

Lower Kootenay Band
Financial Statements
For the year ended March 31, 2020

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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

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, 2020, 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, 2020 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.



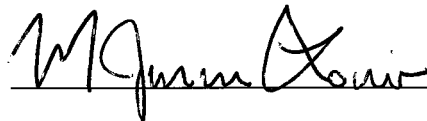
Chartered Professional Accountants

Cranbrook, British Columbia
August 13, 2021

Lower Kootenay Band Statement of Financial Position

March 31	2020	2019
Financial Assets		
Cash (Note 2)	\$ 9,704,776	\$ 6,884,998
Restricted cash (Note 3)	70,412	69,585
Temporary investments (Note 4)	354,715	348,810
Accounts receivable (Note 5)	4,162,567	791,667
Due from related entities (Note 6)	2,619,749	2,154,788
Long-term investments (Note 7)	60,133	60,023
Investment in business partnerships and enterprises (Note 8)	12,609,516	11,699,142
Ottawa Trust Funds (Note 16)	75,263	72,720
	<u>29,657,131</u>	<u>22,081,733</u>
Financial Liabilities		
Accounts payable and accrued liabilities (Note 9)	206,394	175,468
Deferred revenue (Note 10)	386,436	401,748
Long-term debt (Note 11)	6,689,263	6,923,885
	<u>7,282,093</u>	<u>7,501,101</u>
Net Financial Assets	22,375,038	14,580,632
Non-Financial Assets		
Tangible capital assets (Note 12)	9,963,032	8,861,439
Prepaid expenses	326,748	28,303
	<u>10,289,780</u>	<u>8,889,742</u>
Accumulated Surplus (Note 13)	\$ 32,664,818	\$ 23,470,374

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>	2020	2019
Revenue			
Indigenous Services Canada	\$ 1,477,783	\$ 2,074,849	\$ 1,698,035
First Nation Education Steering Committee Funding	187,273	190,727	253,062
Health Canada	271,784	559,308	484,341
Province of British Columbia	2,063,252	2,053,357	1,796,980
Rental income	175,000	157,749	176,503
Other income	3,015,600	9,056,484	3,399,707
Income from business partnerships and enterprises	275,000	877,280	877,718
CMHC revenue	20,470	20,250	57,569
	<u>7,486,162</u>	<u>14,990,004</u>	<u>8,743,915</u>
Expenses (Note 17)			
Administration	728,200	711,701	670,122
Social Development	455,588	441,240	426,905
Health	284,465	218,921	152,369
Education	1,546,095	1,384,790	1,554,584
Social Housing	303,870	541,153	470,966
Infrastructure and Land Management	933,730	1,416,342	1,328,284
Economic Development	58,725	26,411	21,493
Operations and Maintenance	588,988	339,824	246,365
Capital Fund	-	715,178	646,767
	<u>4,899,661</u>	<u>5,795,560</u>	<u>5,517,855</u>
Annual surplus	2,586,501	9,194,444	3,226,060
Accumulated surplus, beginning of year	23,470,374	23,470,374	20,244,314
Accumulated surplus, end of year	\$ 26,056,875	\$ 32,664,818	\$ 23,470,374

Lower Kootenay Band Statement of Change in Net Financial Assets

For the year ended March 31	<i>Budget</i>	2020	2019
Annual surplus	\$ 2,586,501	\$ 9,194,444	\$ 3,226,060
Acquisition of tangible capital assets (Note 12)	-	(3,129,874)	(890,226)
Amortization of tangible capital assets (Note 12)	-	760,317	695,588
Net book value of disposed tangible capital assets (Note 12)	-	1,267,964	-
Change in prepaid expenses	-	(298,445)	3,549
Net change in net financial assets	2,586,501	7,794,406	3,034,971
Net financial assets, beginning of year	14,580,632	14,580,632	11,545,661
Net financial assets, end of year	\$ 17,167,133	\$ 22,375,038	\$ 14,580,632

Lower Kootenay Band Statement of Cash Flows

For the year ended March 31	2020	2019
Cash flows provided by (used in) operating activities		
Cash receipts customers	\$ 11,603,775	\$ 8,929,912
Cash paid to employees and suppliers	<u>(5,306,763)</u>	<u>(4,842,417)</u>
	<u>6,297,012</u>	<u>4,087,495</u>
Cash flows used in capital activities		
Purchase of tangible capital assets	<u>(1,857,910)</u>	<u>(890,226)</u>
	<u>(1,857,910)</u>	<u>(890,226)</u>
Cash flows used in investing activities		
Investment in business partnership and enterprises	(910,467)	(1,100,953)
Purchase of short term temporary investments	<u>(5,904)</u>	<u>(5,773)</u>
	<u>(916,371)</u>	<u>(1,106,726)</u>
Cash flows provided by (used in) financing activities		
Loans and advances with related parties	(464,962)	(738,638)
Repayment of long-term debt	<u>(234,621)</u>	<u>(1,740,306)</u>
	<u>(699,583)</u>	<u>(2,478,944)</u>
Net increase (decrease) in cash	2,823,148	(388,401)
Cash, beginning of year	<u>7,027,303</u>	<u>7,415,704</u>
Cash, end of year	\$ 9,850,451	\$ 7,027,303
Represented by		
Cash	\$ 9,704,776	\$ 6,884,998
Ottawa Trust Funds	75,263	72,720
Restricted cash	<u>70,412</u>	<u>69,585</u>
	<u>\$ 9,850,451</u>	<u>\$ 7,027,303</u>

Lower Kootenay Band Summary of Significant Accounting Policies

March 31, 2020

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	These financial statements include the following organizations accounted for on a modified equity basis: - 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	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. The funds of the First Nation are as follows: - 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, 2020

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	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: <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, 2020

Revenue Recognition	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. Rental revenue is recognized as it becomes receivable under the terms of the rental agreement. Income from partnerships and business enterprises is recognized based on the modified equity pick-up basis. Sales of service and other revenue is recognized on an accrual basis. All other revenue is recognized as it is earned.
Deferred Revenue	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.
Financial Instruments	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
Use of Estimates	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.

Lower Kootenay Band Notes to Financial Statements

March 31, 2020

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

	<u>2020</u>	<u>2019</u>
Social Housing Operations - Replacement reserve	<u>\$ 70,412</u>	<u>\$ 69,585</u>

4. Temporary Investments

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

	<u>2020</u>	<u>2019</u>
Money market fund, Municipal Finance Authority	<u>\$ 304,513</u>	<u>\$ 299,204</u>
GIC, interest paid on maturity at blended rate of 1.30%, maturing August 2022	<u>50,202</u>	<u>49,606</u>
	<u>\$ 354,715</u>	<u>\$ 348,810</u>

Lower Kootenay Band
Notes to Financial Statements

March 31, 2020

5. Accounts Receivable

	2020	2019
Trade accounts receivable	\$ 3,955,925	\$ 1,014,833
Due from ISC	431,058	-
Band member receivables	93,544	91,598
Legal decision receivable	13,500	14,800
Allowance for doubtful accounts	(331,460)	(329,564)
	\$ 4,162,567	\$ 791,667

6. Due From Related Entities

	2020	2019
Lower Kootenay Guide Outfitters Ltd.	\$ 445,330	\$ 447,970
Lower Kootenay Development Corporation	40,556	38,564
Lower Kootenay Development Limited Partnership	(70,196)	(9,717)
Ainsworth Hot Springs Ltd.	1,466,112	723,049
Ainsworth Hot Springs Resort Limited Partnership	(1,015,121)	(506,527)
Nupika wu'u GP Ltd.	2,021	1,886
Ka'amaknala Development Corporation	134	89
yaqan nukiy Farms LLP	1,750,567	1,459,474
kaniskoonok MP Ltd.	346	-
	\$ 2,619,749	\$ 2,154,788

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

	2020	2019
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 - \$59,711)	1	1
BC FN Gaming Revenue Sharing Limited Partnership	100	-
BCFN GRS GP Ltd., common shares, at cost	10	-
	\$ 60,133	\$ 60,023

Lower Kootenay Band
Notes to Financial Statements

March 31, 2020

8. Investment in Business Partnerships and Enterprises

	<u>2020</u>	<u>2019</u>
Ainsworth Hot Springs Ltd., wholly-owned owned by the First Nation	\$ 5,257,717	\$ 5,463,211
Ainsworth Hot Springs Limited Partnership, 99.99% owned by the First Nation	2,890,316	2,443,560
Ka'amaknala Development Corporation, wholly-owned by the First Nation	1	1
Ktunaxa Holdings Limited Partnership, 20% owned by the First Nation	657,787	319,304
Lower Kootenay Development Limited Partnership, 99.99% owned by the First Nation	2,527,593	2,196,964
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	1,276,098
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	1
	<u>\$ 12,609,516</u>	<u>\$ 11,699,142</u>

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

(a) Summary of Financial Position

	<u>2020</u>	<u>2019</u>
Assets		
Cash and short term investments	\$ 1,847,517	\$ 1,685,929
Accounts receivable	373,753	150,532
Inventory	521,669	292,306
Prepays and other assets	91,738	94,557
Long-term investments	1,237,035	811,560
Due from related parties	937,769	1,080,129
Intangible asset	280,001	280,001
Tangible capital assets	9,932,007	9,772,194
Total Assets	<u>15,221,489</u>	<u>14,167,208</u>
Liabilities		
Accounts payable and accrued liabilities	433,085	521,789
Due to related parties	3,547,597	3,237,572
Long-term debt	2,809,791	2,521,022
Total Liabilities	<u>6,790,473</u>	<u>6,280,383</u>
Net Assets	<u>\$ 8,431,016</u>	<u>\$ 7,886,825</u>

Lower Kootenay Band
Notes to Financial Statements

March 31, 2020

8. Investment in Business Partnerships and Enterprises (continued)

(b) Summary of Financial Activities	<u>2020</u>	<u>2019</u>
Total Revenues	\$ 7,389,179	\$ 6,739,914
Total Expenses	<u>6,645,242</u>	<u>6,247,581</u>
Income for the year	<u>\$ 743,937</u>	<u>\$ 492,333</u>

Included in income from the year as shown above are net losses of \$163,418 (2019 - \$364,244) 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:

	<u>2020</u>	<u>2019</u>
Capital Projects:		
Capacity Subdivision 2018	11,723	20,098
Program Funding:		
Basic Needs 2020	6,976	-
Child Out of Home 2020	18,681	-
In Home Care 2020	12,588	-
Special Needs 2020	319	-
Basic Needs 2019	9,314	9,314
Child Out of Home 2019	15,344	15,344
Special Needs 2019	533	533
In Home Care 2019	13,853	13,853
MRZ Program 2019	2,290	2,290
Child Out of Home 2018	2,279	14,174
In Home Care 2018	10,811	10,811
Special Needs 2018	<u>3,569</u>	<u>3,569</u>
	<u>\$ 108,280</u>	<u>\$ 89,986</u>

Lower Kootenay Band
Notes to Financial Statements

March 31, 2020

10. Deferred Revenue

	<u>2020</u>	<u>2019</u>
Deferred revenue is comprised of the following:		
Land preservation	\$ 225,068	\$ 277,485
Deferred land leases	68,915	75,750
First Nations Education Grants	74,323	-
Cultural	7,103	4,889
ISC Special Needs Emergency Supplement	5,806	-
ISC capital funding	5,221	7,399
Columbia Basin Trust	-	36,225
	<u>\$ 386,436</u>	<u>\$ 401,748</u>

11. Long-term Debt

	<u>2020</u>	<u>2019</u>
Lower Kootenay Band		
Bank of Montreal - demand loan to finance purchase of investment, repayable in monthly installments of \$43,400, including interest at prime plus 0.5%, secured by general security agreement	\$ 6,133,731	\$ 6,416,455
Brandt - repayable in monthly installments of \$1,671, interest free, secured by skid steer, maturing 2021	18,376	38,423
Brandt - repayable in monthly installments of \$1,615, interest free, secured by skid steer, maturing 2021	17,765	37,145
John Deere - repayable in semi-annual installments of \$5,663, interest free, secured by tractors, maturing 2021	22,654	33,980
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	53,963	69,381
Brandt - repayable in monthly installments of \$5,904, interest free, secured by excavator, maturing 2022	159,412	-

Lower Kootenay Band
Notes to Financial Statements

March 31, 2020

11. Long-term Debt (continued)

Lower Kootenay Band - Social Housing Operations

All Nations Trust - Phase 10 mortgage repayable in monthly installments of \$1,190 including interest at 1.14% per annum, maturing July 2021	18,910	32,906
All Nations Trust Company - Phase 11 mortgage repayable in monthly installments of \$1,697 including interest at 1.84% per annum, maturing June 2022	44,922	64,299
All Nations Trust Company - Phase 12 mortgage repayable in monthly installments of \$1,076 including interest at 2.22% per annum, maturing December 2023	46,519	58,285
	<u>\$ 6,689,263</u>	<u>\$ 6,923,885</u>

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

2021	\$ 466,269
2022	432,342
2023	359,777
2024	338,289
2025	333,386
Thereafter	<u>4,759,200</u>
	<u>\$ 6,689,263</u>

Lower Kootenay Band
Notes to Financial Statements

March 31, 2020

12. Tangible Capital Assets

	2020					
	Land	Buildings	Community infrastructure	Equipment	Assets under construction	Total
Cost, beginning of year	\$ 313,842	\$ 8,677,212	\$ 6,033,428	\$ 1,128,719	\$ 1,267,964	\$ 17,421,165
Additions	20,000	11,231	1,311,869	414,126	1,372,648	3,129,874
Disposals	-	-	-	(4,000)	(1,267,964)	(1,271,964)
Asset transfers	-	-	-	-	-	-
Cost, end of year	333,842	8,688,443	7,345,297	1,538,845	1,372,648	19,279,075
Accumulated amortization, beginning of year	-	4,779,048	3,066,360	714,318	-	8,559,726
Amortization	-	308,086	256,852	195,379	-	760,317
Disposals	-	-	-	(4,000)	-	(4,000)
Accumulated amortization, end of year	-	5,087,134	3,323,212	905,697	-	9,316,043
Net carrying amount, end of year	\$ 333,842	\$ 3,601,309	\$ 4,022,085	\$ 633,148	\$ 1,372,648	\$ 9,963,032

Lower Kootenay Band
Notes to Financial Statements

March 31, 2020

12. Tangible Capital Assets (continued)

							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	15,000	247,110	-	159,700	468,416	890,226	
Cost, end of year	313,842	8,677,212	6,033,428	1,128,719	1,267,964	17,421,165	
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	
Accumulated amortization, end of year	-	4,779,048	3,066,360	714,318	-	8,559,726	
Net carrying amount, end of year	\$ 313,842	\$ 3,898,164	\$ 2,967,068	\$ 414,401	\$ 1,267,964	\$ 8,861,439	

Lower Kootenay Band
Notes to Financial Statements

March 31, 2020

13. Accumulated Surplus

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

	<u>2020</u>	<u>2019</u>
Equity in investments (Note 7)	\$ 60,133	\$ 60,023
Equity in business partnerships and enterprises (Note 8)	12,609,516	11,699,142
Replacement reserve balance (Note 14)	34,463	35,924
Equity in tangible capital assets (Note 15)	9,407,498	8,354,008
Equity in Ottawa Trust Funds (Note 16)	75,263	72,720
Internally restricted	2,656,864	2,654,650
Unrestricted operating equity (deficit)	7,821,081	593,907
	<u>\$ 32,664,818</u>	<u>\$ 23,470,374</u>

14. Replacement Reserve

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 35,924	\$ 54,575
Add:		
Current year allocation	15,139	15,939
Interest	827	-
Less:		
Approved expenditures	17,427	34,590
Balance, end of year	34,463	35,924
Funded balance (Note 3)	70,412	69,585
Underfunded (overfunded) balance	<u>\$ (35,949)</u>	<u>\$ (33,661)</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, 2020

15. Equity in Tangible Capital Assets

	<u>2020</u>	<u>2019</u>
Balance, beginning of the year	\$ 8,354,008	\$ 6,685,077
Add:		
Purchases of tangible capital assets	1,861,910	890,226
Debt repayment	175,075	1,551,383
	<u>2,036,985</u>	<u>2,441,609</u>
Less:		
Amortization of tangible capital assets	760,317	695,588
Proceeds from new debt issuance	223,178	77,090
	<u>983,495</u>	<u>772,678</u>
	<u>\$ 9,407,498</u>	<u>\$ 8,354,008</u>

16. Equity in Ottawa Trust Funds

Trust funds on deposit with the Indigenous Services Canada consist of the following:

	<u>Revenue</u>	<u>Capital</u>	<u>2020 Total</u>	<u>2019 Total</u>
Balance, beginning of year	\$ 33,432	\$ 39,288	\$ 72,720	\$ 71,341
Add:				
Interest on trust balances	2,543	-	2,543	1,379
Balance, end of year	<u>\$ 35,975</u>	<u>\$ 39,288</u>	<u>\$ 75,263</u>	<u>\$ 72,720</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>	2020	2019
			(Note 21)
Advertising	\$ 2,500	\$ 2,605	\$ 3,415
Amortization	48,800	760,317	695,588
Bad debts	-	2,097	-
CMHC approved expenditures	20,000	17,427	34,590
Consulting	114,000	107,996	252,872
Insurance	93,345	83,404	68,742
Interest on long-term debt	278,500	279,101	287,986
Interest and bank charges	9,925	10,280	15,756
Miscellaneous	197,662	61,642	63,398
Office	84,000	114,988	70,057
Professional fees	77,500	82,299	149,299
Program expenses	1,166,226	1,790,385	1,575,829
Rent	60,478	54,997	57,433
Repairs and maintenance	324,875	235,818	377,075
Supplies	55,250	42,072	67,606
Training and workshops	25,923	12,267	14,916
Travel	56,250	32,668	37,115
Vehicle	34,000	40,241	33,585
Wages and benefits	2,270,427	2,064,956	1,745,163
Total expenses for the year	<u>\$ 4,899,661</u>	<u>\$ 5,795,560</u>	<u>\$ 5,550,425</u>

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 2020 Actual	Total 2020 Budget
Revenues								
Indigenous Services Canada	\$ 288,036	\$ 415,044	\$ -	\$ 815,086	\$ -	\$ 556,683	\$ 2,074,849	\$ 1,477,783
Rental Income	-	-	-	-	157,749	-	157,749	175,000
Province of British Columbia	1,076,252	30,000	-	947,105	-	-	2,053,357	2,063,252
First Nation Education Steering Committee	-	-	-	190,727	-	-	190,727	187,273
Health Canada	-	-	552,308	-	-	-	552,308	271,784
Business partnerships/enterprises income	877,280	-	-	-	-	-	877,280	275,000
CMHC revenue	-	-	-	-	20,250	-	20,250	20,470
Other	8,801,519	-	183,311	77,826	828	-	9,063,484	3,015,600
	<u>11,043,087</u>	<u>445,044</u>	<u>735,619</u>	<u>2,030,744</u>	<u>178,827</u>	<u>556,683</u>	<u>14,990,004</u>	<u>7,486,162</u>
Expenses								
Purchases	1,565,208	393,869	95,271	488,758	427,181	-	2,970,287	2,580,434
Payroll	929,070	47,371	123,650	896,032	68,833	-	2,064,956	2,270,427
Amortization	-	-	-	-	45,139	715,178	760,317	48,800
CMHC approved expenditures	-	-	-	-	-	-	-	-
	<u>2,494,278</u>	<u>441,240</u>	<u>218,921</u>	<u>1,384,790</u>	<u>541,153</u>	<u>715,178</u>	<u>5,795,560</u>	<u>4,899,661</u>
Surplus (deficit) for the year	<u>\$ 8,548,809</u>	<u>\$ 3,804</u>	<u>\$ 516,698</u>	<u>\$ 645,954</u>	<u>\$ (362,326)</u>	<u>\$ (158,495)</u>	<u>\$ 9,194,444</u>	<u>\$ 2,586,501</u>

	Administration	Social Development	Health	Education	Social Housing	Capital	Total 2019 Actual	Total 2019 Budget
Revenues								
Indigenous Services 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
	<u>5,196,039</u>	<u>411,057</u>	<u>560,026</u>	<u>2,032,586</u>	<u>288,756</u>	<u>255,451</u>	<u>8,743,915</u>	<u>4,722,156</u>
Expenses								
Purchases	1,586,522	382,859	56,182	696,216	355,325	-	3,077,104	2,742,693
Payroll	679,742	44,046	96,187	858,368	66,820	-	1,745,163	1,877,536
Amortization	-	-	-	-	48,821	646,767	695,588	58,000
CMHC approved expenditures	-	-	-	-	-	-	-	-
	<u>2,266,264</u>	<u>426,905</u>	<u>152,369</u>	<u>1,554,584</u>	<u>470,966</u>	<u>646,767</u>	<u>5,517,855</u>	<u>4,678,229</u>
Surplus (deficit) for the year	<u>\$ 2,929,775</u>	<u>\$ (15,848)</u>	<u>\$ 407,657</u>	<u>\$ 478,002</u>	<u>\$ (182,210)</u>	<u>\$ (391,316)</u>	<u>\$ 3,226,060</u>	<u>\$ 43,927</u>

Lower Kootenay Band Notes to Financial Statements

March 31, 2020

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 Services 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, 2020

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:

	2020	2019
Band members - land settlement	\$ 63,841	\$ 64,453

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, 2020 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.

22. Measurement Uncertainty

The negative effects of the COVID-19 pandemic have significantly increased in Canada and on the global economy. As the impacts of COVID-19 continues to evolve, there could be further consequences on the First Nation, its band members, employees, suppliers, and other third party business associates that could affect the timing and amounts realized on the First Nation's statement of financial position and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the First Nation is not known.

Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial significance cannot be reasonably estimated at this time. The First Nation's ability to continue delivering non-essential services and employ related staff will depend on the legislative mandates from the various levels of government. The First Nation will continue to focus on providing services to band members, and operating the band government and community school.