

LOWER SIMILKAMEEN INDIAN BAND
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019

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CONSOLIDATED FINANCIAL STATEMENTS

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LOWER SIMILKAMEEN INDIAN BAND

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2019

The accompanying consolidated financial statements of Lower Similkameen Indian Band and all the information in this annual report for the year ended March 31, 2019 are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgement. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Lower Similkameen Indian Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the assets are appropriately accounted for and adequately safeguarded.

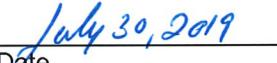
The Lower Similkameen Indian Band Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

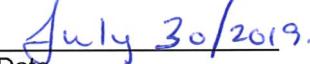
The Council reviews the financial statements and recommends their approval. The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report.

The consolidated financial statements have been audited by Reid Hurst Nagy Inc. in accordance with Canadian generally accepted auditing standards on behalf of their members. Reid Hurst Nagy Inc. has full access to Chief and Council. Reid Hurst Nagy Inc. have full and free access to the Council and books and records for information purposes.


Chief


Councillor


Date


Date

Independent Auditors' Report

To the Members of
Lower Similkameen Indian Band

Opinion

We have audited the consolidated financial statements of Lower Similkameen Indian Band, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations, its changes in its consolidated net debt, and its consolidated cash flows for the year then ended in accordance with PSAB.

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

- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



REID HURST NAGY INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

KELOWNA, B.C.
JULY 30, 2019

LOWER SIMILKAMEEN INDIAN BAND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at March 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 3,959,802	\$ 1,516,940
Restricted cash (Note 6)	722,561	695,417
Accounts receivable (Note 7)	767,306	2,072,561
Loans receivable	10,104	12,162
Rents receivables	121,539	99,340
Temporary investments	1,581,693	1,573,064
Long-term investments (Note 8)	3,024,531	2,454,195
	10,187,536	8,423,679
LIABILITIES		
Accounts payable (Note 11)	841,294	713,484
Deferred revenue (Note 12)	1,348,618	1,851,491
Due to related parties	453	32,582
Long-term debt (Note 13)	5,936,828	5,446,198
	8,127,193	8,043,755
NET FINANCIAL ASSETS	2,060,343	379,924
NON-FINANCIAL ASSETS		
Capital assets (Note 10)	14,647,481	13,496,728
Prepaid expenses	56,821	80,657
	14,704,302	13,577,385
ACCUMULATED SURPLUS (Note 3)	\$ 16,764,645	\$ 13,957,309

APPROVED ON BEHALF OF THE LOWER SIMILKAMEEN INDIAN BAND

, Chief
, Councillor

LOWER SIMILKAMEEN INDIAN BAND

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For the year ended March 31, 2019

	2019 Budget	2019 Actual	2018
ANNUAL SURPLUS (DEFICIT)	\$ 97,374	\$ 2,807,336	\$ 2,322,116
Acquisition of tangible capital assets	-	(1,539,913)	(283,703)
Amortization of tangible capital assets	-	389,160	416,565
	-	(1,150,753)	132,862
Acquisition of prepaid asset	23,836	(56,821)	(80,657)
Use of prepaid asset	-	80,657	29,257
	23,836	23,836	(51,400)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)	121,210	1,680,419	2,403,578
NET DEBT AT BEGINNING OF YEAR	-	379,924	(2,023,654)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ -	\$ 2,060,343	\$ 379,924

LOWER SIMILKAMEEN INDIAN BAND

CONSOLIDATED SUMMARY STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the year ended March 31, 2019

	2019 Budget	2019 Actual	2018 Actual
REVENUE			
Indigenous Services Canada	\$ 2,286,884	\$ 3,501,826	\$ 3,987,300
Canada Mortgage and Housing Corporation	117,522	233,050	129,605
Environment Canada	366,322	363,999	63,338
First Nations Education Steering Committee	153,318	73,886	70,570
First Nations Health Authority	1,131,322	1,159,176	1,108,204
Loan proceeds	-	-	44,778
Forestry	280,000	371,369	383,314
Fortis BC	36,000	36,000	36,000
Interest	18,000	91,930	35,048
Okanagan Training and Development Council	-	20,206	8,767
General	1,403,535	1,561,285	816,419
Property tax assessed	266,701	266,790	422,986
Province of British Columbia	650,854	745,647	815,690
Referrals	85,000	208,792	184,526
Rental	270,748	278,928	297,476
Share of income (loss) from First Nation controlled entities	-	570,335	844,919
Transfer to deferred revenue	-	(1,348,618)	(1,267,858)
Transfer from deferred revenue	-	1,851,491	128,560
	7,066,206	9,986,092	8,218,652
EXPENDITURES			
Administration Programs	1,640,040	1,377,484	1,249,776
Health Programs	1,452,569	1,121,245	971,245
Social Development	667,645	629,192	597,785
Education Programs	1,349,063	1,289,438	718,448
Natural Resources Programs	866,019	779,620	516,469
Capital Programs	-	1,778,124	878,138
Public Works Programs	692,769	455,450	611,914
Chief and Council Programs	235,207	193,859	476,352
Social Housing Fund	260,268	379,186	332,562
Capital Fund	-	248,053	294,255
Enterprise Fund	-	21,989	19,928
	7,163,580	8,273,640	6,666,872
EXCESS OF REVENUE OVER EXPENDITURES BEFORE OTHER	97,374	1,712,452	1,551,778
OTHER			
Acquisition of tangible capital assets	-	1,539,913	283,703
Proceeds from long-term debt	-	(762,941)	-
Principal reduction of long-term debt	-	317,912	486,635
	-	1,094,884	770,338
ANNUAL SURPLUS (DEFICIT)	97,374	2,807,336	2,322,116
EQUITY AT BEGINNING OF YEAR	-	13,957,309	11,635,193
EQUITY AT END OF YEAR	\$ -	\$ 16,764,645	\$ 13,957,309

LOWER SIMILKAMEEN INDIAN BAND

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2019

	2019	2018
OPERATING ACTIVITIES		
EXCESS OF REVENUE OVER EXPENDITURES	\$ 2,807,336	\$ 2,322,116
Amortization of tangible capital assets	389,160	416,565
Share of income (loss) of First Nation Controlled entities	<u>(570,335)</u>	<u>(844,919)</u>
	2,626,161	1,893,762
Change in non-cash operating working capital	<u>892,368</u>	<u>(251,783)</u>
	<u>3,518,529</u>	<u>1,641,979</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(272,311)	(486,635)
Proceeds from long-term debt	762,941	-
	490,630	(486,635)
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(1,539,153)	(283,703)
INCREASE IN CASH AND CASH EQUIVALENTS	2,470,006	871,641
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,212,357	1,340,716
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,682,363	\$ 2,212,357
CASH AND CASH EQUIVALENTS ARE REPRESENTED BY:		
Cash and cash equivalents	\$ 3,959,802	\$ 1,516,940
Restricted cash	722,561	695,417
	\$ 4,682,363	\$ 2,212,357
SUPPLEMENTARY INFORMATION		
Interest paid	\$ 200,763	\$ 187,866

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of CPA Canada.

(a) Reporting Entity

The Lower Similkameen Indian Band reporting entity includes the Lower Similkameen Indian Band government and all related entities that are controlled by the First Nation.

(b) Fund Accounting

The Lower Similkameen Indian Band maintains the following funds and reserves as part of its operations:

- The Operating Fund which reports the general activities of the First Nation administration.
- The Capital Fund which reports the capital assets of the First Nation not included in other funds, together with their related activities.
- The Trust Fund which reports on the trust funds of the First Nation and held by third parties.
- The Social Housing Fund which reports on the social housing assets of the First Nation together with their related activities.
- The Enterprise Fund which reports the First Nation's investment in self-supporting commercial entities.

(c) Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the Consolidated Statements on a modified equity basis. Inter-organizational balances are eliminated on consolidation.

Under the modified equity method of accounting, only Lower Similkameen Indian Band's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Lower Similkameen Indian Band.

Organizations consolidated in Lower Similkameen Indian Band's financial statements include:

1. Lower Similkameen Indian Band Operating Fund
2. Similkameen Chopaka Social Housing Society (Social Housing Fund)
3. Lower Similkameen Indian Band Capital Fund
4. Lower Similkameen Indian Band Trust Fund
5. Lower Similkameen Indian Band Enterprise Fund
6. Lower Similkameen Development Corporation

Organizations accounted for on a modified equity basis include:

7. 0783309 B.C. Ltd.
8. Lower Similkameen Community Forests Ltd.
9. Lower Similkameen Community Forests Limited Partnership
10. Lower Similkameen Holdings Ltd.
11. Lower Similkameen Holdings Limited Partnership
12. Skulqalt Forestry Ltd.
13. Skulqalt Forestry Limited Partnership

(d) Segments

The First Nation conducts its business through reportable segments. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives, aid in resource allocation decisions, and to assess operational performance. For each reported segment, revenues and expenses represent both amounts that are directly attributed to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

(f) Asset classification

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

(g) Budget

The budget reported in the financial statements was provided by management and is unaudited.

(h) Internal charges and transfers

The central administration office provides services to other program areas. To recognize the cost of these services a corresponding revenue and expense is recorded and referred to as "Administration fees."

(i) Financial Instruments

All significant financial assets, financial liabilities and equity instruments of the entity are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

(j) 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 disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

(l) Temporary Investments

Temporary investments consist of term deposits or GICs with maturity of dates of greater than three months. Investments are reported at cost plus accrued interest.

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Long-term Debt

Proceeds from long-term debt are recorded as program revenue. Payments of principal and interest are treated as program expenditures. Long-term debt is recorded as a liability on the balance sheet. Reductions of long-term debt are offset with an increase to Equity in Tangible Capital Assets.

(n) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Lower Similkameen Indian Band's incremental cost of borrowing.

Amortization is provided for on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	20 years Straight line
Campground	20 years Straight line
Computer equipment	3 years Straight line
Computer software	3 years Straight line
Equipment	5 years Straight line
Automobile	5 years Straight line

Tangible capital assets are written down when conditions indicate that they no longer contribute to Lower Similkameen Indian Band's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

(o) Replacement Reserve

The Replacement Reserve is funded by an annual charge against earnings as opposed to an appropriation of surplus.

(p) Surplus Recoveries and Deficit Funding

Under the terms of funding arrangements, remaining surpluses of certain programs may be recovered by the funding agency, and remaining deficits may be funded by the funding agency.

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

2. COMPARATIVE AMOUNTS

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period.

3. ACCUMULATED SURPLUS

	2019	2018
Unrestricted		
Operating Fund	\$ 4,426,934	\$ 2,972,401
Capital Fund	8,200,086	7,506,345
Enterprise Fund	2,906,334	2,352,800
	15,533,354	12,831,546
Restricted		
Social Housing Fund	1,087,423	986,269
Trust Funds	143,868	139,494
	1,231,291	1,125,763
	\$ 16,764,645	\$ 13,957,309

4. ECONOMIC DEPENDENCE

Lower Similkameen Indian Band receives a significant portion of its revenue pursuant to an agreement referred to as "The Comprehensive Funding Arrangement". This agreement has been entered into by the First Nation and Indigenous Services Canada. It is expected that the agreement will be renewed on an annual basis.

The First Nation also receives major funding pursuant to an arrangement with the First Nations Health Authority and under which certain surpluses and deficits may be offset, but with the net balance repayable or refundable as the case may be.

5. LEASES

The nature of Lower Similkameen Indian Band's activities can result in some multi-year leases whereby it will be obligated to make future payments. Lease payments required under contract over the next 3 years are as follows: (2020 \$68,851, 2021 \$50,536, 2022 \$37,911)

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

6. RESTRICTED CASH

Replacement Reserve Fund:

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage & Housing Corporation, the Housing Program 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 with any interest earned to be credited as revenue to the Replacement Reserve Fund.

Operating Reserve Fund:

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage & Housing Corporation, the Program is to set aside any surplus revenue to an operating reserve for the purpose of meeting future requirements of income listed occupants over and above the maximum federal assistance. The Fund may be replenished to its original limit from subsequent operating surpluses.

Ottawa Trust Funds:

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

	2019	2018
Replacement Reserve Fund - restricted cash	\$ 344,266	\$ 333,546
Operating Reserve Fund - restricted cash	234,428	222,377
Ottawa Trust Funds - restricted cash	143,867	139,494
	<hr/> \$ 722,561	<hr/> \$ 695,417

7. ACCOUNTS RECEIVABLE

	2019	2018
Accounts receivable - general	\$ 851,538	\$ 774,978
Indigenous Services Canada	71,500	19,871
Member loans	58,064	64,063
	<hr/> 981,102	<hr/> 858,912
Allowance for doubtful accounts	(213,796)	(242,655)
	<hr/> \$ 767,306	<hr/> \$ 2,072,561

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

8. LONG-TERM INVESTMENTS

	2019	2018
Investments not subject to control		
Shares in All Nations Trust Company - held at cost	\$ 41,852	\$ 41,852
	41,852	41,852
Investments subject to control		
Investment in Lower Similkameen Community Forests Limited Partnership	32,171	42,943
Investment in Lower Similkameen Community Forests Limited	837,015	(10,772)
	869,186	32,171
Investment in 0783309 B.C. Ltd.		
Share capital	1	1
Accumulated earnings (deficit)	(316)	-
	(315)	1
Investment in Lower Similkameen Holdings Limited Partnership	2,119,883	2,383,289
Accumulated earnings (deficit)	2,119,883	2,383,289
Investment in Lower Similkameen Holdings Ltd.		
Share capital	1	1
Accumulated earnings (deficit)	(3,543)	(2,232)
	(3,542)	(2,231)
Investment in Skulqalt Forestry Ltd.		
Share capital	1	1
Accumulated earnings (deficit)	(915)	(888)
	(914)	(887)
Investment in 1161649 B.C. Ltd.	(1,619)	-
	\$ 3,024,531	\$ 2,454,195

9. FIRST NATION CONTROLLED ENTITIES

Commercial enterprises are those organizations that meet the definition of government business enterprises as described by the Public Sector Accounting Board of CPA Canada. Government business enterprises have the power to contract in their own name, have the financial and operating authority to carry on a business, sell goods and services to customers outside the First Nation government as their principal activity, and that can, in the normal course of their operations, maintain operations and meet liabilities from revenues received from outside the First Nation government.

Following is the condensed financial results for the First Nation controlled entities as noted below.

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2019

9. FIRST NATION CONTROLLED ENTITIES, continued

	0783309 B.C. Ltd	Lower Similkameen Holdings Limited Partnership	Lower Similkameen Holdings Ltd.	Skulqalt Forestry Ltd.	Lower Similkameen Community Forests Limited Partnership	Lower Similkameen Community Forests Ltd.
Cash	\$ -	\$ 366,329	\$ -	\$ -	\$ 48,852	\$ -
Accounts receivable	-	-	-	-	-	80
Other assets	-	1,759,627	-	286	145,927	-
Total assets	\$ -	\$ 2,125,956	\$ -	\$ 286	\$ 194,779	\$ 80
Accounts payable	\$ -	\$ 2,630	\$ 2,540	\$ 1,199	\$ 162,608	\$ 12,268
Other liabilities	315	4,445	1,002	-	-	-
Total liabilities	315	7,075	3,542	1,199	162,608	12,268
Equity	(315)	2,118,881	(3,542)	(913)	32,171	(12,188)
Total liabilities and equity	\$ -	\$ 2,125,956	\$ -	\$ 286	\$ 194,779	\$ 80
	0783309 B.C. Ltd	Lower Similkameen Holdings Limited Partnership	Lower Similkameen Holdings Ltd.	Skulqalt Forestry Ltd.	Lower Similkameen Community Forests Limited Partnership	Lower Similkameen Community Forests Ltd.
Revenue						
Income	\$ -	\$ -	\$ -	\$ 83	\$ 2,972,707	\$ -
Interest	-	6,072	-	-	-	-
Income (loss) from partnership	-	(266,925)	(1,311)	(27)	-	838
Revenue	-	(260,853)	(1,311)	56	2,972,707	838
Expenses	316	4,446	-	-	2,134,329	1,363
Net income (loss)	\$ (316)	\$ (265,299)	\$ (1,311)	\$ 56	\$ 838,378	\$ (525)

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

10. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization				2019 net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	
Land	\$ 161,475	\$ -	\$ 161,475	\$ -	\$ -	\$ -	\$ -	\$ 161,475
Automotive equipment	340,272	58,444	398,716	266,840	34,999	(74,692)	227,147	171,569
Computer equipment	106,451	7,254	113,705	94,437	3,729	-	98,166	15,539
Campground	165,109	-	165,109	165,109	-	-	165,109	-
Equipment	548,468	33,565	582,033	422,641	18,875	-	441,516	140,517
Leasehold improvements	60,539	-	60,539	43,017	3,027	-	46,044	14,495
Roads	957,617	-	957,617	529,597	12,656	-	542,253	415,364
Buildings	14,544,877	(100,757)	14,444,120	3,669,289	306,090	(40,730)	3,934,649	10,509,471
Infrastructure	2,133,585	1,425,985	3,559,570	330,735	9,784	-	340,519	3,219,051
	\$ 19,018,393	\$ 1,424,491	\$ 20,442,884	\$ 5,521,665	\$ 389,160	\$ (115,422)	\$ 5,795,403	\$ 14,647,481

	Cost			Accumulated amortization				2018 Net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	
Land	\$ 161,475	\$ -	\$ 161,475	\$ -	\$ -	\$ -	\$ -	\$ 161,475
Automotive equipment	340,272	-	340,272	228,478	38,362	-	266,840	73,432
Computer equipment	106,451	-	106,451	89,663	4,774	-	94,437	12,014
Campground	165,109	-	165,109	156,853	8,256	-	165,109	-
Equipment	520,583	27,885	548,468	409,911	12,730	-	422,641	125,827
Leasehold improvements	60,539	-	60,539	39,991	3,026	-	43,017	17,522
Roads	957,617	-	957,617	516,941	12,656	-	529,597	428,020
Buildings	14,289,059	255,818	14,544,877	3,342,312	326,977	-	3,669,289	10,875,588
Infrastructure	2,133,585	-	2,133,585	320,951	9,784	-	330,735	1,802,850
	\$ 18,734,690	\$ 283,703	\$ 19,018,393	\$ 5,105,100	\$ 416,565	\$ -	\$ 5,521,665	\$ 13,496,728

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

11. ACCOUNTS PAYABLE

	2019	2018
Trade payables	\$ 526,904	\$ 538,118
Indigenous Services Canada	15,189	13,593
School district	169,715	-
Payroll payable	72,548	99,615
Vacation pay payable	56,938	62,158
	\$ 841,294	\$ 713,484

12. DEFERRED REVENUE

	March 31, 2018	Funding received, 2019	Revenue recognized, 2019	March 31, 2019
Federal government				
FNESC	\$ 66,750	\$ -	\$ (66,750)	\$ -
ISC - NTG7	1,588,741	1,162,756	(1,588,740)	1,162,757
ISC - NTKC	-	118,161	-	118,161
First Peoples' Cultural Council	13,000	-	(13,000)	-
FNHA	-	21,916	45,784	67,700
	1,668,491	1,302,833	(1,622,706)	1,348,618
Other				
Fortis settlement	183,000	-	(183,000)	-
	\$ 1,851,491	\$ 1,302,833	\$ (1,805,706)	\$ 1,348,618

13. LONG-TERM DEBT

	2019	2018
Bank of Montreal construction loan payable on demand. Interest calculated at prime plus 0.50% per annum. Secured by a general charge against operations.	\$ 36,237	\$ 38,726
Bank of Montreal construction loan payable on demand. Interest calculated at 4.24% per annum. Secured by a general charge against operations.	3,332,603	3,437,090
Bank of Montreal construction loan payable on demand. Scheduled monthly payments of \$3,005 with interest at 4.24% per annum. Secured by a general charge against operations.	527,550	543,204
Bank of Montreal loan payable, payment of \$401 per month including interest at prime plus 0.50%. Secured by a general charge against operations.	45,443	48,564
Bank of Montreal loan payable, payment of \$320 per month including interest at prime plus 0.50%. Secured by a general charge against operations.	41,612	44,414

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2019

13. LONG-TERM DEBT, continued

	2019 \$	2018 \$
All Nations Trust Company loan, payment of \$541 per month including interest at 5.24% per annum, with no set maturity date, secured by a Ministerial Loan Guarantee from Indigenous Services Canada.	46,678	50,850
All Nations Trust Company loan, payment of \$917 per month including interest at 1.97% per annum, maturing May 1, 2019, secured by a Ministerial Loan Guarantee from Indigenous Services Canada.	1,830	12,685
All Nations Trust Company loan, payment of \$1,911 per month including interest at 2.39% per annum, maturing January 1, 2023, secured by a Ministerial Loan Guarantee from Indigenous Services Canada.	83,930	104,594
All Nations Trust Company loan, payment of \$2,447 per month including interest at 1.12% per annum, maturing December 1, 2024, secured by a Ministerial Loan Guarantee from Indigenous Services Canada.	163,461	190,834
All Nations Trust Company loan, payment of \$1,869 per month including interest at 1.97% per annum, maturing November 1, 2022, secured by a Ministerial Loan Guarantee from Indigenous Services Canada.	79,293	99,948
All Nations Trust Company loan, payment of \$4,388 per month including interest at 1.31% per annum, maturing December 1, 2036, secured by a Ministerial Loan Guarantee from Indigenous Services Canada.	833,818	875,289
All Nations Trust Company loan, payment of \$3,413 per month including interest at 2.49% per annum, maturing May 1, 2043, secured by a Ministerial Loan Guarantee from Indigenous Services Canada.	744,373	-
Callable portion	5,936,828	5,446,198
Current portion	3,860,153	3,980,294
	139,568	114,914
	<hr/> \$ 1,937,107	<hr/> \$ 1,350,990

Principal portion of long-term debt due within the next five years:

2020	\$ 3,999,721
2021	139,765
2022	141,826
2023	121,763
2024 and thereafter	1,533,753
	<hr/> \$ 5,936,828

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

14. SEGMENTED INFORMATION

As previously discussed in note 1 (d) the First Nation conducts its business through reportable segments as follows:

The Band Programs department is responsible for administering projects the First Nation is involved in annually and on an on-going basis relating to the overall objectives of the First Nation and the development of stable, legitimate and accountable community governments. It also provides overall support of the First Nation including advisory services relating to financial management, band government, economic development, community services and technical services.

The Health department oversees the delivery of health programs and initiatives for the betterment of the lives of the members of the First Nation.

Social Development provides assistance to community members unable to provide for themselves and their dependents. The services provided by this department include, but are not limited to, income assistance, child and family services, assisted living and early childhood development.

Education supports the members in expressing, preserving, developing and promoting its cultural heritage through the establishment and operation of First Nation education centres and programs, it also provides services for students at the elementary/secondary and post secondary level, including; instructional services both on and off reserve as well as support services such as transportation, accommodation, guidance and counselling.

Economic Development supports the development of employment opportunities for members of the First Nation.

Capital Projects manages capital projects within the community undertaken to support the growth and/or maintenance of the First Nation's infrastructure.

Social Housing is responsible for the administration and management of Social Housing units.

Other operations include Capital Fund, Trust Fund and Enterprise Fund transactions.

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.

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

14. SEGMENTED INFORMATION, continued

	Administration Programs			Health Programs			Social Development		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
Revenues									
Indigenous Services Canada	\$ 345,771	\$ 346,771	\$ 506,312	\$ 40,000	\$ 110,500	\$ -	\$ 584,727	\$ 580,891	\$ 545,682
First Nations Health Authority	-	3,000	-	1,078,343	1,079,143	1,053,087	-	-	-
Property tax assessed	266,701	266,790	422,986	-	-	-	-	-	-
Province of British Columbia	-	-	91,750	216,506	246,506	160,746	63,499	63,499	61,824
Other revenue	1,113,046	585,587	312,691	102,664	206,017	143,057	-	12,380	1,739
Total revenue	1,725,518	1,202,148	1,333,739	1,437,513	1,642,166	1,356,890	648,226	656,770	609,245
Expenses									
Insurance	13,601	12,304	19,754	20,300	13,677	3,118	-	-	-
Materials and supplies	74,997	318,764	38,036	20,158	20,144	23,906	800	487	979
Professional fees	72,500	27,751	3,009	20,000	20,000	20,000	-	-	-
Repairs and maintenance	3,200	1,723	7,219	18,600	11,685	10,249	-	-	-
Travel	13,138	10,077	15,593	39,273	34,008	47,770	9,500	9,126	11,939
Wages and benefits	433,299	412,311	398,412	720,880	554,698	552,624	170,066	163,246	148,051
Other expenses	1,029,554	594,554	767,756	613,358	467,033	313,576	487,279	456,333	436,815
Total expenses	1,640,289	1,377,484	1,249,779	1,452,569	1,121,245	971,243	667,645	629,192	597,784
Annual surplus (deficit)	\$ 85,229	\$ (175,337)	\$ 83,963	\$ (15,056)	\$ 520,921	\$ 385,645	\$ (19,419)	\$ 27,578	\$ 11,460

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

14. SEGMENTED INFORMATION, continued

	Education Programs			Natural Resources Programs			Capital Programs		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
Revenues									
Indigenous Services Canada	\$ 1,098,101	\$ 1,084,339	\$ 742,578	\$ 45,460	\$ 45,460	\$ 47,010	-	\$ 1,170,040	\$ 1,926,312
Canada Mortgage and Housing Corporation	-	-	-	-	-	-	-	71,418	28,647
First Nations Health Authority	-	-	-	-	-	-	-	21,916	242,930
Province of British Columbia	71,100	87,393	34,676	-	20,000	6,555	-	-	-
Rental	-	-	-	-	-	-	-	-	21,701
Other revenue	166,318	154,081	119,390	605,147	1,089,745	508,108	-	624,830	(1,267,871)
Total revenue	1,335,519	1,325,813	896,644	650,607	1,155,205	561,673	-	1,888,204	951,719
Expenses									
Insurance	6,504	3,755	6,347	900	1,066	375	-	-	-
Loan payments	-	-	-	-	-	-	-	286,556	515,834
Materials and supplies	28,750	34,737	35,366	12,862	7,948	5,967	-	274	-
Professional fees	-	-	-	48,500	10,988	20,473	-	2,500	-
Repairs and maintenance	15,435	1,773	7,744	-	-	-	-	-	2,214
Travel	6,000	17,262	15,840	14,500	17,561	12,453	-	-	68
Wages and benefits	522,698	452,523	446,751	283,872	281,752	279,566	-	-	2,857
Other expenses	769,676	779,388	206,400	505,384	460,305	197,635	-	1,488,794	357,166
Total expenses	1,349,063	1,289,438	718,448	866,018	779,620	516,469	-	1,778,124	878,139
Annual surplus (deficit)	\$ (13,544)	\$ 36,375	\$ 178,196	\$ (215,411)	\$ 375,585	\$ 45,204	-	\$ 110,081	\$ 73,581

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

14. SEGMENTED INFORMATION, continued

	Public Works Programs			Chief and Council Programs			Social Housing Fund		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
Revenues									
Indigenous Services Canada	\$ 163,825	\$ 163,825	\$ 219,406	\$ 9,000	\$ -	\$ 74	\$ -	\$ 117,522	\$ 138,068
Canada Mortgage and Housing Corporation	-	23,564	13,040	-	-	-	-	-	87,918
First Nations Health Authority	52,979	55,117	55,117	-	-	-	-	-	-
Forestry	-	-	-	280,000	371,369	383,314	-	-	-
Province of British Columbia	-	-	-	299,749	328,249	460,139	-	-	-
Rental	92,260	94,714	107,451	-	-	-	178,488	179,114	146,137
Other revenue	75,000	36,493	25,034	-	135,308	6,030	-	10,068	5,974
Total revenue	384,064	373,713	420,048	588,749	834,926	849,557	296,010	327,250	240,029
Expenses									
Amortization	-	-	-	-	-	-	-	138,510	119,732
Insurance	22,635	(137,307)	22,867	-	-	-	16,451	18,828	14,739
Loan payments	-	-	-	-	-	-	-	138,510	119,732
Materials and supplies	15,450	25,113	63,120	3,000	1,295	5,927	-	-	-
Professional fees	-	-	-	15,000	1,667	4,061	8,696	7,770	7,540
Repairs and maintenance	39,450	14,912	61,515	-	-	-	26,000	25,803	31,209
Travel	3,650	8,259	14,092	15,000	19,872	17,419	-	-	-
Wages and benefits	262,922	246,918	203,824	64,802	66,141	100,375	-	-	-
Other expenses	348,662	297,555	246,496	137,406	104,884	348,570	209,121	49,765	39,610
Total expenses	692,769	455,450	611,914	235,208	193,859	476,352	260,268	379,186	332,562
Other	(308,705)	(81,737)	(191,866)	353,541	641,067	373,205	35,742	(51,936)	(92,533)
	-	-	-	-	-	-	-	153,090	119,732
Annual surplus (deficit)	\$ (308,705)	\$ (81,737)	\$ (191,866)	\$ 353,541	\$ 641,067	\$ 373,205	\$ 35,742	\$ 101,154	\$ 27,199

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

14. SEGMENTED INFORMATION, continued

	Capital Fund		Trust Funds		Enterprise Fund		2019 Budget	2019 Actual	2018 Actual
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2018 Actual	2019 Budget			
Revenues									
Rental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,100	\$ 22,187
Other revenue	-	-	-	-	4,374	131,862	-	570,423	845,057
Total revenue	-	-	-	-	4,374	131,862	-	575,523	867,244
Expenses									
Amortization	-	248,053	294,255	-	-	-	-	2,598	2,579
Insurance	-	-	-	-	-	-	-	1,915	1,769
Materials and supplies	-	-	-	-	-	-	-	-	80
Professional fees	-	-	-	-	-	-	-	2,610	2,490
Repairs and maintenance	-	-	-	-	-	-	-	3,766	638
Other expenses	-	-	-	-	-	-	-	11,100	12,371
Total expenses	-	248,053	294,255	-	-	-	-	21,989	19,927
Other	-	(248,053)	(294,255)	-	4,374	131,862	-	553,534	847,317
Annual surplus (deficit)	\$ -	\$ 693,741	\$ 356,351	-	\$ 4,374	\$ 131,862	-	\$ 553,534	\$ 847,317

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

14. SEGMENTED INFORMATION, continued

		Consolidated totals		
		2019 Budget	2019 Actual	2018 Actual
Revenues				
Indigenous Services Canada		\$ 2,286,884	\$ 3,501,826	\$ 3,987,374
Canada Mortgage and Housing Corporation		117,522	233,050	129,605
First Nations Health Authority		1,131,322	1,159,176	1,351,134
Forestry		280,000	371,369	383,314
Property tax assessed		266,701	266,790	422,986
Province of British Columbia		650,854	745,647	815,690
Rental		270,748	278,928	297,476
Other revenue		2,062,175	3,429,306	831,071
Total revenue		7,066,206	9,986,092	8,218,650
Expenses				
Amortization		-	389,161	416,566
Insurance		80,391	(85,762)	68,969
Loan payments		-	425,066	635,566
Materials and supplies		156,017	408,762	173,381
Professional fees		164,696	73,286	57,573
Repairs and maintenance		102,685	59,662	120,788
Travel		101,061	116,165	135,174
Wages and benefits		2,458,539	2,177,589	2,132,460
Other expenses		4,100,440	4,709,711	2,926,395
Total expenses		7,163,136	8,273,640	6,666,874
Other		(96,930)	1,712,452	1,551,778
Other		-	1,094,884	770,338
Annual surplus (deficit)		\$ (96,930)	\$ 2,807,336	\$ 2,322,116

LOWER SIMILKAMEEN INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

15. CONTINGENT LIABILITIES

a) Indigenous Services Canada

Under the terms of the contribution agreements with Indigenous Services Canada and other governmental departments, certain surpluses may be repayable to the government and certain deficits may be reimbursable to the First Nation.

b) Loan Guarantee

A Government of Canada Ministerial Guarantee has been obtained for loans to certain band members. If these loans default, the Minister may recover the outstanding amounts from the First Nation. The First Nation has guaranteed loans totaling \$525,869 to update.

16. CONTAMINATED SITES

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 Band 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, 2019.

At each financial reporting date, the Band 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 Band continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

As of March 31, 2019 the band does not recognize any liability for contaminated sites.