
**SUMAS FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

**SUMAS FIRST NATION
2788 SUMAS MOUNTAIN ROAD
ABBOTSFORD, BC V3G 2J2**

MANAGEMENT'S REPORT

Management's Responsibility for the Consolidated Financial Statements


These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 1 to the 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.


Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are 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 financial statements.

The First Nation is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the First Nation. The First Nation reviews internal financial statements on a monthly basis and external audited financial statements yearly. The First Nation also discusses any significant financial reporting or internal control matters prior to its approval of the financial statements.

The external auditors, Manning Elliott Accountants and Business Advisors, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to the financial management of the Sumas First Nation and we meet when required. The accompanying Independent Auditors' Report re-iterates management's responsibility for the financial statements, outlines the auditors' responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Sumas First Nation:


Name: AHMAD SARFRAZ
Title: FINANCE MANAGER
Date: July 24, 2020


Name: CRAIG HUGEN
Title: GENERAL MANAGER
Date: July 24, 2020

INDEPENDENT AUDITORS' REPORT

To the Members of Sumas First Nation

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sumas First Nation (the First Nation), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of changes in accumulated surplus, operations, changes in net financial assets, remeasurement gains and losses 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 First Nation as at March 31, 2020, and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

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 report. We are independent of the First Nation in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on July 17, 2019.

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 PSAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the 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 these consolidated financial statements.

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

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

INDEPENDENT AUDITORS' REPORT

- 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 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 the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Manning Elliott LLP

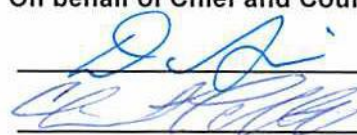
MANNING ELLIOTT LLP
Chartered Professional Accountants
Abbotsford, British Columbia
July 24, 2020

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash (Note 2)	\$ 1,739,328	\$ 2,304,914
Restricted cash (Note 2)	2,717,594	2,802,569
Investments (Note 3)	15,016,677	11,337,307
Accounts receivable (Note 4)	1,858,529	1,842,046
Investment in partnerships (Note 5)	433,781	496,231
Advances to related parties (Note 6)	299,800	26,549
Equity in commercial enterprises (Note 7)	3	3
	22,065,712	18,809,619
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	1,787,290	1,522,002
Deferred revenue	1,703,504	3,367,492
Long term debt (Note 8)	3,233,679	3,351,085
	6,724,473	8,240,579
NET FINANCIAL ASSETS	15,341,239	10,569,040
NON-FINANCIAL ASSETS		
Inventory	13,073	14,362
Prepaid expenses and deposits	64,793	71,657
Property held for development	1,536,677	1,536,677
Tangible capital assets (Note 9)	12,661,965	10,867,772
	14,276,508	12,490,468
ACCUMULATED SURPLUS (Note 10)	\$ 29,617,747	\$ 23,059,508

CONTINGENT LIABILITIES (Note 14)

On behalf of Chief and Council:



Chief

Councillor

Councillor

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2020

	2020	2019
ACCUMULATED OPERATING SURPLUS - BEGINNING OF YEAR	\$ 23,051,961	\$ 21,856,927
ANNUAL OPERATING SURPLUS	5,306,833	1,195,034
	28,358,794	23,051,961
ACCUMULATED REMEASUREMENT GAINS	1,258,953	7,547
ACCUMULATED SURPLUS - END OF YEAR	\$ 29,617,747	\$ 23,059,508

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2020

	Budget (Note 12) (unaudited)	2020	2019
REVENUES			
Indigenous Service Canada - contracts for service	\$ -	\$ 6,000,906	\$ 5,064,685
Indigenous Service Canada	757,162	4,200,052	2,772,768
Trans Mountain funding	-	3,100,000	-
Lease interest and other income	733,193	1,334,085	1,024,627
Commercial enterprises	465,500	399,360	448,590
First Nations Health Authority	172,800	393,019	88,705
Gaming revenue	-	315,053	-
Sto:lo Nation	196,256	290,908	261,068
Property taxation	-	281,276	258,635
Province of British Columbia	219,722	278,978	737,188
Realized gain on sale of investments	-	129,018	126,060
CMHC and housing charges	-	67,144	56,600
First Nations Education Steering Committee	32,000	51,688	112,606
Department of Fisheries and Oceans	-	-	125,000
Other federal government departments	-	-	(18,506)
Ottawa Trust Income	-	1,669	212
New Relationship Trust	2,000	-	11,021
Loss on partnerships (Note 5)	-	(131,481)	(146,682)
	2,578,633	16,711,675	10,922,577
EXPENSES			
Education programs	627,687	667,469	524,134
Social development	197,878	223,211	246,820
Health services	262,662	352,442	217,586
Community services and member benefits	465,243	791,060	734,641
Administration and technical service	1,038,338	1,950,136	592,439
Band government	234,250	220,111	258,104
Public works and village operations	175,024	308,114	131,609
Lands management	398,960	567,215	668,327
Commercial enterprises	718,854	674,752	468,688
Economic development	47,095	64,945	248,720
Indigenous Services Canada - contracts	-	5,537,897	5,064,354
Social housing	49,044	50,673	68,819
Capital projects	-	1,791,010	2,457,647
Amortization of tangible capital assets	-	513,953	439,270
Expenses capitalized	-	(2,308,146)	(2,393,615)
	4,215,035	11,404,842	9,727,543
ANNUAL OPERATING SURPLUS	\$ 1,117,413	\$ 5,306,833	\$ 1,195,034

SUMAS FIRST NATION**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2020**

	Budget (unaudited)	2020	2019
ANNUAL OPERATING SURPLUS	\$ 1,117,413	\$ 5,306,833	\$ 1,195,034
Amortization of tangible capital assets	-	513,953	439,270
Purchase of tangible capital assets	-	(2,308,146)	(2,393,615)
	-	(1,794,193)	(1,954,345)
Change in prepaid expenses and deposits	-	6,864	(27,064)
Change in inventory	-	1,289	(1,331)
Net remeasurement gains (losses) for the year	-	1,251,406	(670,232)
	-	(534,634)	(2,652,972)
CHANGE IN NET FINANCIAL ASSETS	1,117,413	4,772,199	(1,457,938)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	10,569,040	10,569,040	12,026,978
NET FINANCIAL ASSETS - END OF YEAR	\$ 11,686,453	\$ 15,341,239	\$ 10,569,040

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2020

	2020	2019
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 7,547	\$ 677,779
Unrealized gains (losses) attributable to securities and investment trusts	1,380,424	(544,172)
Realized gains transferred to operations	(129,018)	(126,060)
Net remeasurement gains (losses) for the year	1,251,406	(670,232)
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	\$ 1,258,953	\$ 7,547

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Annual surplus	\$ 5,306,833	\$ 1,195,034
Items not affecting cash:		
Amortization of tangible capital assets	513,953	439,270
Loss on partnerships	131,481	146,682
	5,952,267	1,780,986
Changes in non-cash working capital:		
Accounts receivable	(16,483)	(706,828)
Inventory	1,289	(1,331)
Accounts payable and accrued liabilities	265,289	(46,864)
Deferred revenue	(1,663,988)	(768,591)
Prepaid expenses and deposits	6,864	(27,064)
	(1,407,029)	(1,550,678)
	4,545,238	230,308
CAPITAL AND INVESTING ACTIVITIES		
Purchase of tangible capital assets	(2,308,146)	(2,393,615)
Advances from (to) related parties	(273,251)	196,453
Net remeasurement gains (losses) for the year	1,251,406	(670,232)
Investment in partnership	(69,032)	(159,883)
(Purchase) sales of investments	(3,679,370)	4,323,029
	(5,078,393)	1,295,752
FINANCING ACTIVITIES		
Receipt of long term debt	-	644,295
Repayment of long term debt	(117,406)	(114,217)
	(117,406)	530,078
CHANGE IN CASH DURING THE YEAR	(650,561)	2,056,138
CASH - BEGINNING OF YEAR	5,107,483	3,051,345
CASH - END OF YEAR	\$ 4,456,922	\$ 5,107,483
CASH CONSISTS OF:		
Non-restricted cash	\$ 1,739,328	\$ 2,304,914
Restricted cash	2,717,594	2,802,569
	\$ 4,456,922	\$ 5,107,483

The First Nation had the following non-cash investing activities during the year:

- a) Capital contribution of head lease to SXDLP for \$3,907,500 (Note 5)
- b) Purchase of partnership units in SXDLP for \$3,907,500 (Note 5)

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of Sumas First Nation (the "First Nation") are prepared by management in accordance with the CPA Canada Public Sector Accounting Standards. Significant accounting policies adopted by the First Nation are as follows:

(a) Fund accounting

The First 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. The First Nation maintains the following funds:

The Operating Fund which reports the general activities of the First Nation administration.

The Capital Fund which reports the tangible capital assets of the First Nation, together with their related financing, other than those included in the Social Housing Fund.

The Social Housing Fund which reports the social housing assets of the First Nation, together with related activities.

(b) Reporting entity and principles of financial reporting

The Sumas First Nation reporting entity includes the Sumas First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

Investments in incorporated business entities are included in the consolidated financial statements using the modified equity method. This includes Sumas Clay Products Ltd. (100% ownership), SFN Renewable Energy Ltd. (100% ownership), Sema:th Xot:sa Developments Ltd. (100% ownership) and 1099212 8.C. Ltd. (50% ownership). 1099212 B.C. Ltd. is a bare trustee holding lands under development on behalf of the First Nation. Sema:th Xot:sa Developments Ltd. is the general partner of Sema:th Xot:sa Developments Limited Partnership.

Investment in partnership includes Sema:th Xot:sa Developments Limited Partnership (99.99% ownership) ("SXDLP"). SXDLP has 82.99% ownership in Sth'oqi Aquaculture Limited Partnership ("SALP"). SXDLP and SALP are government business enterprises and are recorded using the modified equity method. The partnerships have year ends of December 31, 2019 (Note 5). The loss from this investment as at December 31, 2019 is included in annual income.

The Upper Sumas I.R. 6 Right-Of-Way Settlement Trust (the "Trust") has a year-end of December 31, 2019 (Note 13). The Trust is consolidated into these financial statements as at December 31, 2019 except for any trust funds held for distribution on behalf of minors. There has been no adjustment in the Trust's transactions.

All inter-entity balances have been eliminated on consolidation.

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SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(c) Government transfers

Government transfers received relate to social development, child care, housing and health programs. Government transfers paid 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.

(d) Inventory

Inventory is valued at average cost and consists of \$10,489 (2019 - \$11,777) in tobacco products and \$2,585 (2019 - \$2,585) in fuel.

(e) Lands held for development

Lands held for development is recorded at the lower of cost or net realizable value.

(f) Non-financial 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 straightline basis over their estimated useful lives as follows:

Water and waste water	15-80 years
Roads	30-40 years
Buildings, except social housing	10-60 years
Machinery and equipment	5-10 years
Land improvements	10-30 years
Vehicles	5 years
Computer equipment	3 years

In accordance with Canada Mortgage and Housing Corporation policies, amortization of CMHC funded social housing is equal to the principal repayment on the related long-term debt. This policy is not in compliance with the CPA Canada Public Sector Accounting Handbook, however, the difference was determined not to have a material impact on the consolidated financial statements.

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.

(*continues*)

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(g) 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 First Nation 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.

(h) 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 collectability 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.

(i) Financial instruments

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.

(j) 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.

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

2. RESTRICTED ASSETS

Included in cash and short-term investments are the following restricted amounts:

	2020	2019
Non-restricted cash		
Operating Fund	\$ 1,661,625	\$ 2,248,587
Social Housing Fund	77,703	56,327
	1,739,328	2,304,914
Restricted cash		
Social Housing Fund (Note 11)	32,077	51,470
Settlement Trust	2,685,517	2,751,099
	2,717,594	2,802,569
Total cash	4,456,922	5,107,483
Investments (Note 3)	15,016,677	11,337,307
Less restricted for:		
Settlement Trust	(11,418,820)	(9,778,616)
Operating Reserves	(4,756,754)	(1,717,416)
Capital Replacement Reserves	(72,230)	(72,729)
Health Canada Surplus Funds	(339,075)	(24,674)
Total funds available for operations	\$ 2,886,720	\$ 4,851,355

3. INVESTMENTS

	2020	2019
Investments recorded at fair value:		
Securities, investment trusts	\$ 9,845,024	\$ 8,220,574
Investments recorded at amortized cost:		
Fixed income	2,055,129	2,056,814
Guaranteed Investment Certificates (GICs)	452,588	430,798
BMO High Interest Savings Accounts	2,663,936	629,121
	\$ 15,016,677	\$ 11,337,307

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2020	2019
Due from band members:		
Tenant rent receivable	\$ 431,815	\$ 422,381
Due from members	618,097	637,992
	1,049,912	1,060,373
Less allowance for doubtful accounts	(644,351)	(646,542)
	405,561	413,831
Due from others:		
Other federal government departments	798,001	1,009,775
Other small amounts	219,841	69,246
Canada Mortgage and Housing Corporation	186,189	202,189
Provincial government	160,756	-
Developers	85,475	180,699
Trans Mountain Pipeline, LP	81,134	-
Sto:lo Nation	55,612	76,039
Alpha Asphalt Ltd.	49,417	-
Lower Fraser Fisheries Alliance	26,206	8,069
Sumas Clay Products Ltd.	25,978	25,978
GST receivable	18,925	10,885
Investment interest receivable	16,705	13,280
Property taxes	16,520	136,026
First Nation's Education Steering Committee	8,625	5,152
Lower Fraser Enterprises Limited Partnership	3,759	-
Clayburn Industries	-	134
	1,753,143	1,737,472
Less allowance for doubtful accounts	(300,175)	(309,257)
	1,452,968	1,428,215
	\$ 1,858,529	\$ 1,842,046

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

5. INVESTMENT IN PARTNERSHIPS

The First Nation owns 99.99% of the units of SxDLP, a partnership formed in fiscal 2018. SxDLP owns 82.99% (2019 - 99.99%) of the units of SALP and 51% of the units in Kilgard Business Park Limited Partnership (KBPLP). The First Nation's investment includes contributions net of distributions. SxDLP and SALP were set up on July 21, 2017 and KBPLP on October 18, 2019 by the First Nation.

In the fiscal 2020 year, the First Nation recorded their share of the equity loss in the partnerships of \$131,481 (2019 - \$146,682) based on the December 31, 2019 year end.

Condensed summary fiscal information for each of the partnerships at December 31, 2019 is noted below.

	SxDLP	SALP
Current assets	\$ 233,657	\$ 222,634
Lease receivable	395,892	-
Related party loans	601,182	-
Capital assets	2,142,899	1,263,509
Investment in Kilgard Business Park Limited Partnership	3,903,386	-
Total Assets	\$ 7,277,016	\$ 1,486,143
Current liabilities	\$ 2,839,945	\$ 393,200
Lease payable	-	395,892
Investment in SALP	134,579	-
Related party loans	4,619,878	601,329
Equity (deficiency)	(317,386)	95,722
Total Liabilities and Equity	\$ 7,277,016	\$ 1,486,143
Revenues	\$ 97,650	\$ 686,546
Expenses	(229,144)	(761,198)
Loss	\$ (131,494)	\$ (74,652)

(continues)

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

5. INVESTMENT IN PARTNERSHIPS (*continued*)

The investment in the partnership consists of the following:

	2020	2019
Loan	\$ 751,167	\$ 682,123
Accumulated losses - SxDLP	(182,807)	(113,269)
Accumulated losses - SALP	(134,579)	(72,623)
	\$ 433,781	\$ 496,231

During the year, the First Nation entered into a head lease with SxDLP in the amount of \$3,907,500. Under this agreement, the First Nation has agreed to lease its land to SxDLP to enable the property to be developed. This transaction was considered a capital contribution from the First Nation to SxDLP in exchange for 3,907,500 partnership units. The head lease has been recorded at the exchange value in SxDLP, however, as the First Nation is still the beneficial owner of the land, no disposal or gain has been recorded in the accompanying financial statements.

6. ADVANCES TO RELATED PARTIES

	2020	2019
Sema:th Xo:tsa Developments Ltd. (SxDL)	\$ 299,800	\$ -
Lower Fraser Fisheries Alliance Society	-	26,549
	\$ 299,800	\$ 26,549

The advances to related parties are non-interest bearing, unsecured and without fixed terms of repayment.

7. EQUITY IN COMMERCIAL ENTERPRISES

	2020	2019
Sumas Clay Products Ltd (100%)	\$ 1	\$ 1
SFN Renewable Energy Ltd. (100%)	1	1
Sema:th Xot:sa Development Ltd. (100%)	1	1
	\$ 3	\$ 3

Sumas Clay Products Ltd. and SFN Renewable Energy Ltd. are inactive companies and, accordingly, there is no summary financial information to disclose. Sema:th Xot:sa Developments Ltd. is the general partner of SxDLP.

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

8. LONG TERM DEBT

	2020	2019
Bank of Montreal non-revolving demand loan payable with monthly payments of \$8,662 including interest at prime plus 0.75% per annum, maturing March 30, 2022; repayable on demand; secured by a general security agreement over the First Nation assets.	\$ 1,362,099	\$ 1,406,500
Bank of Montreal fixed rate term loan payable with monthly payments of \$6,280 including interest at 3.17% of per annum, maturing June 30, 2022; repayable on demand; secured by a general security agreement over the First Nation assets.	1,170,733	1,208,268
Bank of Montreal mortgage payable with monthly payments of \$1,140 including interest at prime plus 0.75% per annum, maturing March 29, 2024; secured by a general security agreement over the First Nation assets.	626,516	640,874
CMHC mortgage payable with monthly payments of \$1,931 including interest at 2.52% per annum, maturing July 1, 2023; secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on six housing units.	74,331	95,443
	\$ 3,233,679	\$ 3,351,085

Principal repayment terms are approximately:

2021	\$ 127,047
2022	2,479,778
2023	38,928
2024	587,926
	<u>\$ 3,233,679</u>

SUMAS FIRST NATION
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FOR THE YEAR ENDED MARCH 31, 2020

9. TANGIBLE CAPITAL ASSETS

Cost	2019 Balance	Additions	Disposals	2020 Balance
Water and waste water	\$ 7,947,169	\$ 172,433	\$ -	\$ 8,119,602
Roads	883,752	-	-	883,752
Buildings	8,078,625	1,988,653	-	10,067,278
Machinery and equipment	597,996	73,135	-	671,131
Land improvements	808,432	71,900	-	880,332
Vehicles	497,526	-	-	497,526
Computer equipment	161,394	2,025	-	163,419
Social housing	601,020	-	-	601,020
	\$ 19,575,914	\$ 2,308,146	\$ -	\$ 21,884,060

Accumulated Amortization	2019 Balance	Amortization	Accumulated Amortization on Disposals	2020 Balance
Water and waste water	\$ 2,408,635	\$ 120,654	\$ -	\$ 2,529,289
Roads	517,772	25,329	-	543,101
Buildings	3,859,601	267,858	-	4,127,459
Machinery and equipment	548,505	26,292	-	574,797
Land improvements	432,277	43,450	-	475,727
Vehicles	496,027	1,375	-	497,402
Computer equipment	148,963	7,879	-	156,842
Social housing	296,362	21,116	-	317,478
	\$ 8,708,142	\$ 513,953	\$ -	\$ 9,222,095

Net book value	2020	2019
Water and waste water	\$ 5,590,313	\$ 5,538,534
Roads	340,651	365,980
Buildings	5,939,819	4,219,024
Machinery and equipment	96,334	49,491
Land improvements	404,605	376,155
Vehicles	124	1,499
Computer equipment	6,577	12,431
Social housing	283,542	304,658
	\$ 12,661,965	\$ 10,867,772

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FOR THE YEAR ENDED MARCH 31, 2020

10. ACCUMULATED SURPLUS

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

	2020	2019
Surplus		
Unrestricted equity in funds	\$ 2,842,672	\$ 1,584,483
Restricted equity in portfolio investments	14,101,813	12,529,706
Surplus associated with tangible capital assets:		
Invested in tangible capital assets	12,661,965	8,923,187
Reserve funds set aside by statutory requirements:		
Replacement reserve fund (Note 11)	11,297	22,132
	\$ 29,617,747	\$ 23,059,508

11. REPLACEMENT RESERVE FUND

In accordance with the terms and conditions of the Operating Agreement with Canada Mortgage and Housing Corporation, Sumas First Nation 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	\$ 22,132	\$ 46,702
Contributions	7,833	9,568
Replacement reserve expenditures	(18,668)	(4,800)
Maturing units adjustment	-	(29,338)
Closing balance	\$ 11,297	\$ 22,132

As at March 31, 2020, the Replacement Reserve Fund was fully funded (2019 - fully funded).

12. BUDGET DATA

The budget data presented in these consolidated financial statements is based upon the 2019 operating and capital budgets. These budgets have been approved by Council. Amortization was not contemplated on development of the budget and, as such, has not been included.

SUMAS FIRST NATION
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FOR THE YEAR ENDED MARCH 31, 2020

13. SETTLEMENT TRUST

The Upper Sumas IR6 Right-of-Way Settlement Trust (the "Trust") was established on May 2, 2016 by the Sumas First Nation to hold, protect, and nurture resources derived from the Upper Sumas IR 6 Settlement with the Government of Canada. The Trust has a year-end date of December 31.

The Settlement Trust received the settlement proceeds to be held for the benefit of the First Nation. The assets of the trust are restricted for specific purpose and can only be spent upon approval of the trustees.

The terms of the trust also included a one time payment to members of Sumas First Nation who were over age 18 at time of settlement of the trust or when they turn 19 if they were a minor at time of trust settlement. Distributions from the trust were \$47,750 (2019 - \$46,967) based on these criteria.

Not included in these financial statements are additional settlement proceeds including interest of \$663,419 (2019 - \$700,595) held for future distributions to members of Sumas First Nation who are minors. These proceeds will be recognized as revenue and distributions in the year the minors become entitled to the funds.

14. CONTINGENT LIABILITIES

The First Nation is contingently liable for guarantees it has placed for certain loans made by financial institutions to its members. The First Nation has also guaranteed the loans of certain Limited Partnerships and Corporations which it owns. As at March 31, 2020 the total loans being guaranteed have a current balance totaling \$2,556,137 (2019 - \$2,490,783). No amount has been accrued as Management considers them to be in good standing and therefore does not consider payment of the contingent liability to be likely.

15. ECONOMIC DEPENDENCE

The First Nation receives 61% (2019 - 72%) of its revenue pursuant to a funding arrangement with Indigenous Services Canada.

SUMAS FIRST NATION
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FOR THE YEAR ENDED MARCH 31, 2020

16. FINANCIAL INSTRUMENTS

The First Nation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the First Nation's risk exposure and concentration as of March 31, 2020.

Currency risk

Currency risk is the risk to the First Nation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The First Nation is exposed to foreign currency exchange risk on its investments held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk. There have been no change in the risk exposure from the prior year.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the First Nation manages exposure through its normal operating and financing activities. The First Nation is exposed to interest rate risk primarily through its floating interest rate on its credit facilities. There has been no change in the risk exposure from the prior year.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The First Nation is exposed to other price risk through its investment in quoted shares.

Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant other price risks arising from these financial instruments.

17. COVID RISK

The COVID-19 pandemic is causing significant financial and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. The First Nation continues to monitor and assess the impact COVID-19 will have on its business activities. The extent of the effect of the COVID-19 pandemic on the First Nation is uncertain at this time.

18. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. This has no impact on previously stated total financial assets, total financial liabilities, total non-financial assets, accumulated surplus and annual operating surplus.

19. 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:

SUMAS FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

19. SEGMENTED INFORMATION (Continued)

	Education	Social Development	Health & Community Wellness	Community Services & Economic Activities	Administration & General Government	Public Works & Village Maintenance	Lands Management	Housing	Economic Development	Federal Government Contracts	Other	2020 Total	2019 Total
REVENUE													
Federal government	\$ 786,358	\$ 249,923	\$ 30,866	\$ -	\$ 326,760	\$ 107,092	\$ 958,496	\$ 67,144	\$ 15,678	\$ -	\$ 2,278,653	\$ 4,820,969	\$ 3,148,304
Other government sources	112,517	-	258,379	3,184,722	-	5,200	-	-	-	-	315,053	3,875,871	998,256
First Nation economic activities	17,752	-	2,221	1,217,599	86,969	13,579	281,723	-	(131,481)	-	396,548	1,884,910	1,585,272
Trust settlement proceeds	-	-	-	-	129,018	-	-	-	-	-	-	129,018	126,060
Federal government - contracts	-	-	-	-	-	-	-	-	-	6,000,906	-	6,000,906	5,064,685
	916,627	249,923	291,466	4,402,321	542,747	125,871	1,240,219	67,144	(115,803)	6,000,906	2,990,253	16,711,875	10,922,577
EXPENSES													
Operating expenses	382,662	198,467	159,790	1,264,891	1,462,380	139,917	314,006	50,673	64,945	5,537,897	-	9,575,629	7,516,536
Salaries, wages & benefits	284,807	24,744	192,652	200,921	707,866	168,197	253,209	-	-	-	-	1,832,395	1,707,705
Capital projects	-	-	-	-	-	-	-	-	-	-	1,791,010	1,791,010	2,457,647
Amortization of tangible capital assets	-	-	-	-	513,953	-	-	-	-	-	-	513,953	439,270
Expenses capitalized	(73,134)	-	-	-	(783,202)	-	-	-	-	-	(1,451,810)	(2,308,146)	(2,393,615)
	594,335	223,211	352,442	1,465,812	1,900,998	308,114	567,215	50,673	64,945	5,537,897	339,200	11,404,842	9,727,543
ANNUAL SURPLUS (DEFICIT)	\$ 322,292	\$ 26,712	\$ (60,975)	\$ 2,936,509	\$ (1,358,251)	\$ (182,243)	\$ 673,004	\$ 16,471	\$ (180,748)	\$ 463,009	\$ 2,651,053	\$ 5,306,833	\$ 1,195,034