

Lower Kootenay Band
Financial Statements
For the year ended March 31, 2019

Management's Responsibility for Financial Reporting	2
Independent Auditor's Report	3 - 4
Financial Statements	
Statement of Financial Position	5
Statement of Financial Activity	6
Statement of Change in Net Financial Assets	7
Statement of Cash Flows	8
Summary of Significant Accounting Policies	9 - 11
Notes to Financial Statements	12 - 25



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Independent Auditor's Report

To the Members of the Lower Kootenay Band

Opinion

We have audited the accompanying financial statements of the Lower Kootenay Band, which comprise the statement of financial position as at March 31, 2019, and the statements of financial activities, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Lower Kootenay Band as at March 31, 2019 and its financial performance, cash flows and changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Band in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Band'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 Band or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Band'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 Band's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Band to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



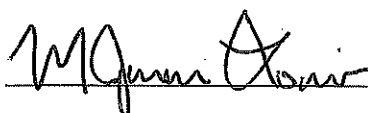
Chartered Professional Accountants


Cranbrook, British Columbia
August 15, 2019

Lower Kootenay Band Statement of Financial Position

March 31	2019	2018
Financial Assets		
Cash (Note 2)	\$ 6,884,998	\$ 7,275,165
Restricted cash (Note 3)	69,585	69,198
Temporary investments (Note 4)	348,810	343,038
Accounts receivable (Note 5)	791,667	501,514
Due from related entities (Note 6)	2,154,788	1,416,150
Long-term investments (Note 7)	60,023	60,023
Investment in business partnerships and enterprises (Note 8)	11,699,142	10,821,423
Ottawa Trust Funds (Note 16)	72,720	71,341
	<u>22,081,733</u>	<u>20,557,852</u>
Financial Liabilities		
Accounts payable and accrued liabilities (Note 9)	175,468	138,188
Deferred revenue (Note 10)	401,748	209,812
Long-term debt (Note 11)	6,923,885	8,664,191
	<u>7,501,101</u>	<u>9,012,191</u>
Net Financial Assets	14,580,632	11,545,661
Non-Financial Assets		
Tangible capital assets (Note 12)	8,861,439	8,666,801
Prepaid expenses	28,303	31,852
	<u>8,889,742</u>	<u>8,698,653</u>
Accumulated Surplus (Note 13)	\$ 23,470,374	\$ 20,244,314

Approved on behalf of the Band Council

 Chief

 Councilor

Lower Kootenay Band Statement of Financial Position

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Financial Assets		
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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>	2019	2018
Revenue			
Indigenous and Northern Affairs Canada	\$ 1,614,783	\$ 1,698,035	\$ 4,433,064
First Nation Education Steering Committee Funding	271,010	253,062	263,407
Health Canada	271,784	484,341	274,526
Province of British Columbia	1,918,069	1,796,980	1,343,430
Rental income	165,000	176,503	167,060
Other income	196,497	3,399,707	2,266,731
Income from business partnerships and enterprises	261,000	877,718	1,007,459
CMHC revenue	24,013	57,569	54,826
	<u>4,722,156</u>	<u>8,743,915</u>	<u>9,810,503</u>
Expenses (Note 17)			
Administration	750,675	670,122	596,691
Social Development	373,790	426,905	348,210
Health	243,283	152,369	221,817
Education	1,808,219	1,554,584	1,517,792
Social Housing	316,796	470,966	420,923
Infrastructure and Land Management	821,754	1,328,284	745,083
Economic Development	70,658	21,493	91,776
Operations and Maintenance	293,054	246,365	314,599
Capital Fund	-	646,767	585,148
	<u>4,678,229</u>	<u>5,517,855</u>	<u>4,842,039</u>
Annual surplus	43,927	3,226,060	4,968,464
Accumulated surplus, beginning of year	20,244,314	20,244,314	15,275,850
Accumulated surplus, end of year	\$ 20,288,241	\$ 23,470,374	\$ 20,244,314

Lower Kootenay Band

Statement of Change in Net Financial Assets

For the year ended March 31	<i>Budget</i>	2019	2018
Annual surplus	\$ 43,927	\$ 3,226,060	\$ 4,968,464
Acquisition of tangible capital assets (Note 12)	-	(890,226)	(1,170,211)
Amortization of tangible capital assets (Note 12)	-	695,588	643,125
Change in prepaid expenses	-	3,549	38,990
Net change in net financial assets	43,927	3,034,971	4,480,368
Net financial assets , beginning of year	11,545,661	11,545,661	7,065,293
Net financial assets , end of year	\$ 11,589,588	\$ 14,580,632	\$ 11,545,661

Lower Kootenay Band Statement of Cash Flows

For the year ended March 31	2019	2018
Cash flows provided by (used in) operating activities		
Cash receipts customers	\$ 8,929,912	\$ 9,831,746
Cash paid to employees and suppliers	<u>(4,842,417)</u>	<u>(4,398,991)</u>
	<u>4,087,495</u>	<u>5,432,755</u>
Cash flows used in capital activities		
Purchase of tangible capital assets	(890,226)	(1,170,211)
Cash from sale of capital assets	<u>-</u>	<u>4,100</u>
	<u>(890,226)</u>	<u>(1,166,111)</u>
Cash flows used in investing activities		
Investment in business partnership and enterprises	(1,100,953)	(2,307,504)
Purchase of short term temporary investments	<u>(5,773)</u>	<u>(52,287)</u>
	<u>(1,106,726)</u>	<u>(2,359,791)</u>
Cash flows provided by (used in) financing activities		
Loans and advances with related parties	(738,638)	(111,788)
Repayment of long-term debt	<u>(1,740,306)</u>	<u>(116,415)</u>
	<u>(2,478,944)</u>	<u>(228,203)</u>
Net increase (decrease) in cash	(388,401)	1,678,650
Cash, beginning of year	<u>7,415,704</u>	<u>5,737,054</u>
Cash, end of year	<u>\$ 7,027,303</u>	<u>\$ 7,415,704</u>
Represented by		
Cash	\$ 6,884,998	\$ 7,275,165
Ottawa Trust Funds	72,720	71,341
Restricted cash	<u>69,585</u>	<u>69,198</u>
	<u>\$ 7,027,303</u>	<u>\$ 7,415,704</u>

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

Lower Kootenay Band Summary of Significant Accounting Policies

March 31, 2019

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 Chartered Professional Accountants Canada (CPA Canada). 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 accounted for on a modified equity basis:</p> <ul style="list-style-type: none">- Ainsworth Hot Springs Ltd.- Ainsworth Hot Springs Limited Partnership- Ka'amaknala Development Corporation- Ktunaxa Holdings Limited Partnership- Lower Kootenay Development Corporation- Lower Kootenay Guide Outfitters Ltd.- Lower Kootenay Development Limited Partnership- Morris Flowers Inc.- Nupika wu'u GP Ltd.- yaqan nukiya Farms LP
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, 2019

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, 2019

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, 2019

1. Economic Dependence

The First Nation receives a portion of its revenue pursuant to funding arrangements with Indigenous Service Canada ("ISC"), as detailed by a comprehensive funding agreement.

2. Cash and Investment Deposits

The First Nation maintains all of its cash and investment balances with two financial institutions 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

	2019	2018
Social Housing Operations - Replacement reserve	\$ 69,585	\$ 69,198

4. Temporary Investments

The First Nation's investments are comprised of guaranteed investment certificates ("GIC's") and a money market fund.

	2019	2018
Money market fund, Municipal Finance Authority	\$ 299,204	\$ 293,971
GIC, interest paid on maturity at blended rate of 1.35%, maturing August 2022	49,606	49,067
	\$ 348,810	\$ 343,038

5. Accounts Receivable

	2019	2018
Trade accounts receivable	1,014,833	716,739
Band member receivables	91,598	91,689
Legal decision receivable	14,800	22,650
Allowance for doubtful accounts	(329,564)	(329,564)
	\$ 791,667	\$ 501,514

Lower Kootenay Band
Notes to Financial Statements

March 31, 2019

6. Due From Related Entities

	<u>2019</u>	<u>2018</u>
Lower Kootenay Guide Outfitters Ltd.	\$ 447,970	\$ 450,982
Lower Kootenay Development Corporation	38,564	41,128
Lower Kootenay Development Limited Partnership	(9,717)	12,000
Ainsworth Hot Springs Ltd.	723,049	1,310,089
Ainsworth Hot Springs Resort Limited Partnership	(506,527)	(549,738)
Nupika wu'u GP Ltd.	1,886	1,197
Ka'amaknala Development Corporation	89	44
yaqan nukiy Farms LLP	1,459,474	150,448
	<u>\$ 2,154,788</u>	<u>\$ 1,416,150</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

	<u>2019</u>	<u>2018</u>
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% beneficial interest in common shares, at cost	1	1
Sunlife Financial Inc., at cost (fair market value - \$67,717)	1	1
	<u>\$ 60,023</u>	<u>\$ 60,023</u>

Lower Kootenay Band
Notes to Financial Statements

March 31, 2019

8. Investment in Business Partnerships and Enterprises

	2019	2018
Ainsworth Hot Springs Ltd., wholly-owned owned by the First Nation	\$ 5,463,211	\$ 5,662,544
Ainsworth Hot Springs Limited Partnership, 99.99% owned by the First Nation	2,443,560	1,716,023
Ka'amaknala Development Corporation, wholly-owned by the First Nation	1	1
Ktunaxa Holdings Limited Partnership, 20% owned by the First Nation	319,304	258,072
Lower Kootenay Development Limited Partnership, 99.99% owned by the First Nation	2,196,964	1,884,780
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
Morris Flowers Inc, wholly-owned by the First Nation	1,276,098	1,300,000
Nupika wu'u GP Ltd., wholly-owned by the First Nation	1	1
yaqan nukiy Farms LP, 99.99% owned by the First Nation	1	-
	\$ 11,699,142	\$ 10,821,423

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

(a) Summary of Financial Position

	2019	2018
Assets		
Cash and short term investments	\$ 1,685,929	\$ 1,242,310
Accounts receivable	149,432	143,161
Inventory	292,306	151,776
Prepays and other assets	94,557	64,707
Long-term investments	811,560	750,793
Due from related parties	1,065,727	130,315
Intangible asset	280,001	280,000
Tangible capital assets	9,772,194	5,782,113
Total Assets	14,151,706	8,545,175
Liabilities		
Accounts payable and accrued liabilities	521,789	425,356
Due to related parties	3,237,572	1,394,721
Long-term debt	2,521,022	-
Total Liabilities	6,280,383	1,820,077
Net Assets	\$ 7,871,323	\$ 6,725,098

Lower Kootenay Band
Notes to Financial Statements

March 31, 2019

8. Investment in Business Partnerships and Enterprises (continued)

(b) Summary of Financial Activities	2019	2018
Total Revenues	\$ 6,738,485	\$ 4,813,691
Total Expenses	<u>6,239,413</u>	<u>3,815,764</u>
Income for the year	<u>\$ 499,072</u>	<u>\$ 997,927</u>

Included in income from the year as shown above are net losses of \$378,646 (2018 - \$9,532) 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. Accounts Payable and Accrued Liabilities

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

	2019	2018
Capital Projects:		
Emergency Preparedness 2017	\$ -	\$ 25,000
Capacity Subdivision 2018	<u>20,098</u>	-
Program Funding:		
Basic Needs 2015	-	11,403
Child Out of Home 2017	-	14,935
In Home Care 2017	-	1,471
National Child Benefit 2017	-	3,085
Special Needs 2017	-	814
Special Services 2017	-	5,757
Child Out of Home 2018	<u>14,174</u>	-
In Home Care 2018	<u>10,811</u>	-
Special Needs 2018	<u>3,569</u>	-
Basic Needs 2019 (net of 2018 program reimbursements)	<u>9,314</u>	-
Child Out of Home 2019	<u>15,344</u>	-
Special Needs 2019	<u>533</u>	-
In Home Care 2019	<u>13,853</u>	-
MRZ Program 2019	<u>2,290</u>	-
	<u>\$ 89,986</u>	<u>\$ 62,465</u>

Lower Kootenay Band
Notes to Financial Statements

March 31, 2019

10. Deferred Revenue

	2019	2018
Deferred revenue is comprised of the following:		
Deferred land leases	\$ 75,750	\$ 90,085
ISC capital funding	7,399	83,502
Columbia Basin Trust	36,225	36,225
Cultural	4,889	-
Land preservation	277,485	-
	\$ 401,748	\$ 209,812

11. Long-term Debt

	2019	2018
Lower Kootenay Band		
Bank of Montreal - demand loan to finance purchase of investment, repayable in monthly installments of \$42,921, including interest at prime plus 0.5%, secured by general security agreement	\$ 6,416,455	\$ 6,682,463
Brandt - repayable in monthly installments of \$1,671, interest free, secured by skid steer, maturing 2021	38,423	58,469
Brandt - repayable in monthly installments of \$1,615, interest free, secured by skid steer, maturing 2021	37,145	56,525
John Deere - repayable in semi-annual installments of \$5,663, interest free, secured by tractors, maturing 2021	33,980	39,644
CMHC - Residential Rehabilitation Assistance Program forgivable loan, repayable on demand with 3.375% interest, maturing 2022	173,011	173,011
John Deere - repayable in semi-annual installments of \$7,709, interest free, secured by tractors, maturing 2024	69,381	-
Loans repaid	-	1,449,767

Lower Kootenay Band
Notes to Financial Statements

March 31, 2019

11. Long-term Debt (continued)

Lower Kootenay Band - Social Housing Operations

All Nations Trust Company - Phase 8 mortgage repayable in monthly installments of \$1,186 including interest at 2.35% per annum, maturing July 2018	-	4,719
All Nations Trust - Phase 10 mortgage repayable in monthly installments of \$1,190 including interest at 1.14% per annum, maturing July 2021	32,906	46,699
All Nations Trust Company - Phase 11 mortgage repayable in monthly installments of \$1,692 including interest at 1.71% per annum, maturing June 2022	64,299	83,197
All Nations Trust Company - Phase 12 mortgage repayable in monthly installments of \$1,073 including interest at 2.11% per annum, maturing December 2023	58,285	69,697
	\$ 6,923,885	\$ 8,664,191

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

2020	\$ 387,109
2021	395,419
2022	361,492
2023	342,064
2024	338,289
Thereafter	5,099,512
	\$ 6,923,885

Lower Kootenay Band
Notes to Financial Statements

March 31, 2019

12. Tangible Capital Assets

	2019					
	Land	Buildings	Community infrastructure	Equipment	Assets under construction	Total
Cost, beginning of year	\$ 298,842	\$ 8,430,102	\$ 6,033,428	\$ 969,019	\$ 799,548	\$ 16,530,939
Additions	-	247,110	-	174,700	468,416	890,226
Disposals	-	-	-	(15,608)	-	(15,608)
Asset transfers	-	-	-	-	-	-
Cost, end of year	298,842	8,677,212	6,033,428	1,128,111	1,267,964	17,405,557
Accumulated amortization, beginning of year	-	4,457,048	2,835,944	571,146	-	7,864,138
Amortization	-	322,000	230,416	143,172	-	695,588
Disposals	-	-	-	(15,608)	-	(15,608)
Accumulated amortization, end of year	-	4,779,048	3,066,360	698,710	-	8,544,118
Net carrying amount, end of year	\$ 298,842	\$ 3,898,164	\$ 2,967,068	\$ 429,401	\$ 1,267,964	\$ 8,861,439

Lower Kootenay Band
Notes to Financial Statements

March 31, 2019

12. Tangible Capital Assets (continued)

							2018
	Land	Buildings	Community infrastructure	Equipment	Assets under construction	Total	
Cost, beginning of year	\$ 298,842	\$ 8,413,942	\$ 6,033,428	\$ 672,700	\$ -	\$ 15,418,912	
Additions	-	16,160	-	354,503	799,548	1,170,211	
Disposals	-	-	-	(58,184)	-	(58,184)	
Cost, end of year	298,842	8,430,102	6,033,428	969,019	799,548	16,530,939	
Accumulated amortization, beginning of year	-	4,132,393	2,605,528	541,276	-	7,279,197	
Amortization	-	324,655	230,416	88,054	-	643,125	
Disposals	-	-	-	(58,184)	-	(58,184)	
Accumulated amortization, end of year	-	4,457,048	2,835,944	571,146	-	7,864,138	
Net carrying amount, end of year	\$ 298,842	\$ 3,973,054	\$ 3,197,484	\$ 397,873	\$ 799,548	\$ 8,666,801	

Lower Kootenay Band
Notes to Financial Statements

March 31, 2019

13. Accumulated Surplus

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

	<u>2019</u>	<u>2018</u>
Equity in investments (Note 7)	\$ 60,023	\$ 60,023
Equity in business partnerships and enterprises (Note 8)	11,699,142	10,821,423
Replacement reserve balance (Note 14)	68,494	54,575
Equity in tangible capital assets (Note 15)	8,527,020	6,858,085
Equity in Ottawa Trust Funds (Note 16)	72,720	71,341
Internally restricted	2,654,650	2,681,611
Unrestricted operating equity (deficit)	388,325	(302,744)
	<u>\$ 23,470,374</u>	<u>\$ 20,244,314</u>

14. Replacement Reserve

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 54,575	\$ 56,418
Add:		
Current year allocation	48,509	18,339
Less:		
Approved expenditures	34,590	20,182
Balance, end of year	68,494	54,575
Funded balance (Note 3)	69,585	69,198
Underfunded (overfunded) balance	<u>\$ (1,091)</u>	<u>\$ (14,623)</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 \$15,139. 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, 2019

15. Equity in Tangible Capital Assets

	<u>2019</u>	<u>2018</u>
Balance, beginning of the year	\$ 6,858,085	\$ 6,318,900
Add:		
Purchases of tangible capital assets	890,226	1,170,211
Debt repayment	<u>1,551,387</u>	<u>130,379</u>
	<u>2,441,613</u>	<u>1,300,590</u>
Less:		
Amortization of tangible capital assets	695,588	643,125
Proceeds from new debt issuance	<u>77,090</u>	<u>118,280</u>
	<u>772,678</u>	<u>761,405</u>
	<u>\$ 8,527,020</u>	<u>\$ 6,858,085</u>

16. Equity in Ottawa Trust Funds

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

	<u>Revenue</u>	<u>Capital</u>	<u>2019 Total</u>	<u>2018 Total</u>
Balance, beginning of year	\$ 32,053	\$ 39,288	\$ 71,341	\$ 69,243
Add:				
Interest on trust balances	<u>1,379</u>	<u>-</u>	<u>1,379</u>	<u>2,098</u>
Balance, end of year	<u>\$ 33,432</u>	<u>\$ 39,288</u>	<u>\$ 72,720</u>	<u>\$ 71,341</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

March 31, 2019

17. Expenses By Object

	<i>Budget</i>	2019	2018
			(Note 21)
Advertising	\$ 5,000	\$ 3,415	\$ 5,092
Amortization	58,000	695,588	643,125
CMHC approved expenditures	-	34,590	20,182
Consulting	105,822	252,872	224,484
Insurance	62,350	68,742	61,510
Interest on long-term debt	289,000	287,986	311,537
Interest and bank charges	24,625	15,756	24,868
Miscellaneous	245,700	66,018	11,662
Office	90,251	68,257	81,507
Professional fees	103,500	149,299	49,549
Program expenses	1,081,986	1,575,829	1,281,122
Rent	47,360	57,433	52,908
Repairs and maintenance	547,599	343,685	301,298
Supplies	61,750	67,606	47,139
Training and workshops	5,000	14,916	3,990
Travel	48,250	37,115	55,752
Vehicle	24,500	33,585	46,458
Wages and benefits	1,877,536	1,745,163	1,619,856
Total expenses for the year	\$ 4,678,229	\$ 5,517,855	\$ 4,842,039

Lower Kootenay Band

Notes to Financial Statements

March 31, 2019

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 2019 Actual	Total 2019 Budget
Revenues								
Indigenous and Northern Affairs Canada	\$ 324,242	\$ 381,057	\$ -	\$ 682,601	\$ 54,684	\$ 255,451	\$ 1,698,035	\$ 1,614,783
Rental Income	-	-	-	-	176,503	-	176,503	165,000
Province of British Columbia	761,595	30,000	-	1,005,385	-	-	1,796,980	1,918,069
First Nation Education Steering Committee	-	-	-	253,062	-	-	253,062	271,010
Health Canada	-	-	484,341	-	-	-	484,341	271,784
Business partnerships/enterprises income	877,718	-	-	-	-	-	877,718	261,000
CMHC revenue	-	-	-	-	57,569	-	57,569	24,013
Other	3,232,484	-	75,685	91,538	-	-	3,399,707	196,497
	5,196,039	411,057	560,026	2,032,586	288,756	255,451	8,743,915	4,722,156
Expenses								
Purchases	1,471,801	294,142	399,996	697,468	213,695	-	3,077,102	2,742,693
Payroll	679,744	44,046	96,187	858,368	66,820	-	1,745,165	1,877,536
Amortization	-	-	-	-	48,821	646,767	695,588	58,000
CMHC approved expenditures	-	-	-	-	-	-	-	-
	2,151,545	338,188	496,183	1,555,836	329,336	646,767	5,517,855	4,678,229
Surplus (deficit) for the year	\$ 3,044,494	\$ 72,869	\$ 63,843	\$ 476,750	\$ (40,580)	\$ (391,316)	\$ 3,226,060	\$ 43,927

	Administration	Social Development	Health	Education	Social Housing	Capital	Total 2018 Actual	Total 2018 Budget
Revenues								
Indigenous and Northern Affairs Canada	\$ 397,071	\$ 375,141	\$ -	\$ 717,829	\$ 218,155	\$ 2,724,868	\$ 4,433,064	\$ 1,348,493
Rental Income	-	-	-	-	167,060	-	167,060	161,000
Province of British Columbia	475,345	-	-	868,085	-	-	1,343,430	1,154,368
First Nation Education Steering Committee	-	-	-	263,407	-	-	263,407	103,636
Health Canada	-	-	274,526	-	-	-	274,526	208,283
Business partnerships/enterprises income	1,007,459	-	-	-	-	-	1,007,459	-
CMHC revenue	-	-	-	-	54,826	-	54,826	-
Other	2,226,399	-	8,000	32,115	217	-	2,266,731	365,013
	4,106,274	375,141	282,526	1,881,436	440,258	2,724,868	9,810,503	3,340,793
Expenses								
Purchases	1,206,497	300,643	165,953	585,041	300,742	-	2,558,876	1,590,768
Payroll	541,652	47,567	55,864	932,751	42,022	-	1,619,856	1,635,704
Amortization	-	-	-	-	57,977	585,148	643,125	54,003
CMHC approved expenditures	-	-	-	-	20,182	-	20,182	-
	1,748,149	348,210	221,817	1,517,792	420,923	585,148	4,842,039	3,280,475
Surplus (deficit) for the year	\$ 2,358,125	\$ 26,931	\$ 60,709	\$ 363,644	\$ 19,335	\$ 2,139,720	\$ 4,968,464	\$ 60,318

March 31, 2019

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 Indigenous and Northern Affairs 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, 2019

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 risk. The First Nation manages its exposure to this risk 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. Funds Held in Trust

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

	<u>2019</u>	<u>2018</u>
Band members - land settlement	<u>\$ 64,453</u>	<u>\$ 64,453</u>

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, 2019 the liabilities which relate to these funds held in trust are fully funded.

21. Comparative Information

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