

**LOWER KOOTENAY INDIAN BAND**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended March 31, 2014**

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## Management's Responsibility for Financial Reporting

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The accompanying consolidated financial statements of the Lower Kootenay Indian Band are the responsibility of management and have been approved by Chief and Council.

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

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

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

Chief and Council, composed of Band members, reviews the Lower Kootenay Indian Band's 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 financial statements and the external auditor's report. Chief and Council reports its findings for consideration when approving the financial statements for issuance to the members. Chief and Council also considers, for review and approval by the members, the engagement of the external auditors.

The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP have full and free access to Chief and Council.

Kelli A. Clement

Director of Operations

John R. H.

Director of Finance

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## Independent Auditor's Report

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**To the Members of the  
Lower Kootenay Indian Band**

We have audited the accompanying consolidated financial statements of the Lower Kootenay Indian Band, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of financial activity, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## Independent Auditor's Report (continued)

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### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Lower Kootenay Indian Band as at March 31, 2014, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Emphasis of Matter

We draw attention to Note 23 in the consolidated financial statements which describes the prior period adjustments required for the year.

*BDO Canada LLP*

Chartered Accountants

Cranbrook, British Columbia  
June 24, 2014

**LOWER KOOTENAY INDIAN BAND**  
**Consolidated Statement of Financial Position**

<u>March 31</u>	<u>2014</u>	<u>2013</u>
		(Notes 22&23)
<b>Financial Assets</b>		
Cash (Note 2)	\$ 738,469	\$ 986,990
Restricted cash (Note 3)	90,523	90,523
Temporary investments (Note 2) (Note 4)	644,186	637,254
Accounts receivable (Note 5)	769,261	329,376
Due from related entities (Note 6)	480,819	498,397
Long term investments (Note 7)	60,022	60,022
Investment in business partnerships and enterprises (Note 8)	1,493,010	1,149,348
Ottawa Trust Funds (Note 16)	62,481	60,405
	<u>4,338,771</u>	<u>3,812,315</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities (Note 11)	558,569	426,467
Deferred revenue (Note 9)	165,424	164,677
Long term debt (Note 10)	523,703	750,864
	<u>1,247,696</u>	<u>1,342,008</u>
<b>Net Financial Assets</b>	<b>3,091,075</b>	<b>2,470,307</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 12)	<u>6,799,207</u>	<u>5,379,150</u>
<b>Accumulated Surplus (Note 13)</b>	<b>\$ 9,890,282</b>	<b>\$ 7,849,457</b>

Approved on behalf of the Band Council

M. James D. Smith Chief

R Councillor

**LOWER KOOTENAY INDIAN BAND**  
**Consolidated Statement of Financial Activity**

<b>For the year ended March 31</b>	<b>Budget</b>	<b>2014</b>	<b>2013</b>
(Notes 22 & 23)			
<b>Revenue</b>			
Aboriginal Affairs and Northern Development Canada	\$ 3,306,794	\$ 3,322,946	\$ 1,415,235
First Nation Education Steering Committee Funding	49,735	67,113	106,006
Health Canada	328,387	165,509	147,021
Province of British Columbia	421,000	429,463	273,669
Rental income	150,000	146,583	143,893
Other income	379,574	1,009,272	683,062
Income from business partnerships and enterprises	35,000	351,941	261,554
CMHC subsidy revenue	-	45,932	29,526
	<b>4,670,490</b>	<b>5,538,759</b>	<b>3,059,966</b>
<b>Expenses (Note 17)</b>			
Administration	538,483	671,206	670,762
Social Development	325,004	325,004	339,460
Health	172,887	263,798	130,909
Education	1,019,438	1,080,296	875,494
Social Housing	85,324	238,082	191,521
Infrastructure and Land Management	285,016	374,429	274,435
Economic Development	33,976	31,419	316,519
Operations and Maintenance	148,498	131,115	138,630
Capital Fund	1,930,576	382,585	362,088
	<b>4,539,202</b>	<b>3,497,934</b>	<b>3,299,818</b>
<b>Annual surplus (deficit)</b>	<b>131,288</b>	<b>2,040,825</b>	<b>(239,852)</b>
<b>Accumulated surplus</b> , beginning of year, as previously reported	7,718,039	<b>7,718,039</b>	8,014,932
Prior period adjustments (Note 23)	131,418	<b>131,418</b>	74,377
<b>Accumulated surplus</b> , beginning of year, as restated	<b>7,849,457</b>	<b>7,849,457</b>	8,089,309
<b>Accumulated surplus</b> , end of year	<b>\$ 7,980,745</b>	<b>\$ 9,890,282</b>	<b>\$ 7,849,457</b>

**LOWER KOOTENAY INDIAN BAND**  
**Consolidated Statement of Change in Net Financial Assets**

<b>For the year ended March 31</b>	<b>Budget</b>	<b>2014</b>	<b>2013</b>
(Notes 22 & 23)			
<b>Annual surplus (deficit)</b>	\$ 131,288	\$ 2,040,825	\$ (239,852)
Acquisition of tangible capital assets (Note 12)	-	(1,879,175)	(159,767)
Amortization of tangible capital assets (Note 12)	-	459,118	420,673
Change in prepaid expenses	-	-	61,826
<b>Net change in net financial assets</b>	<b>131,288</b>	<b>620,768</b>	82,880
<b>Net financial assets</b> , beginning of year	<b>2,338,889</b>	<b>2,338,889</b>	2,313,050
Prior period adjustments (Note 23)	<b>131,418</b>	<b>131,418</b>	74,377
<b>Net financial assets</b> , beginning of year, as restated	<b>2,470,307</b>	<b>2,470,307</b>	2,387,427
<b>Net financial assets</b> , end of year	<b>\$ 2,601,595</b>	<b>\$ 3,091,075</b>	<b>\$ 2,470,307</b>

**LOWER KOOTENAY INDIAN BAND**  
**Consolidated Statement of Cash Flows**

<u>For the year ended March 31</u>	<u>2014</u>	<u>2013</u>
(Notes 22&23)		
<b>Cash flows provided by (used in) operating activities</b>		
Cash receipts customers	\$ 5,157,019	\$ 3,051,023
Cash paid to employees and suppliers	<u>(2,955,090)</u>	<u>(2,446,073)</u>
	<u>2,201,929</u>	<u>604,950</u>
<b>Cash flows used in capital activities</b>		
Purchase of tangible capital assets	<u>(1,879,175)</u>	<u>(159,767)</u>
<b>Cash flows used in investing activities</b>		
Investment in business partnership and enterprises	(352,686)	(250,229)
Purchase of short term temporary investments	<u>(6,931)</u>	<u>(7,448)</u>
	<u>(359,617)</u>	<u>(257,677)</u>
<b>Cash flows provided by (used in) financing activities</b>		
Loans and advances with related parties	17,579	15,408
Receipts from long-term debt	-	53,767
Repayment of long-term debt	<u>(227,161)</u>	<u>(167,561)</u>
	<u>(209,582)</u>	<u>(98,386)</u>
<b>Net increase (decrease) in cash</b>	<b>(246,445)</b>	<b>89,120</b>
<b>Cash, beginning of year</b>	<b>1,137,918</b>	<b>1,048,798</b>
<b>Cash, end of year</b>	<b>\$ 891,473</b>	<b>\$ 1,137,918</b>
<b>Represented by</b>		
Cash	\$ 738,469	\$ 986,990
Ottawa Trust Funds	62,481	60,405
Restricted cash	<u>90,523</u>	<u>90,523</u>
	<b>\$ 891,473</b>	<b>\$ 1,137,918</b>
<b>Supplementary Cash Flow Information:</b>		
Interest paid	\$ (13,685)	\$ (24,452)
Interest received	<u>\$ 2,076</u>	<u>\$ 2,011</u>

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## LOWER KOOTENAY INDIAN BAND

### Summary of Consolidated Significant Accounting Policies

**March 31, 2014**

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<b>Basis of Presentation</b>	<p>It is the policy of the Lower Kootenay Indian Band (the "First Nation") to follow accounting principles generally accepted for First Nations in the Province of British Columbia. They have been prepared using guidelines issued by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. The First Nation provides services such as band government, public works, social development, community health, economic development, land and resources, housing and a community school.</p>
<b>Reporting Entity</b>	<p>The Lower Kootenay Indian Band reporting entity includes the Lower Kootenay Band Council and all related entities which are accountable for the administration of their financial affairs and resources to the First Nation and are either owned or controlled by the First Nation.</p>
<b>Government Business Partnerships and Enterprises</b>	<p>These financial statements consolidate on a modified equity basis the assets, liabilities and results of operations for the following organizations which use accounting principles which lend themselves to consolidation on a modified equity basis with the Lower Kootenay Band:</p> <ul style="list-style-type: none"><li>- Lower Kootenay Development Corporation</li><li>- Lower Kootenay Guide Outfitters Ltd.</li><li>- Lower Kootenay Development Limited Partnership</li><li>- Ktunaxa Holdings Limited Partnership</li></ul>
<b>Long-term Investments</b>	<p>Long-term investments in entities in which the First Nation does not hold a significant influence are recorded at cost. If there has been permanent decline in the value of these investments, it is written down to its net realizable value.</p>
<b>Fund Accounting</b>	<p>The First Nation is segregated into various funds for accounting and financial reporting purposes. Each fund is treated as a separate entity with responsibility for stewardship of the assets allocated to it.</p> <p>The funds and enterprises of the First Nation are as follows:</p> <ul style="list-style-type: none"><li>- Lower Kootenay Indian Band Operations Fund</li><li>- The Property, Plant and Equipment Assets Fund</li><li>- The Trust Fund</li></ul>
<b>Temporary Investments</b>	<p>Temporary investments are stated at the lower of cost and market value.</p>

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## LOWER KOOTENAY INDIAN BAND

### Summary of Consolidated Significant Accounting Policies

**March 31, 2014**

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<b>Leased Assets</b>	Leases entered into, that transfer substantially all the benefits and risks associated with ownership, are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the First Nation, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.								
<b>Government Transfers</b>	Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.								
<b>Budget Figures</b>	The budget figures are approved annually by Chief and Council. They have been reallocated to conform to PSAB financial statement presentation. Subsequent amendments have been made by the Chief and Council to reflect changes in the budget as required.								
<b>Tangible Capital Assets</b>	Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded using the declining balance method commencing once the asset is available for productive use as follows. The following rates are used to amortize each category of tangible capital asset:								
	<table><tbody><tr><td>Buildings</td><td>1% - 4%</td></tr><tr><td>Community infrastructure</td><td>4%</td></tr><tr><td>Equipment</td><td>20% - 30%</td></tr><tr><td>Assets under construction</td><td>nil</td></tr></tbody></table>	Buildings	1% - 4%	Community infrastructure	4%	Equipment	20% - 30%	Assets under construction	nil
Buildings	1% - 4%								
Community infrastructure	4%								
Equipment	20% - 30%								
Assets under construction	nil								
<b>Impairment of Long Lived Assets</b>	In the event that facts and circumstances indicate that the First Nation's long lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. The First Nation considers that no circumstances exist that would require such an evaluation.								

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## LOWER KOOTENAY INDIAN BAND

### Summary of Consolidated Significant Accounting Policies

**March 31, 2014**

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<b>Revenue Recognition</b>	<p>Government funding is recognized as it becomes receivable under the terms of applicable funding agreements. Revenue received under funding agreements which relates to a subsequent fiscal period is recognized as revenue in the period in which the resources are used for the purpose or purposes specified.</p> <p>Rental revenue is recognized as it becomes receivable under the terms of the rental agreement.</p> <p>Income from partnerships and business enterprises is recognized based on the modified equity pick-up basis.</p> <p>Sales of service and other revenue is recognized on an accrual basis.</p> <p>All other revenue is recognized as it is earned.</p>
<b>Deferred Revenue</b>	<p>Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of financial activity in the year in which it is used for the specified purpose.</p>
<b>Financial Instruments</b>	<p>The First Nation recognizes and measures financial assets and financial liabilities on the statement of financial position when it becomes a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a trade date or settlement date basis. All financial instruments are measured at fair value on initial recognition. Financial instruments are subsequently measured at amortized cost as the First Nation has not entered into any derivative contracts and it does not hold any investments in equity instruments quoted on an active market. Since no financial instruments are measured at fair value after initial recognition, a Statement of Remeasurement Gains and Losses has not been presented in these financial statements</p>
<b>Use of Estimates</b>	<p>The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>

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## LOWER KOOTENAY INDIAN BAND

### Notes to Consolidated Financial Statements

March 31, 2014

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#### **1. Economic Dependence**

The Lower Kootenay Indian Band receives a major portion of its revenue pursuant to funding arrangements with Aboriginal Affairs and Northern Development Canada ("AANDC"), as detailed by a comprehensive funding agreement.

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#### **2. Cash and Investment Deposits**

The Lower Kootenay Indian Band maintains all of its cash and investment balances in one financial institution in British Columbia. The Canada Deposit Insurance Corporation (CDIC) insures each of these accounts up to \$100,000. The aggregate funds held in each institution may exceed the CDIC insured limit from time to time and specific funds held by the institution may not be covered by CDIC insurance. Management does not anticipate any material effect on the financial position of the Band as a result of this concentration.

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#### **3. Restricted Cash**

	2014	2013
Social Housing Operations - Replacement reserve	<u>\$ 90,523</u>	<u>\$ 90,523</u>

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#### **4. Temporary Investments**

The Band holds guaranteed investment certificates ("GIC's") and a money market fund with the following terms:

	2014	2013
Money market fund, Municipal Finance Authority	\$ 626,701	\$ 619,904
GIC's, interest paid on maturity at 1.58% on July 8, 2016	14,362	14,227
GIC's, interest paid on maturity at 1.30% on April 5, 2016	3,123	3,123
	<u><b>\$ 644,186</b></u>	<u><b>\$ 637,254</b></u>

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#### **5. Accounts Receivable**

	2014	2013
Due from AANDC	\$ 526,653	\$ 228,715
Trade accounts receivable	242,608	100,661
Band member receivables	340,033	353,252
Allowance for doubtful accounts	(340,033)	(353,252)
	<u><b>\$ 769,261</b></u>	<u><b>\$ 329,376</b></u>

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## LOWER KOOTENAY INDIAN BAND

### Notes to Consolidated Financial Statements

March 31, 2014

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#### 6. Due From Related Entities

	2014	2013
Lower Kootenay Guide Outfitters Ltd.	\$ 444,844	\$ 444,188
Lower Kootenay Development Corporation	35,975	37,277
Lower Kootenay Development Limited Partnership	-	16,932
	<b>\$ 480,819</b>	<b>\$ 498,397</b>

The amounts due from related parties bear no interest and have no fixed terms of repayment. The transactions have occurred in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).

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#### 7. Long-term Investments

	2014	2013	(Note 23) (restated)
All Nations Trust Company, 90,000 Class A common shares, at cost	\$ 60,000	\$ 60,000	
Nupqua Development Corporation 20% beneficial interest in one common share, at cost	1	1	
SEM Holdings Ltd. 20% beneficial interest in one common share, at cost	20	20	
SEM Resort Ltd. 20% of 33% beneficial interest in common shares, at cost	1	1	
	<b>\$ 60,022</b>	<b>\$ 60,022</b>	

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#### 8. Investment in Business Partnerships and Enterprises

	2014	2013
Lower Kootenay Development Limited Partnership, 99.99% owned by the First Nation	\$ 1,416,372	\$ 1,063,686
Lower Kootenay Development Corporation, wholly-owned by the First Nation	1	1
Lower Kootenay Guide Outfitters Ltd., wholly-owned by the First Nation	1	1
Ktunaxa Holdings Limited Partnership, 20% owned by the First Nation	<b>76,636</b>	85,660
	<b>\$ 1,493,010</b>	<b>\$ 1,149,348</b>

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**LOWER KOOTENAY INDIAN BAND**  
**Notes to Consolidated Financial Statements**

March 31, 2014

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**8. Investment in Business Partnerships and Enterprises (continued)**

The following summary discloses the condensed financial information of the business partnerships and enterprises:

(a) Summary of Financial Position	<b>2014</b>	<b>2013</b>
Assets		
Cash and short term investments	\$ 675,364	\$ 493,883
Accounts receivable	167,347	58,001
Prepays and other assets	7,400	7,400
Long-term investments	593,247	600,631
Due from related parties	94,989	61,761
Intangible asset	280,000	280,000
Tangible capital assets	117,337	117,337
 Total Assets	 1,935,684	 1,619,013
Liabilities		
Accounts payable and accrued liabilities	4,580	4,448
Due to related parties	567,556	560,162
 Total Liabilities	 572,136	 564,610
 Net Assets	 \$ 1,363,548	 \$ 1,054,403

(b) Summary of Financial Activities	<b>2014</b>	<b>2013</b>
Total Revenues	\$ 378,668	\$ 307,163
Total Expenses	69,523	71,806
 Income for the year	 \$ 309,145	 \$ 235,357

Included in income from the year as shown above are losses of \$42,796 (2013 - \$26,197) relating to investments in business partnerships and enterprises which are already recorded at a nominal value of \$1 each. These losses are not included in the income from business partnerships and enterprises that is reported on the consolidated statement of financial activities.

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**9. Deferred Revenue**

	<b>2014</b>	<b>2013</b>
Deferred revenue is comprised of the following:		
Deferred land leases	\$ 147,424	\$ 161,758
Other	18,000	2,919
	 \$ 165,424	 \$ 164,677

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**LOWER KOOTENAY INDIAN BAND**  
**Notes to Consolidated Financial Statements**

March 31, 2014

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**10. Long-term Debt**

	<b>2014</b>	<b>2013</b>
Lower Kootenay Indian Band Council		
Peach Hills Trust - mortgage repayable in monthly installments of \$7,150 including a fixed rate of interest of 4.75% per annum, maturing June 2014	\$ 22,590	\$ 105,004
Scotiabank - repayable in monthly installments of \$361 interest free, maturing November 2017	16,262	20,598
TD Auto Finance - repayable in monthly installments of \$555 including interest at 1.49% per annum, maturing November 2017	24,289	30,542
Modern Games Canada Ltd. - repayable in annual installments of \$10,000 with interest of \$7,500 payable as the final installment in April 2021	32,500	87,500
Lower Kootenay Indian Band - Social Housing Operations		
All Nations Trust Company - Phase 2 - repaid	-	26,590
All Nations Trust Company - Phase 8 mortgage repayable in monthly instalments of \$1,207 including interest at 3.09% per annum, maturing July 2018.	58,714	71,359
All Nations Trust Company - Phase 10 mortgage repayable in monthly instalments of \$1,228 including interest at 2.37% per annum, maturing July 2021.	99,323	111,585
All Nations Trust Company - Phase 11 mortgage repayable in monthly instalments of \$1,692 including interest at 1.71% per annum, maturing June 2022.	156,370	173,875
All Nations Trust Company - Phase 12 mortgage repayable in monthly instalments of \$1,112 including interest at 2.86% per annum, maturing December 2023.	113,655	123,811
	<b>523,703</b>	<b>750,864</b>

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## LOWER KOOTENAY INDIAN BAND

### Notes to Consolidated Financial Statements

March 31, 2014

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#### 10. Long-term Debt (continued)

Principal repayments on long-term debt for the next five years and thereafter are as follows, assuming mortgages are renewed on similar terms:

2015	\$ 119,153
2016	65,463
2017	66,899
2018	65,610
2019	49,098
Thereafter	<u>157,480</u>
	 <u>\$ 523,703</u>

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#### 11. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are the following amounts owing to AANDC:

	(Note 23) (restated)	2014	2013
<b>Capital Projects:</b>			
Eco Clean Energy Project	\$ 413	\$ 413	\$ 413
Solar Power Project	4,940	4,940	4,940
ACRES 2011	<u>41,746</u>	<u>41,746</u>	<u>41,746</u>
<b>Program Funding:</b>			
National Child Benefit	5,668	7,151	-
Basic Needs 2014	33,284	-	-
Basic Needs 2013	629	8,247	-
Child Out of Home	288	-	-
Special Needs	2,301	2,301	2,301
In Home Care	2,181	2,181	2,181
Social Assistance Employment and Training	1,896	1,896	1,896
Economic Development	19,210	19,210	19,210
Safe Water Operating Program	7,800	7,800	7,800
Environmental Site Assessment	<u>375</u>	<u>-</u>	<u>-</u>
	 <u>\$ 120,731</u>	 <u>\$ 95,885</u>	

**LOWER KOOTENAY INDIAN BAND**  
**Notes to Consolidated Financial Statements**

**March 31, 2014**

**12. Tangible Capital Assets**

	<b>2014</b>					
	Land	Buildings	Community infrastructure	Equipment	Assets under construction	<b>Total</b>
Cost, beginning of year	\$ 298,842	\$ 5,639,128	\$ 4,157,933	\$ 484,973	\$ 52,954	<b>\$ 10,633,830</b>
Additions	-	-	1,875,495	-	3,680	<b>1,879,175</b>
Cost, end of year	<u>298,842</u>	<u>5,639,128</u>	<u>6,033,428</u>	<u>484,973</u>	<u>56,634</u>	<b><u>12,513,005</u></b>
Accumulated amortization, beginning of year	-	3,143,824	1,720,457	390,399	-	<b>5,254,680</b>
Amortization	-	228,719	192,890	37,509	-	<b>459,118</b>
Accumulated amortization, end of year	-	<u>3,372,543</u>	<u>1,913,347</u>	<u>427,908</u>	<u>-</u>	<b><u>5,713,798</u></b>
Net carrying amount, end of year	<u>\$ 298,842</u>	<u>\$ 2,266,585</u>	<u>\$ 4,120,081</u>	<u>\$ 57,065</u>	<u>\$ 56,634</u>	<b><u>\$ 6,799,207</u></b>

**LOWER KOOTENAY INDIAN BAND**  
**Notes to Consolidated Financial Statements**

**March 31, 2014**

**12. Tangible Capital Assets (continued)**

	2013					
	Land	Buildings	Community infrastructure	Equipment	Assets under construction	Total
Cost, beginning of year	\$ 298,842	\$ 5,629,942	\$ 4,096,649	\$ 419,837	\$ 28,793	\$ 10,474,063
Additions	-	9,186	61,284	65,136	24,161	159,767
Cost, end of year	<u>298,842</u>	<u>5,639,128</u>	<u>4,157,933</u>	<u>484,973</u>	<u>52,954</u>	<u>10,633,830</u>
Accumulated amortization, beginning of year	-	2,907,222	1,561,318	365,467	-	4,834,007
Amortization	-	236,602	159,139	24,932	-	420,673
Accumulated amortization, end of year	-	3,143,824	1,720,457	390,399	-	5,254,680
Net carrying amount, end of year	<u>\$ 298,842</u>	<u>\$ 2,495,304</u>	<u>\$ 2,437,476</u>	<u>\$ 94,574</u>	<u>\$ 52,954</u>	<u>\$ 5,379,150</u>

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## LOWER KOOTENAY INDIAN BAND

### Notes to Consolidated Financial Statements

March 31, 2014

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#### 13. Accumulated Surplus

The Lower Kootenay Indian Band segregates its accumulated surplus into the following categories:

	2014	2013
Equity in investments (Note 7)	\$ 60,022	\$ 60,022
Equity in business partnerships and enterprises (Note 8)	1,493,010	1,149,348
Replacement reserve balance (Note 14)	37,698	72,503
Equity in tangible capital assets (Note 15)	6,308,004	4,715,786
Equity in Ottawa Trust Funds (Note 16)	62,481	60,405
Unrestricted operating equity	<u>1,929,067</u>	<u>1,791,393</u>
	<u><b>\$ 9,890,282</b></u>	<u><b>\$ 7,849,457</b></u>

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#### 14. Replacement Reserve

	2014	2013
Balance, beginning of year	\$ 72,503	\$ 103,720
Add:		
Current year allocation	20,504	20,937
Interest	-	45
Less:		
Approved expenditures	32,108	11,723
Maturing units adjustment	<u>23,201</u>	<u>40,476</u>
Balance, end of year	37,698	72,503
Funded balance (Note 2)	<u>90,523</u>	<u>90,523</u>
Overfunded balance	<u><b>\$ (52,825)</b></u>	<u><b>\$ (18,020)</b></u>

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited annually in the amount of \$20,504. These funds, along with accumulated interest, must be held in separate bank accounts and/or invested only in accounts or instruments insured by Canada Deposit Insurance Corporation, or as may otherwise be approved by Canada Mortgage and Housing Corporation. Withdrawals are credited to interest first and then principal.

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**LOWER KOOTENAY INDIAN BAND**  
 Notes to Consolidated Financial Statements

March 31, 2014

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**15. Equity in Tangible Capital Assets**

	<b>2014</b>	<b>2013</b>
Balance, beginning of the year	\$ 4,715,786	\$ 4,872,898
Add:		
Purchases of tangible capital assets	1,879,175	159,767
Debt repayment	<u>172,161</u>	<u>157,561</u>
	<u><b>2,051,336</b></u>	<u><b>317,328</b></u>
Less:		
Amortization of tangible capital assets	459,118	420,673
Proceeds from new debt issuance	<u>-</u>	<u>53,767</u>
	<u><b>459,118</b></u>	<u><b>474,440</b></u>
	<b><u>\$ 6,308,004</u></b>	<b><u>\$ 4,715,786</u></b>

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**16. Equity in Ottawa Trust Funds**

Trust funds on deposit with the Aboriginal Affairs and Northern Development Canada consist of the following:

	<b>Revenue</b>	<b>Capital</b>	<b>2014 Total</b>	<b>2013 Total</b>
Balance, beginning of year	\$ 21,117	\$ 39,288	<b>\$ 60,405</b>	\$ 58,439
Add:				
Interest on trust balances	<u>2,076</u>	<u>-</u>	<b><u>2,076</u></b>	<b><u>1,966</u></b>
Balance, end of year	<b><u>\$ 23,193</u></b>	<b><u>\$ 39,288</u></b>	<b><u>\$ 62,481</u></b>	<b><u>\$ 60,405</u></b>

The Ottawa Trust Funds relate to capital or revenue sources outlined in Section 62 of the Indian Act. These funds are held in trust in the consolidated revenue fund of the Government of Canada and are subject to audit by the office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

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**LOWER KOOTENAY INDIAN BAND**  
 Notes to Consolidated Financial Statements

March 31, 2014

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**17. Expenses By Object**

	<i>Budget</i>	<b>2014</b>	<b>2013</b>
Advertising	\$ 200	<b>6,941</b>	\$ 153
Amortization	-	<b>459,118</b>	420,673
Bad debts	-	<b>7,471</b>	22,895
CMHC approved expenditures	-	<b>32,108</b>	11,723
Consulting	82,000	<b>88,172</b>	91,231
Insurance	40,727	<b>39,800</b>	39,989
Interest on long-term debt	20,000	<b>13,685</b>	24,452
Interest and bank charges	3,450	<b>6,541</b>	4,756
Miscellaneous	21,200	<b>9,030</b>	14,420
Office	63,350	<b>59,326</b>	62,066
Professional fees	55,000	<b>99,908</b>	104,062
Program expenses	2,729,090	<b>955,496</b>	1,017,031
Rent	55,500	<b>55,780</b>	69,201
Repairs and maintenance	111,920	<b>106,731</b>	63,616
Supplies	58,800	<b>50,084</b>	44,829
Telephone and utilities	45,000	<b>32,003</b>	44,152
Training and workshops	24,576	<b>15,993</b>	84,051
Travel	46,495	<b>48,099</b>	60,996
Vehicle	26,000	<b>14,840</b>	16,529
Wages and benefits	1,155,894	<b>1,396,808</b>	1,102,993
 Total expenses for the year	 <b>\$ 4,539,202</b>	 <b>\$ 3,497,934</b>	 \$ 3,299,818

# LOWER KOOTENAY INDIAN BAND

## Notes to Consolidated Financial Statements

March 31, 2014

### 18. Segmented Information

Lower Kootenay Indian Band is a diversified municipal government entity in the province of British Columbia that provides a wide range of services to its citizens. Certain functional areas have been combined and separately disclosed in the segmented information. The segments and the services they provide are as follows:

	Administration	Social Development	Health	Education	Social Housing	Capital	Total 2014 Actual	Total 2014 Budget
<b>Revenues</b>								
Aboriginal Affairs and Northern Development Canada	\$ 361,774	\$ 321,618	\$ -	\$ 792,592	\$ -	\$ 1,846,962	\$ 3,322,946	\$ 3,306,794
Rental Income	-	-	-	-	146,583	-	146,583	150,000
Province of British Columbia	221,803	-	-	207,660	-	-	429,463	421,000
First Nation Education Steering Committee	-	-	-	67,113	-	-	67,113	49,735
Health Canada	-	-	165,509	-	-	-	165,509	328,387
Business partnerships/enterprises income	351,941	-	-	-	-	-	351,941	35,000
CMHC subsidy revenue	-	-	-	-	45,932	-	45,932	-
Other	923,519	-	19,450	63,249	3,054	-	1,009,272	379,574
	<b>1,859,037</b>	<b>321,618</b>	<b>184,959</b>	<b>1,130,614</b>	<b>195,569</b>	<b>1,846,962</b>	<b>5,538,759</b>	<b>4,670,490</b>
<b>Expenses</b>								
Purchases	631,838	266,713	53,290	529,569	126,817	2,624	1,610,851	3,383,308
Payroll	576,331	58,291	210,508	550,727	-	-	1,395,857	1,155,894
Amortization	-	-	-	-	79,157	379,961	459,118	-
CMHC approved expenditures	-	-	-	-	32,108	-	32,108	-
	<b>1,208,169</b>	<b>325,004</b>	<b>263,798</b>	<b>1,080,296</b>	<b>238,082</b>	<b>382,585</b>	<b>3,497,934</b>	<b>4,539,202</b>
<b>Surplus (deficit) for the year</b>								
	<b>\$ 650,868</b>	<b>\$ (3,386)</b>	<b>\$ (78,839)</b>	<b>\$ 50,318</b>	<b>\$ (42,513)</b>	<b>\$ 1,464,377</b>	<b>\$ 2,040,825</b>	<b>\$ 131,288</b>
	Administration	Social Development	Health	Education	Social Housing	Capital	Total 2013 Actual	Total 2013 Budget
<b>Revenues</b>								
Aboriginal Affairs and Northern Development Canada	\$ 374,600	\$ 347,353	\$ -	\$ 649,339	\$ -	\$ 43,943	\$ 1,415,235	\$ 1,285,573
Rental Income	-	-	-	-	143,893	-	143,893	190,000
Province of British Columbia	186,577	-	-	71,904	-	15,188	273,669	202,000
First Nation Education Steering Committee	-	-	-	106,006	-	-	106,006	92,931
Health Canada	-	-	147,021	-	-	-	147,021	130,081
Business partnerships/enterprises income	261,554	-	-	-	-	-	261,554	-
CMHC subsidy revenue	-	-	-	-	29,526	-	29,526	-
Other	604,287	-	33,100	44,481	1,194	-	683,062	482,684
	<b>1,427,018</b>	<b>347,353</b>	<b>180,121</b>	<b>871,730</b>	<b>174,613</b>	<b>59,131</b>	<b>3,059,966</b>	<b>2,383,269</b>
<b>Expenses</b>								
Purchases	829,333	286,855	63,461	460,669	101,111	20,102	1,761,531	1,418,430
Payroll	571,013	52,605	67,448	414,825	-	-	1,105,891	989,293
Amortization	-	-	-	-	78,687	341,986	420,673	415,000
CMHC approved expenditures	-	-	-	-	11,723	-	11,723	-
	<b>1,400,346</b>	<b>339,460</b>	<b>130,909</b>	<b>875,494</b>	<b>191,521</b>	<b>362,088</b>	<b>3,299,818</b>	<b>2,822,723</b>
<b>Surplus (deficit) for the year</b>								
	<b>\$ 26,672</b>	<b>\$ 7,893</b>	<b>\$ 49,212</b>	<b>\$ (3,764)</b>	<b>\$ (16,908)</b>	<b>\$ (302,957)</b>	<b>\$ (239,852)</b>	<b>\$ (439,454)</b>

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## LOWER KOOTENAY INDIAN BAND

### Notes to Consolidated Financial Statements

March 31, 2014

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#### **18. Segmented Information (continued)**

Lower Kootenay Indian Band is First Nation community of over 200 members located in the Creston Valley in south eastern British Columbia. Lower Kootenay Indian Band provides a variety of services to community members, and receives funding from various federal and provincial government agencies to support the delivery of these services. Segmented reporting by program is used to account for the scope and significance of each service.

##### **Administration**

This program includes revenues and expenses relating to governance activities undertaken by Chief and Council, band membership activities, administrative services of the Band, and finance and accounting activities for the band and its business ventures. The operation of the economic development, operations and maintenance and infrastructure and land management activities are also facilitated by this program.

##### **Social Development**

This program includes the revenue and expenses relating to the delivery of social assistance programs to Lower Kootenay Indian Band members, and the delivery of cultural activities in the community. Certain social development activities are funded through agreements with Aboriginal Affairs and Northern Development Canada and have specific eligibility criteria.

##### **Health**

The Health program provides a variety of health services to the community pursuant to a funding agreement with Health Canada and other external funders. The Health program also includes revenues and expenses relating to recreation activities for community members.

##### **Education**

The Education program includes the revenues and expenses relating to the operation and maintenance of the community school located on the reserve lands of the Lower Kootenay Indian Band.

##### **Social Housing Program**

This program includes the revenues and expenses relating to the operation of the Band housing rental units and the provision of various housing services to Lower Kootenay Indian Band members. This program also includes the revenues and expenses relating to the operation of the Band's CMHC Social Housing Units, including individual houses and multi family units.

##### **Capital Fund**

This program includes the revenue and expenses relating to the construction, maintenance and operation of community infrastructure and buildings, and the provision of community services to Lower Kootenay Indian Band members.

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## LOWER KOOTENAY INDIAN BAND

### Notes to Consolidated Financial Statements

March 31, 2014

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#### **19. Financial Instrument Risk Management**

The Lower Kootenay Indian Band holds various forms of financial instruments. The nature of these instruments and the Band's operations expose the Band to credit and liquidity risks. The Lower Kootenay Indian Band manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

##### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Band is exposed to credit risk resulting from the possibility that a counterparty to a financial instrument defaults on their financial obligations and from concentration of transactions carried out with the same counterparty.

##### Liquidity Risk

Liquidity risk is the risk that the Lower Kootenay Indian Band encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Band will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities and long-term debt and commitments.

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#### **20. Contingencies and Commitments**

- (a) The First Nation is involved in various ongoing legal claims. In the opinion of management, the overall estimation of loss is not determinable. Management has provided for settlement of one of these claims in the amount of \$98,367 within the financial statements. The value of the other claims have not been provided for in the financial statements. Settlement on unresolved claims, if any, would be expected to be accounted for as a charge to expenses in the period in which the realization is known.
- (b) The First Nation entered into multiple lease agreements for the purpose of leasing office equipment. The leased equipment under operating leases with aggregate minimum payments inclusive of taxes are as follows:

2015	\$ 7,260
2016	7,260
2017	7,260
2018	7,260
2019	<u>5,445</u>
	 <u>\$ 34,485</u>

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**LOWER KOOTENAY INDIAN BAND**  
**Notes to Consolidated Financial Statements**

March 31, 2014

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**21. Funds Held in Trust**

Funds held in trust and administered by the First Nation are as follows:

	<b>2014</b>	<b>2013</b>
Band members - land settlement	<b>\$ 69,714</b>	<b>\$ 65,861</b>

The First Nation holds and administers the above amount in trust relating to deposits and other cash amounts on hand relating to other parties. At March 31, 2014 the liabilities which relate to these funds held in trust are fully funded.

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**22. Comparative Information**

The comparative amounts presented in the consolidated financial statements have been restated to conform to the current year's presentation. These restatements had no effect on the annual or accumulated surpluses.

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**23. Prior Period Adjustments**

During the year ended March 31, 2014, the First Nation determined that prior period adjustments were required as follows:

**AANDC Revenue**

In the prior year's Schedule of Federal Government funding, it was noted that \$45,725 of unexpended funding for set contribution projects should have been not have been recorded as a liability in the prior year's financial statements. This has been corrected by decreasing the prior year financial liabilities with an offsetting increase to income.

**Long-term Investments**

The prior year's financial statements did not report an investment in Nupqu Development Corporation for \$1, SEM Holdings Ltd. for \$20 and SEM Resort Ltd. for \$1. Long-term investments were increased by \$22 to include the investments and the offset being an increase to the accumulated surplus.

**Investment in Business Partnership and Enterprises**

The prior year's financial statements did not report an investment in Ktunaxa Holdings Limited Partnership for \$85,660. Investment in business partnership and enterprises were increased by \$85,660 to include the investment and an offsetting increase to income for \$11,305 and to opening accumulated surplus for \$74,355.