

LOWER KOOTENAY BAND

FINANCIAL STATEMENTS

For the year ended March 31, 2015

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LOWER KOOTENAY BAND

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Management's Responsibility for Financial Reporting

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

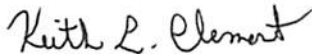
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it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

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

Chief and Council, composed of Band members, reviews the Lower Kootenay 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 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.



Director of Operations



Director of Finance



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Independent Auditor's Report

To the Members of the Lower Kootenay Band

We have audited the accompanying financial statements of the Lower Kootenay Band, which comprise the statement of financial position as at March 31, 2015, and the 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 Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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



Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Lower Kootenay Band as at March 31, 2015, and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants


Cranbrook, British Columbia
June 26, 2015

LOWER KOOTENAY BAND

Statement of Financial Position

March 31	2015	2014
Financial Assets		
Cash (Note 2)	\$ 1,071,612	\$ 738,469
Restricted cash (Note 3)	50,608	90,523
Temporary investments (Note 4)	300,580	644,186
Accounts receivable (Note 5)	275,635	769,261
Refundable deposit (Note 22)	366,250	-
Due from related entities (Note 6)	582,206	480,819
Long-term investments (Note 7)	60,023	60,022
Investment in business partnerships and enterprises (Note 8)	1,293,444	1,493,010
Ottawa Trust Funds (Note 16)	65,497	62,481
	<u>4,065,855</u>	<u>4,338,771</u>
Financial Liabilities		
Accounts payable and accrued liabilities (Note 11)	194,609	558,569
Deferred revenue (Note 9)	148,633	165,424
Long-term debt (Note 10)	403,926	523,703
	<u>747,168</u>	<u>1,247,696</u>
Net Financial Assets	3,318,687	3,091,075
Non-Financial Assets		
Tangible capital assets (Note 12)	7,301,943	6,799,207
Accumulated Surplus (Note 13)	\$ 10,620,630	\$ 9,890,282

Approved on behalf of the Band Council

 Chief

 Councilor

LOWER KOOTENAY BAND

Statement of Financial Activity

For the year ended March 31	<i>Budget</i>	2015	2014
Revenue			
Aboriginal Affairs and Northern Development Canada \$	1,293,225	\$ 1,481,135	\$ 3,322,946
First Nation Education Steering Committee Funding	71,678	106,574	67,113
Health Canada	322,309	179,961	165,509
Province of British Columbia	563,276	686,473	429,463
Rental income	105,000	145,825	146,583
Other income	299,299	1,340,263	1,009,272
Income from business partnerships and enterprises	-	150,422	351,941
CMHC subsidy revenue	-	32,574	45,932
	<u>2,654,787</u>	<u>4,123,227</u>	<u>5,538,759</u>
Expenses (Note 17)			
Administration	224,950	658,394	660,143
Social Development	247,967	339,757	325,004
Health	49,182	159,927	263,798
Education	1,178,230	1,050,486	1,080,296
Social Housing	54,750	180,730	238,082
Infrastructure and Land Management	184,400	289,485	377,149
Economic Development	20,000	55,595	39,762
Operations and Maintenance	71,800	135,551	131,115
Capital Fund	-	522,954	382,585
	<u>2,031,279</u>	<u>3,392,879</u>	<u>3,497,934</u>
Annual surplus	623,508	730,348	2,040,825
Accumulated surplus, beginning of year	9,890,282	9,890,282	7,849,457
Accumulated surplus, end of year	\$ 10,513,790	\$ 10,620,630	\$ 9,890,282

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

LOWER KOOTENAY BAND
Statement of Change in Net Financial Assets

For the year ended March 31	<i>Budget</i>	2015	2014
Annual surplus (deficit)	\$ 623,508	\$ 730,348	\$ 2,040,825
Acquisition of tangible capital assets (Note 12)	-	(997,092)	(1,879,175)
Amortization of tangible capital assets (Note 12)	-	494,356	459,118
Net change in net financial assets	623,508	227,612	620,768
Net financial assets, beginning of year	3,091,075	3,091,075	2,470,307
Net financial assets, end of year	\$ 3,714,583	\$ 3,318,687	\$ 3,091,075

LOWER KOOTENAY BAND

Statement of Cash Flows

For the year ended March 31	2015	2014
Cash flows provided by (used in) operating activities		
Cash receipts customers	\$ 4,605,818	\$ 5,157,019
Cash paid to employees and suppliers	<u>(3,732,478)</u>	<u>(2,955,090)</u>
	<u>873,340</u>	<u>2,201,929</u>
Cash flows used in capital activities		
Purchase of tangible capital assets	<u>(997,091)</u>	<u>(1,879,175)</u>
Cash flows used in investing activities		
Investment in business partnership and enterprises	199,565	(352,686)
Proceeds from sale (purchase) of short term temporary investments	<u>343,605</u>	<u>(6,931)</u>
	<u>543,170</u>	<u>(359,617)</u>
Cash flows provided by (used in) financing activities		
Loans and advances with related parties	(3,398)	17,579
Repayment of long-term debt	<u>(119,777)</u>	<u>(227,161)</u>
	<u>(123,175)</u>	<u>(209,582)</u>
Net increase (decrease) in cash	296,244	(246,445)
Cash, beginning of year	<u>891,473</u>	<u>1,137,918</u>
Cash, end of year	<u>\$ 1,187,717</u>	<u>\$ 891,473</u>
Represented by		
Cash	\$ 1,071,612	\$ 738,469
Ottawa Trust Funds	65,497	62,481
Restricted cash	<u>50,608</u>	<u>90,523</u>
	<u>\$ 1,187,717</u>	<u>\$ 891,473</u>
Supplementary Cash Flow Information:		
Interest paid	\$ (8,338)	\$ (13,685)
Interest received	<u>\$ 3,016</u>	<u>\$ 2,076</u>

LOWER KOOTENAY BAND

Summary of Significant Accounting Policies

March 31, 2015

Basis of Presentation	It is the policy of the Lower Kootenay 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.
Reporting Entity	The First Nation 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.
Government Business Partnerships and Enterprises	<p>These financial statements include the following organizations on a modified equity:</p> <ul style="list-style-type: none">- Lower Kootenay Development Corporation- Lower Kootenay Guide Outfitters Ltd.- Lower Kootenay Development Limited Partnership- Ktunaxa Holdings Limited Partnership
Long-term Investments	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.
Fund Accounting	<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 of the First Nation are as follows:</p> <ul style="list-style-type: none">- Lower Kootenay Band Operations Fund- The Property, Plant and Equipment Assets Fund- The Trust Fund
Temporary Investments	Temporary investments are stated at the lower of cost and market value.

LOWER KOOTENAY BAND

Summary of Significant Accounting Policies

March 31, 2015

Leased Assets	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.								
Government Transfers	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.								
Budget Figures	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.								
Tangible Capital Assets	<p>Tangible capital assets are recorded at cost. 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:</p> <table><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></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								
Impairment of Long Lived Assets	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.								

LOWER KOOTENAY BAND

Summary of Significant Accounting Policies

March 31, 2015

Revenue Recognition	<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>
Deferred Revenue	<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>
Financial Instruments	<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. 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>
Use of Estimates	<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>

LOWER KOOTENAY BAND

Notes to Financial Statements

March 31, 2015

1. Economic Dependence

The First Nation 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.

2. Cash and Investment Deposits

The First Nation 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 First Nation as a result of this concentration.

3. Restricted Cash

	2015	2014
Social Housing Operations - Replacement reserve	\$ 50,608	\$ 90,523

4. Temporary Investments

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

	2015	2014
Money market fund, Municipal Finance Authority	\$ 283,095	\$ 626,701
GIC's, interest paid on maturity at 1.58% due July 8, 2016	14,362	14,362
GIC's, interest paid on maturity at 1.30% due April 5, 2016	3,123	3,123
	<u>\$ 300,580</u>	<u>\$ 644,186</u>

5. Accounts Receivable

	2015	2014
Due from AANDC	\$ 82,958	\$ 526,653
Trade accounts receivable	176,753	242,608
Band member receivables	336,782	340,033
Allowance for doubtful accounts	<u>(320,858)</u>	<u>(340,033)</u>
	<u>\$ 275,635</u>	<u>\$ 769,261</u>

LOWER KOOTENAY BAND

Notes to Financial Statements

March 31, 2015

6. Due From Related Entities

	2015	2014
Lower Kootenay Guide Outfitters Ltd.	\$ 447,993	\$ 444,844
Lower Kootenay Development Corporation	36,236	35,975
Ainsworth Hot Springs Resort Limited Partnership	97,977	-
	<u>\$ 582,206</u>	<u>\$ 480,819</u>

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).

7. Long-term Investments

	2015	2014
All Nations Trust Company, 90,000 Class A common shares, at cost	\$ 60,000	\$ 60,000
Nupqu 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
Sunlife Financial Inc., at cost (fair market value - \$51,480)	1	-
	<u>\$ 60,023</u>	<u>\$ 60,022</u>

8. Investment in Business Partnerships and Enterprises

	2015	2014
Lower Kootenay Development Limited Partnership, 99.99% owned by the First Nation	\$ 1,226,883	\$ 1,416,372
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	66,547	76,636
Ainsworth Hot Springs Limited Partnership, 99.99% owned by the First Nation	10	-
Ka'amaknala Development Corporation, wholly-owned by the First Nation	1	-
nupika wu'u GP Ltd., wholly-owned by the First Nation	1	-
	<u>\$ 1,293,444</u>	<u>\$ 1,493,010</u>

LOWER KOOTENAY BAND
Notes to Financial Statements

March 31, 2015

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	<u>2015</u>	<u>2014</u>
Assets		
Cash and short term investments	\$ 589,340	\$ 675,364
Accounts receivable	68,385	167,347
Prepays and other assets	-	7,400
Long-term investments	584,672	593,247
Due from related parties	128,598	94,989
Intangible asset	280,000	280,000
Tangible capital assets	<u>117,337</u>	<u>117,337</u>
Total Assets	<u>1,768,332</u>	<u>1,935,684</u>
Liabilities		
Accounts payable and accrued liabilities	10,892	4,580
Due to related parties	<u>612,828</u>	<u>567,556</u>
Total Liabilities	<u>623,720</u>	<u>572,136</u>
Net Assets	<u>\$ 1,144,612</u>	<u>\$ 1,363,548</u>
 (b) Summary of Financial Activities	 <u>2015</u>	 <u>2014</u>
Total Revenues	\$ 204,751	\$ 378,668
Total Expenses	<u>65,434</u>	<u>69,523</u>
Income for the year	<u>\$ 139,317</u>	<u>\$ 309,145</u>

Included in income from the year as shown above are losses of \$11,107 (2014 - \$42,796) 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 statement of financial activities.

9. Deferred Revenue

	<u>2015</u>	<u>2014</u>
Deferred revenue is comprised of the following:		
Deferred land leases	\$ 133,089	\$ 147,424
AANDC capital funding	15,544	-
Other	-	18,000
	<u>\$ 148,633</u>	<u>\$ 165,424</u>

LOWER KOOTENAY BAND
Notes to Financial Statements

March 31, 2015

10. Long-term Debt

	<u>2015</u>	<u>2014</u>
Lower Kootenay Band		
Scotiabank - repayable in monthly installments of \$361 interest free, maturing November 2017	\$ 11,925	\$ 16,262
TD Auto Finance - repayable in monthly installments of \$555 including interest at 1.49% per annum, maturing November 2017	17,942	24,289
Modern Games Canada Ltd., repaid	-	32,500
Mortgage, repaid	-	22,590
Lower Kootenay Band - Social Housing Operations		
All Nations Trust Company - Phase 8 mortgage repayable in monthly installments of \$1,207 including interest at 3.09% per annum, maturing July 2018.	45,687	58,714
All Nations Trust Company - Phase 10 mortgage repayable in monthly installments of \$1,228 including interest at 2.37% per annum, maturing July 2021.	86,769	99,323
All Nations Trust Company - Phase 11 mortgage repayable in monthly installments of \$1,692 including interest at 1.71% per annum, maturing June 2022.	138,564	156,370
All Nations Trust Company - Phase 12 mortgage repayable in monthly installments of \$1,112 including interest at 2.86% per annum, maturing December 2023.	103,039	113,655
	<u>\$ 403,926</u>	<u>\$ 523,703</u>

LOWER KOOTENAY BAND
Notes to Financial Statements

March 31, 2015

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:

2016	\$ 65,463
2017	66,899
2018	65,610
2019	49,098
2020	45,255
Thereafter	<u>111,601</u>
	<u>\$ 403,926</u>

11. Accounts Payable and Accrued Liabilities

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

	<u>2015</u>	<u>2014</u>
Capital Projects:		
Eco Clean Energy Project	\$ -	\$ 413
Solar Power Project	-	4,940
ACRES 2011	30,513	41,746
ACRS 2014 Group 2	5,757	-
Program Funding:		
National Child Benefit	-	5,668
Basic Needs 2014	33,284	33,284
Basic Needs 2013	-	629
Child Out of Home	288	288
Special Needs	-	2,301
In Home Care	-	2,181
Social Assistance Employment and Training	-	1,896
Economic Development	-	19,210
Safe Water Operating Program	-	7,800
Environmental Site Assessment	375	375
Local Education Agreements	35,794	-
	<u>\$ 106,011</u>	<u>\$ 120,731</u>

LOWER KOOTENAY BAND
Notes to Financial Statements

March 31, 2015

12. Tangible Capital Assets

	2015					
	Land	Buildings	Community infrastructure	Equipment	Assets under construction	Total
Cost, beginning of year	\$ 298,842	\$ 5,639,128	\$ 6,033,428	\$ 484,973	\$ 56,634	\$ 12,513,005
Additions	-	-	-	103,108	893,984	997,092
Asset transfers	-	56,634	-	-	(56,634)	-
Cost, end of year	<u>298,842</u>	<u>5,695,762</u>	<u>6,033,428</u>	<u>588,081</u>	<u>893,984</u>	<u>13,510,097</u>
Accumulated amortization, beginning of year	-	3,372,543	1,913,347	427,908	-	5,713,798
Amortization	-	226,302	230,949	37,105	-	494,356
Accumulated amortization, end of year	<u>-</u>	<u>3,598,845</u>	<u>2,144,296</u>	<u>465,013</u>	<u>-</u>	<u>6,208,154</u>
Net carrying amount, end of year	<u>\$ 298,842</u>	<u>\$ 2,096,917</u>	<u>\$ 3,889,132</u>	<u>\$ 123,068</u>	<u>\$ 893,984</u>	<u>\$ 7,301,943</u>

LOWER KOOTENAY BAND
Notes to Financial Statements

March 31, 2015

12. Tangible Capital Assets (continued)

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

LOWER KOOTENAY BAND

Notes to Financial Statements

March 31, 2015

13. Accumulated Surplus

The First Nation segregates its accumulated surplus into the following categories:

	2015	2014
Equity in investments (Note 7)	\$ 60,023	\$ 60,022
Equity in business partnerships and enterprises (Note 8)	1,293,444	1,493,010
Replacement reserve balance (Note 14)	40,242	37,698
Equity in tangible capital assets (Note 15)	6,898,017	6,308,004
Equity in Ottawa Trust Funds (Note 16)	65,497	62,481
Unrestricted operating equity	2,263,407	1,929,067
	\$ 10,620,630	\$ 9,890,282

14. Replacement Reserve

	2015	2014
Balance, beginning of year	\$ 37,698	\$ 72,503
Add:		
Current year allocation	18,339	20,504
Less:		
Approved expenditures	15,795	32,108
Maturing units adjustment	-	23,201
Balance, end of year	40,242	37,698
Funded balance (Note 3)	50,608	90,523
Overfunded balance	\$ (10,366)	\$ (52,825)

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 \$18,339. 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.

LOWER KOOTENAY BAND
Notes to Financial Statements

March 31, 2015

15. Equity in Tangible Capital Assets

	2015	2014
Balance, beginning of the year	\$ 6,308,004	\$ 4,715,786
Add:		
Purchases of tangible capital assets	997,092	1,879,175
Debt repayment	87,277	172,161
	<u>1,084,369</u>	<u>2,051,336</u>
Less:		
Amortization of tangible capital assets	494,356	459,118
	<u>494,356</u>	<u>459,118</u>
	<u>\$ 6,898,017</u>	<u>\$ 6,308,004</u>

16. Equity in Ottawa Trust Funds

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

	Revenue	Capital	2015 Total	2014 Total
Balance, beginning of year	\$ 23,193	\$ 39,288	\$ 62,481	\$ 60,405
Add:				
Interest on trust balances	3,016	-	3,016	2,076
Balance, end of year	<u>\$ 26,209</u>	<u>\$ 39,288</u>	<u>\$ 65,497</u>	<u>\$ 62,481</u>

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.

LOWER KOOTENAY BAND
Notes to Financial Statements

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17. Expenses By Object

	<i>Budget</i>	2015	2014
Advertising	\$ 2,000	\$ 12,416	\$ 6,941
Amortization	-	494,356	459,118
Bad debts (recovery)	-	(12,242)	7,471
CMHC approved expenditures	-	15,795	32,108
Consulting	81,500	79,482	88,172
Insurance	60,500	38,607	39,800
Interest on long-term debt	-	8,338	13,685
Interest and bank charges	5,600	8,937	6,541
Miscellaneous	20,000	30,242	9,030
Office	58,500	71,957	59,326
Professional fees	82,500	99,960	99,908
Program expenses	703,283	879,272	958,216
Rent	54,500	58,022	55,780
Repairs and maintenance	149,300	163,390	106,731
Supplies	64,500	80,609	50,084
Telephone and utilities	25,000	43,891	32,003
Training and workshops	12,250	65,779	15,993
Travel	41,700	46,866	45,379
Vehicle	22,000	15,126	14,840
Wages and benefits	648,146	1,192,076	1,396,808
Total expenses for the year	\$ 2,031,279	\$ 3,392,879	\$ 3,497,934

LOWER KOOTENAY BAND

Notes to Financial Statements

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18. Segmented Information

Lower Kootenay 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 2015 Actual	Total 2015 Budget
Revenues								
Aboriginal Affairs and Northern Development Canada	\$ 415,320	\$ 344,031	\$ -	\$ 623,760	\$ 15,424	\$ 82,600	\$ 1,481,135	\$ 1,293,225
Rental Income	-	-	-	-	145,825	-	145,825	105,000
Province of British Columbia	211,318	-	-	475,155	-	-	686,473	563,276
First Nation Education Steering Committee	-	-	-	106,574	-	-	106,574	71,678
Health Canada	-	-	179,961	-	-	-	179,961	322,309
Business partnerships/enterprises income	150,422	-	-	-	-	-	150,422	-
CMHC subsidy revenue	-	-	-	-	32,574	-	32,574	-
Other	1,273,770	-	17,829	48,579	85	-	1,340,263	299,299
	<u>2,050,830</u>	<u>344,031</u>	<u>197,790</u>	<u>1,254,068</u>	<u>193,908</u>	<u>82,600</u>	<u>4,123,227</u>	<u>2,654,787</u>
Expenses								
Purchases	590,992	286,200	50,847	570,081	110,932	82,601	1,691,653	1,383,133
Payroll	548,033	53,557	109,080	480,405	-	-	1,191,075	648,146
Amortization	-	-	-	-	54,003	440,353	494,356	-
Repairs and maintenance	-	-	-	-	-	-	-	-
CMHC approved expenditures	-	-	-	-	15,795	-	15,795	-
	<u>1,139,025</u>	<u>339,757</u>	<u>159,927</u>	<u>1,050,486</u>	<u>180,730</u>	<u>522,954</u>	<u>3,392,879</u>	<u>2,031,279</u>
Surplus (deficit) for the year	<u>\$ 911,805</u>	<u>\$ 4,274</u>	<u>\$ 37,863</u>	<u>\$ 203,582</u>	<u>\$ 13,178</u>	<u>\$ (440,354)</u>	<u>\$ 730,348</u>	<u>\$ 623,508</u>

	Administration	Social Development	Health	Education	Social Housing	Capital	Total 2014 Actual	Total 2014 Budget
Revenues								
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
	<u>1,859,037</u>	<u>321,618</u>	<u>184,959</u>	<u>1,130,614</u>	<u>195,569</u>	<u>1,846,962</u>	<u>5,538,759</u>	<u>4,670,490</u>
Expenses								
Purchases	629,682	266,713	53,290	529,569	126,817	2,625	1,608,696	3,383,308
Payroll	578,487	58,291	210,508	550,727	-	-	1,398,013	1,155,894
Amortization	-	-	-	-	79,157	379,960	459,117	-
CMHC approved expenditures	-	-	-	-	32,108	-	32,108	-
	<u>1,208,169</u>	<u>325,004</u>	<u>263,798</u>	<u>1,080,296</u>	<u>238,082</u>	<u>382,585</u>	<u>3,497,934</u>	<u>4,539,202</u>
Surplus (deficit) for the year	<u>\$ 650,868</u>	<u>\$ (3,386)</u>	<u>\$ (78,839)</u>	<u>\$ 50,318</u>	<u>\$ (42,513)</u>	<u>\$ 1,464,377</u>	<u>\$ 2,040,825</u>	<u>\$ 131,288</u>

LOWER KOOTENAY BAND

Notes to Financial Statements

March 31, 2015

18. Segmented Information (continued)

Lower Kootenay Band is First Nation community of over 200 members located in the Creston Valley in south eastern British Columbia. The First Nation 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 First Nation, 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 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 First Nations Health Authority 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 First Nation.

Social Housing Program

This program includes the revenues and expenses relating to the operation of the First Nation housing rental units and the provision of various housing services to Lower Kootenay Band members. This program also includes the revenues and expenses relating to the operation of the First Nation'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 Band members.

LOWER KOOTENAY BAND
Notes to Financial Statements

March 31, 2015

19. Financial Instrument Risk Management

The First Nation holds various forms of financial instruments. The nature of these instruments and the First Nation's operations expose the First Nation to credit and liquidity risks. The First Nation 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 First Nation 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.

20. Contingencies and Commitments

The First Nation entered into multiple lease agreements for the purpose of leasing office equipment. The lease obligation under these leases have aggregate minimum payments inclusive of taxes as follows:

2016	\$	7,260
2017		7,260
2018		7,260
2019		5,445
		<hr/>
	\$	27,225
		<hr/>

LOWER KOOTENAY BAND
Notes to Financial Statements

March 31, 2015

21. Funds Held in Trust

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

	<u>2015</u>	<u>2014</u>
Band members - land settlement	\$ 99,725	\$ 69,714

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, 2015 the liabilities which relate to these funds held in trust are fully funded.

22. Subsequent Events

Subsequent to year end, the First Nation committed to borrowing a non-revolving demand loan for \$7,500,000 to facilitate the purchase of Ainsworth Hot Springs Limited Partnership.

Subsequent to year end, the First Nation signed a commitment letter regarding funds borrowed by Ainsworth Hot Springs Limited Partnership. The guarantee is for \$370,000 and supported by a general security agreement.

The First Nation has placed the amount of \$366,250 in trust with their legal counsel as a refundable deposit to be applied to the acquisition of the Ainsworth Hot Springs operations.