation ("CMHC"), the First Nation established the following:

An operating reserve resulting from annual surplus after the payment of all costs and expenses including allocation to the replacement reserve. 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 otherwise mutually agreed to by the First Nation and CMHC. These funds may only be used for the ongoing operating costs of the housing projects committed under the agreement with CMHC. Accordingly, future years' deficits may be recovered from the Operating Reserve fund. At March 31, 2020 the reserve was fully funded.

Replacement Reserve

Under agreements with Canada Mortgage and Housing Corporation ("CMHC") the First Nation established a replacement reserve, funded by an annual allocation of \$2,000 (2019 - \$2,000), to ensure replacement of buildings financed by CMHC. At March 31, 2020, \$15,431 (2019 - \$15,471) has been set aside to fund this reserve. At March 31, 2020, the reserve was overfunded by \$4,266 (2019 - underfunded by \$1,667).

In accordance with terms of the agreement, CMHC reserve moneys must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

Shackan Indian Band
Notes to the Financial Statements
For the year ended March 31, 2020

5. Investments

| | 2020 | 2019 |
|--|--------------|--------------|
| Measured at cost: | | |
| All Nations Trust Company - 9,180 Class A Common Shares | 6,120 | 6,120 |
| BC First Nations Gaming Revenue Sharing LP | 100 | - |
| BC First Nations Gaming Revenue Sharing General Partner Ltd. | 10 | - |
| | 6,230 | 6,120 |

6. Investment in Nation business entities

The First Nation has investments in the following business entities and partnerships:

| | Investment cost | Loans / advances | Cumulative share of earnings (loss) | 2020 Total investment |
|---|-----------------|------------------|-------------------------------------|--------------------------|
| First Nation Partnership and Business Entities - Modified Equity | | | | |
| Shackan Development Corporation (100%) | 120 | 1,673,285 | (779,577) | 893,828 |
| K'en T'em Limited Partnership (12.50%) | 100 | - | 112,207 | 112,307 |
| Spayum Holdings Limited Partnership | 120 | 188,428 | 164,250 | 352,798 |
| | 340 | 1,861,713 | (503,120) | 1,358,933 |

| | Investment cost | Loans / advances | Cumulative share of earnings (loss) | 2019 Total investment |
|---|-----------------|------------------|-------------------------------------|--------------------------|
| First Nation Partnership and Business Entities - Modified Equity | | | | |
| Shackan Development Corporation (100%) | 120 | 1,432,690 | (606,108) | 826,702 |
| K'en T'em Limited Partnership (12.50%) | 100 | - | 62,123 | 62,223 |
| Spayum Holdings Limited Partnership | 120 | 188,428 | 175,767 | 364,315 |
| | 340 | 1,621,118 | (368,218) | 1,253,240 |

Continued on next page

Shackan Indian Band
Notes to the Financial Statements
For the year ended March 31, 2020

6. Investment in Nation business entities (Continued from previous page)

The First Nation's investment in the following investments was established for the purposes of development and management of own source revenue contracts and economic development opportunities with third parties.

Summary financial information for each First Nation business partnership, accounted for using the modified equity method, for their respective year-end is as follows:

| | <i>Shackan Development Corporation As at March 31, 2020</i> | <i>K'en T'em Limited Partnership As at December 31, 2019</i> | <i>Spayum Holdings Limited Partnership As at March 31, 2020</i> |
|-------------------------------------|---|--|---|
| Assets | | | |
| Current assets | 1,575,688 | 1,045,774 | 751,184 |
| Long-term assets | 7,723 | - | 2,593,394 |
| Total assets | 1,583,411 | 1,045,774 | 3,344,578 |
| Liabilities | | | |
| Current liabilities | 139,030 | 124,963 | 368,063 |
| Long-term liabilities | 2,223,958 | 22,269 | 2,155,255 |
| Equity (deficit) | (779,577) | 898,542 | 821,260 |
| Total liabilities and equity | 1,583,411 | 1,045,774 | 3,344,578 |
| Total revenue | 1,451,431 | 1,108,131 | 439,721 |
| Total expenses | 1,624,900 | 707,413 | 497,307 |
| Net income (loss) | (173,469) | 400,718 | (57,586) |

Shackan Indian Band
Notes to the Financial Statements
For the year ended March 31, 2020

7. 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/end of year | 26,344 | 26,344 |
| Revenue Trust | | |
| Balance, beginning of year | 352,289 | 343,504 |
| Interest | 6,308 | 8,476 |
| Provincial grants | 23,723 | 309 |
| Balance, end of year | 382,320 | 352,289 |
| | 408,664 | 378,633 |

8. Note receivable

Note receivable consists of a note receivable from Nlaka'pamux Legacy Trust (2013), which is non-interest bearing, unsecured and has no stated terms of repayment.

9. Bank indebtedness

Under a line of credit arrangement with the Royal Bank of Canada, the First Nation may borrow up to \$100,000 in revolving increments of \$5,000. The line of credit bears interest at bank's prime rate plus 2%. The prime rate at March 31, 2020 was 2.45% (2019 - 3.95%). This arrangement does not have a termination date and can be withdrawn at the bank's option. At March 31, 2020 the unused portion of the line of credit was \$100,000 (2019 - \$100,000).

10. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

| | <i>Balance, beginning of year</i> | <i>Contributions received</i> | <i>Recognized</i> | <i>Balance, end of year</i> |
|--|---|-----------------------------------|-------------------|---------------------------------|
| Indigenous Services Canada - water system | 656,866 | - | 656,866 | - |
| Indigenous Services Canada - housing subdivision | - | 1,113,618 | - | 1,113,618 |
| | 656,866 | 1,113,618 | 656,866 | 1,113,618 |

Shackan Indian Band
Notes to the Financial Statements
For the year ended March 31, 2020

11. Long-term debt

| | 2020 | 2019 |
|---|----------------|---------|
| All Nation's Trust Company mortgage, payments of \$1,009 per month including interest at 2.22%, secured by the building with a carrying value of \$254,214, due January 2024. | 143,412 | 152,234 |

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

| | |
|------|-------|
| 2021 | 9,016 |
| 2022 | 9,217 |
| 2023 | 9,425 |
| 2024 | 9,636 |
| 2025 | 9,852 |

12. Commitments

The First Nation has committed to leasing office equipment under four long-term leases which expire July 2020, September 2023, December 2024, and January 2026. Future minimum lease payments in each of the next five years as at March 31, 2020 are as follows:

| | |
|------|--------|
| 2021 | 14,279 |
| 2022 | 14,259 |
| 2023 | 14,259 |
| 2024 | 13,587 |
| 2025 | 11,891 |

13. Significant event

During the year, there was a global outbreak of the COVID-19 virus, which has had a significant impact on businesses and organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the First 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.

14. Accumulated surplus

Accumulated surplus consists of the following:

| | 2020 | 2019 <i>(Restated)</i> |
|-----------------------------------|------------------|---------------------------|
| Equity in Ottawa Trust Funds | 408,664 | 378,633 |
| CMHC Replacement Reserve | 11,165 | 17,667 |
| Operating surplus | 2,514,168 | 1,637,684 |
| Equity in Tangible Capital Assets | 3,532,391 | 2,957,831 |
| Long-term investments | 6,230 | 6,120 |
| | 6,472,618 | 4,997,935 |

15. Correction of an error

During the year, the First Nation determined that the sale of a former investment was completed to a new limited partnership investment, which was not recognized in the prior period. For 2019, the impact of this correction was an increase in earnings (loss) from investments in Nation business entities of \$160,587 and decrease in investments of \$27,961. For 2020, the impact of this correction was an increase in opening accumulated surplus of \$160,587.

During the year, the First Nation determined that two new limited partnership investments were not recorded in the prior period upon initial investment. For 2019, the impact of this correction was an increase in earnings (loss) from investments in Nation business entities of \$237,989 and an increase in investment in Nation business entities of \$237,989. For 2020, the impact of this correction was an increase in opening accumulated surplus of \$237,989.

16. Segments

The First Nation conducts its business through nine reportable segments. These segments are differentiated by major activities; accountability and control relationships.

Administration - Includes general operation, support, and financial management of the First Nation.

Band Revenue - Includes activities related to administering projects the First Nation is involved in annually and on an on-going basis relating to the overall objectives of the First Nation.

Special Services - Includes services offered to community members. Services include, but are not limited to, income assistance, child and family support, assisted living, and early childhood development.

Housing - Includes activities related to the administration and management of social housing and band-owned housing units, and renovation projects for private homeowners.

Education - Includes activities related to education at all levels, including elementary, secondary and post-secondary. Additional services include transportation, accommodation, and guidance and counselling.

Community Operations & Maintenance - Includes activities related to construction contracts, general community maintenance, fire protection, and public works.

Special Projects - Includes activities related to development of land and resources under community control, access to economic opportunities on land and resources beyond community control, investment promotion, as well as research and advocacy. It also manages economic development planning, proposal development, and planning and implementation of ongoing activities and one-time projects.

Capital - Includes activities related to capital projects within the community undertaken to support growth and/or maintenance of the First Nation's infrastructure.

Other - Other activities include administration and management of Ottawa Trust Funds and Tangible Capital Assets.

17. Economic dependence

Shackan Indian Band 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 commitments as guaranteed by these agreements.

Shackan Indian Band
Notes to the Financial Statements
For the year ended March 31, 2020

18. Budget information

The disclosed budget information has been approved by the Chief and Council of the Shackan Indian Band. The budget information is projected based on operating expenses to be incurred during the year on a program by program basis.

19. Comparative figures

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

Shackan Indian Band
Schedule 1 - Schedule of Tangible Capital Assets

For the year ended March 31, 2020

| | <i>Roads</i> | <i>Buildings</i> | <i>Water Systems</i> | <i>Automotive</i> | <i>Equipment</i> | <i>Bridges</i> | <i>Subtotal</i> |
|--|---------------|------------------|----------------------|-------------------|------------------|----------------|------------------|
| Cost | | | | | | | |
| Balance, beginning of year | 208,058 | 1,150,245 | 2,161,337 | 248,444 | 239,829 | 256,739 | 4,264,652 |
| Acquisition of tangible capital assets | - | - | 658,330 | 47,143 | - | - | 705,473 |
| Balance, end of year | 208,058 | 1,150,245 | 2,819,667 | 295,587 | 239,829 | 256,739 | 4,970,125 |
| Accumulated amortization | | | | | | | |
| Balance, beginning of year | 129,090 | 407,429 | 332,541 | 248,444 | 211,444 | 179,720 | 1,508,668 |
| Annual amortization | 2,774 | 43,234 | 67,294 | 2,750 | 9,231 | 5,135 | 130,418 |
| Balance, end of year | 131,864 | 450,663 | 399,835 | 251,194 | 220,675 | 184,855 | 1,639,086 |
| Net book value of tangible capital assets | 76,194 | 699,582 | 2,419,832 | 44,393 | 19,154 | 71,884 | 3,331,039 |
| 2019 Net book value of tangible capital assets | 78,968 | 742,816 | 1,828,796 | - | 28,385 | 77,019 | 2,755,984 |

Shackan Indian Band
Schedule 1 - Schedule of Tangible Capital Assets
For the year ended March 31, 2020

| | <i>Subtotal</i> | <i>Housing</i> | <i>Land</i> | <i>2020</i> | <i>2019</i> |
|--|------------------|----------------|---------------|------------------|------------------|
| Cost | | | | | |
| Balance, beginning of year | 4,264,652 | 372,677 | 90,550 | 4,727,879 | 3,528,237 |
| Acquisition of tangible capital assets | 705,473 | - | - | 705,473 | 1,199,642 |
| Balance, end of year | 4,970,125 | 372,677 | 90,550 | 5,433,352 | 4,727,879 |
| Accumulated amortization | | | | | |
| Balance, beginning of year | 1,508,668 | 109,146 | - | 1,617,814 | 1,536,454 |
| Annual amortization | 130,418 | 9,317 | - | 139,735 | 81,360 |
| Balance, end of year | 1,639,086 | 118,463 | - | 1,757,549 | 1,617,814 |
| Net book value of tangible capital assets | 3,331,039 | 254,214 | 90,550 | 3,675,803 | 3,110,065 |
| 2019 Net book value of tangible capital assets | 2,755,984 | 263,531 | 90,550 | 3,110,065 | |

Shackan Indian Band
Schedule 2 - Segmented Information
For the year ended March 31, 2020

| | Administration | Band Revenue | Special Services | Education | Community Maintenance | Capital | Special Projects | Housing | Other | 2020 |
|--|-------------------|---------------------|------------------|------------------|-----------------------|-------------------|-------------------|--------------------|------------------|---------------------|
| Revenue | | | | | | | | | | |
| Indigenous Services Canada | \$ 318,071 | \$ - | \$ 166,883 | \$ 161,188 | \$ 107,748 | \$ 656,866 | \$ 36,140 | \$ - | \$ - | 1,446,896 |
| Other government | 233,591 | - | 116,676 | 38,226 | 130,156 | 107,100 | 30,071 | 6,105 | 23,723 | 685,648 |
| Economic activities and other | 365,296 | (144,671) | 4,050 | 300 | - | - | 1,132,022 | 13,540 | 6,308 | 1,376,845 |
| | 916,958 | (144,671) | 287,609 | 199,714 | 237,904 | 763,966 | 1,198,233 | 19,645 | 30,031 | 3,509,389 |
| Expenses | | | | | | | | | | |
| Amortization | - | - | - | - | 130,418 | - | - | 9,317 | - | 139,735 |
| Operating expenses | 264,109 | 182,036 | 23,863 | 29,952 | 213,855 | 126,398 | 183,319 | 16,510 | - | 1,040,042 |
| Salaries, wages and benefits | 228,520 | 83,398 | 65,195 | 15,983 | 59,011 | 15,604 | 22,875 | 14,151 | - | 504,736 |
| Program and services delivery expenses | 51,845 | 3,351 | 157,964 | 130,834 | 69 | 500 | 5,629 | - | - | 350,193 |
| | 544,474 | 268,785 | 247,022 | 176,769 | 403,354 | 142,501 | 211,823 | 39,978 | - | 2,034,706 |
| Annual surplus (deficit) | \$ 372,484 | \$ (413,456) | \$ 40,587 | \$ 22,945 | \$ (165,450) | \$ 621,465 | \$ 986,411 | \$ (20,333) | \$ 30,031 | \$ 1,474,683 |

| | Administration | Band Revenue | Special Services | Education | Community Maintenance | Capital | Special Projects | Housing | Other | 2019 |
|--|-------------------|-------------------|--------------------|-------------------|-----------------------|---------------------|-------------------|--------------------|-----------------|---------------------|
| Revenue | | | | | | | | | | |
| Indigenous Services Canada | \$ 216,360 | \$ - | \$ 142,768 | \$ 101,919 | \$ 117,312 | \$ 1,452,828 | \$ 23,783 | \$ - | \$ - | 2,054,970 |
| Other government | 94,152 | - | 10,768 | 35,988 | 67,138 | - | 87,789 | 7,900 | 309 | 304,044 |
| Economic activities and other | 273,607 | 624,337 | - | - | - | - | 260,529 | 13,200 | 8,477 | 1,180,150 |
| | 584,119 | 624,337 | 153,536 | 137,907 | 184,450 | 1,452,828 | 372,101 | 21,100 | 8,786 | 3,539,164 |
| Expenses | | | | | | | | | | |
| Amortization | - | - | - | - | 72,043 | - | - | 9,317 | - | 81,360 |
| Operating expenses | 251,486 | 370,292 | 3,702 | 14,545 | 125,919 | 195,043 | 237,783 | 24,651 | - | 1,223,420 |
| Salaries, wages and benefits | 133,292 | 118,367 | 58,356 | 21,823 | 51,522 | 45,657 | - | 6,000 | - | 435,017 |
| Program and services delivery expenses | 68,188 | 17,980 | 107,877 | 109,343 | 63 | 47 | 4,110 | 7,259 | - | 314,868 |
| | 452,966 | 506,639 | 169,935 | 145,711 | 249,547 | 240,747 | 241,893 | 47,227 | - | 2,054,665 |
| Annual surplus (deficit) | \$ 131,153 | \$ 117,698 | \$ (16,399) | \$ (7,804) | \$ (65,097) | \$ 1,212,081 | \$ 130,209 | \$ (26,127) | \$ 8,786 | \$ 1,484,499 |