

Lower Kootenay Band
Consolidated Financial Statements
For the year ended March 31, 2021

Management's Responsibility for Financial Reporting	2
Independent Auditor's Report	3 - 4
Consolidated Financial Statements	
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations	6
Consolidated Statement of Change in Net Financial Assets	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9 - 27

Management's Responsibility for Financial Reporting

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

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated 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 consolidated 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 consolidated financial statements.

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

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

DocuSigned by:



E3E40CCEFD41464...

Director of Operations



Tel: 250 763 6700
Fax: 250 763 4457
Toll-free: 800 928 3307
www.bdo.ca

BDO Canada LLP
1631 Dickson Avenue, Suite 400
Kelowna, BC V1Y 0B5 Canada

Independent Auditor's Report

To the Members of the Lower Kootenay Band

Opinion

We have audited the consolidated financial statements of the Lower Kootenay Band and its controlled entities (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations, change 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 consolidated financial statements present fairly, in all material respects, the financial position of the Lower Kootenay Band as at March 31, 2021 and its results of operations, changes in net financial assets and cash flows 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 Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 2 to the consolidated financial statements, which explains that certain comparative information presented for the year ended March 31, 2020 has been restated. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

BDO Canada LLP

Chartered Professional Accountants

Kelowna, British Columbia
July 15, 2022

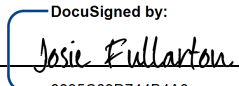
Lower Kootenay Band Consolidated Statement of Financial Position

March 31	2021	(Restated) 2020
Financial Assets		
Cash (Note 3)	\$ 16,479,300	\$ 9,704,776
Restricted cash (Note 4)	132,577	70,412
Temporary investments (Note 5)	356,740	354,715
Accounts receivable (Note 6)	1,091,560	4,162,567
Due from related entities (Note 7)	3,282,773	3,259,736
Long-term investments (Note 8)	99,143	99,143
Investment in business enterprises (Note 9)	9,185,125	10,546,446
Ottawa Trust Funds (Note 16)	76,691	75,263
	<u>30,703,909</u>	<u>28,273,058</u>
Financial Liabilities		
Accounts payable and accrued liabilities	386,360	206,394
Due to related entities (Note 7)	818,835	1,085,317
Deferred revenue (Note 10)	1,744,952	386,436
Long-term debt (Note 11)	5,952,551	6,689,263
	<u>8,902,698</u>	<u>8,367,410</u>
Net Financial Assets	<u>21,801,211</u>	<u>19,905,648</u>
Non-Financial Assets		
Tangible capital assets (Note 12)	13,485,063	10,034,920
Prepaid expenses	314,227	326,748
	<u>13,799,290</u>	<u>10,361,668</u>
Accumulated Surplus (Note 13)	<u>\$ 35,600,501</u>	<u>\$ 30,267,316</u>

Approved on behalf of the Band Council

DocuSigned by:

 A09E29CBC37347E... Chief

DocuSigned by:

 8835C69D744B4A0... Councilor

Lower Kootenay Band Consolidated Statement of Operations

For the year ended March 31	(Note 19) Budget	2021	(Restated) 2020
Revenue			
Indigenous Services Canada	\$ 1,430,715	\$ 2,365,421	\$ 2,074,849
First Nation Education Steering Committee	182,773	211,765	190,727
First Nations Health Authority	297,133	2,368,625	559,308
Province of British Columbia	1,681,865	1,668,768	2,053,357
Rental income	155,000	159,090	157,749
Other income	3,030,798	3,690,758	5,922,116
Income (loss) from business enterprises (Note 9)	-	(716,449)	413,614
Canada Mortgage Housing Corporation	15,139	316,761	20,250
Ktunaxa Nation Council	-	2,500,833	3,140,368
	<u>6,793,423</u>	<u>12,565,572</u>	<u>14,532,338</u>
Expenses (Note 19)			
Administration	995,917	950,323	711,701
Social development	465,639	497,520	441,240
Health	270,543	245,308	218,921
Education	1,649,658	1,563,471	1,384,790
Social housing	236,828	343,369	541,153
Infrastructure and land management	933,801	2,507,303	1,416,342
Economic development	51,225	5,704	29,770
Operations and maintenance	521,916	346,315	339,824
Capital fund	655,000	773,074	716,923
	<u>5,780,527</u>	<u>7,232,387</u>	<u>5,800,664</u>
Annual surplus	1,012,896	5,333,185	8,731,674
Accumulated surplus, beginning of year, as previously reported	32,664,818	32,664,818	23,470,374
Restated comparative adjustments (Note 2)	-	(2,397,502)	(1,934,732)
Accumulated surplus, beginning of year restated	<u>32,664,818</u>	<u>30,267,316</u>	<u>21,535,642</u>
Accumulated surplus, end of year	<u>\$ 33,677,714</u>	<u>\$ 35,600,501</u>	<u>\$ 30,267,316</u>

The accompanying notes are an integral part of these consolidated financial statements.

Lower Kootenay Band

Consolidated Statement of Change in Net Financial Assets

For the year ended March 31	Budget	2021	(Restated) 2020
Annual surplus	\$ 1,012,896	\$ 5,333,185	\$ 8,731,674
Acquisition of tangible capital assets (Note 12)	-	(4,270,817)	(3,129,874)
Amortization of tangible capital assets (Note 12)	-	820,674	762,062
Net book value of disposed tangible capital assets (Note 12)	-	-	1,267,964
Change in prepaid expenses	-	12,521	(298,445)
Net change in net financial assets	1,012,896	1,895,563	7,333,381
Net financial assets , beginning of year as previously reported	22,375,038	22,375,038	14,580,632
Restated comparative adjustments (Note 2)	-	(2,469,390)	(2,008,365)
Net financial assets , beginning of year restated	22,375,038	19,905,648	12,572,267
Net financial assets , end of year	\$ 23,387,934	\$ 21,801,211	\$ 19,905,648

Lower Kootenay Band Consolidated Statement of Cash Flows

For the year ended March 31	2021	(Restated) 2020
Cash flows provided by (used in) operating activities		
Cash receipts from funders and customers	\$ 16,995,095	\$ 11,146,124
Cash paid to employees and suppliers	<u>(6,219,223)</u>	<u>(5,306,122)</u>
	<u>10,775,872</u>	<u>5,840,002</u>
Cash flows used in capital activities		
Net acquisition of tangible capital assets	<u>(4,270,817)</u>	<u>(1,861,910)</u>
Cash flows used in investing activities		
Advances from (to) business enterprises	1,361,319	(446,817)
Advances to related parties	(23,036)	(1,036,676)
Purchase of short term temporary investments	<u>(2,026)</u>	<u>(5,904)</u>
	<u>1,336,257</u>	<u>(1,489,397)</u>
Cash flows provided by (used in) financing activities		
Advances from (to) related entities	(266,483)	569,074
Repayment of long-term debt	<u>(736,712)</u>	<u>(234,621)</u>
	<u>(1,003,195)</u>	<u>334,453</u>
Net increase in cash	6,838,117	2,823,148
Cash, beginning of year	<u>9,850,451</u>	<u>7,027,303</u>
Cash, end of year	<u>\$ 16,688,568</u>	<u>\$ 9,850,451</u>
Represented by		
Cash	\$ 16,479,300	\$ 9,704,776
Restricted cash	132,577	70,412
Ottawa Trust Funds	<u>76,691</u>	<u>75,263</u>
	<u>\$ 16,688,568</u>	<u>\$ 9,850,451</u>

The accompanying notes are an integral part of these consolidated financial statements.

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2021

1. Significant Accounting Policies

Nature of Operations Lower Kootenay Band (the "First Nation") is a community of over 200 members located in the Creston Valley in south eastern British Columbia. 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. The First Nation is exempt from income taxes under the Income Tax Act.

Basis of Accounting These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

Reporting Entity The reporting entity includes the First Nation and all entities that are controlled by the First Nation.

All controlled entities are fully consolidated in the First Nation's consolidated financial statements except for entities that meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Accounting policies of consolidated entities are conformed to those of the First Nation and inter-organizational balances and transactions are eliminated upon consolidation. Under the modified equity method of accounting, only the First Nation's investment in the entity and the First Nation's portion of the entity's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the entity that are different from those of the First Nation and inter-organization balances and transactions are not eliminated.

Entity accounted for through consolidation:

- Lower Kootenay Guide Outfitters Ltd.

Entities accounted for on a modified equity basis:

- Ainsworth Hot Springs Ltd.
- Ainsworth Hot Springs Limited Partnership
- Ka'amaknala Development Corporation
- Lower Kootenay Development Limited Partnership
- Lower Kootenay Development Corporation
- Morris Flowers Inc.
- Nupika wu'u GP Ltd.
- yaqan nukiy Farms LP

Long-term Investments Long-term investments in entities in which the First Nation does not control or 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.

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2021

1. Significant Accounting Policies (continued)

Cash Cash and cash equivalents includes cash and investments in money market funds.

Temporary Investments Temporary investments are stated at the lower of cost and market value.

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. 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:

Buildings	1% - 4%
Community infrastructure	4%
Equipment	20% - 30%
Assets under construction	nil

Tangible capital assets under construction, development or that have been removed from service are not amortized until they are available to be put into service.

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

Contributed tangible capital assets are recorded at their fair value on the date of contribution, except in unusual circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

Purchase Price Premium Premiums paid on the acquisition of government business enterprises are amortized on a straight line basis over the lesser of the life of the purchase price premium and 20 years.

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2021

1. Significant Accounting Policies (continued)

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.

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

Rental revenue is recognized as it becomes receivable under the terms of the rental agreement.

Income from 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.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated 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. Assessing the valuation of accounts receivable and calculating the amortization of the tangible capital assets are the primary estimates evaluated by management on an ongoing basis.

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2021

2. Restated Comparative Information

During the year, management conducted a review of the accounting treatment of its investments and the following changes were recorded:

(1) The investment in Ktunaxa Holdings Limited Partnership was previously recorded as a government business enterprise and accounted for on the modified equity basis. Management concluded that as the First Nation does not have shared control over the investment, it should be recorded as a long-term investment, at cost.

(2) When the investments in Ainsworth Hot Springs Ltd. and Morris Flowers Inc. were acquired in 2015 and 2018, a purchase price premium should have been recorded and amortized over the next 20 years. This accumulated amortization has now been recorded and reflected in the restated investment value.

(3) Certain property, plant and equipment in Ainsworth Hot Springs Ltd. and Lower Kootenay Guide Outfitters Ltd. had not been correctly amortized. This accumulated amortization has now been recorded and reflected in the restated investment value.

(4) Lower Kootenay Guide Outfitters Ltd. no longer meets the criteria to be accounted for as a government business enterprise and will now be accounted for on a consolidated basis retroactively.

The table below summarizes the above transactions:

	As previously reported	Prior period adjustment	2020 Restated
Due from related entities	\$ 2,619,749	\$ (445,330)	\$ 2,174,419
Long term investments	60,133	39,010	99,143
Investment in business enterprises	12,609,516	(2,063,070)	10,546,446
Tangible capital assets	9,963,032	71,888	10,034,920
Other income	9,056,484	6,000	9,062,484
Income from business enterprises	877,280	(463,666)	413,614
Total expenses	5,795,560	5,104	5,800,664
Annual surplus	9,194,444	(462,770)	8,731,674
Accumulated surplus	23,470,374	(1,934,732)	21,535,642

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2021

3. Cash

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.

4. Restricted Cash

	<u>2021</u>	<u>2020</u>
Social Housing Operations - Replacement reserve (Note 14)	\$ 132,577	\$ 70,412

5. Temporary Investments

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

	<u>2021</u>	<u>2020</u>
Money market fund, Municipal Finance Authority	\$ 305,886	\$ 304,513
GIC, interest paid on maturity at blended rate of 1.30%, maturing August 2022	<u>50,854</u>	<u>50,202</u>
	<u>\$ 356,740</u>	<u>\$ 354,715</u>

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2021

6. Accounts Receivable

	2021	2020
Trade accounts receivable	\$ 1,004,815	\$ 3,969,425
Due from ISC	316,661	431,058
Band member receivables	80,103	93,544
Allowance for doubtful accounts	(310,019)	(331,460)
	<u>\$ 1,091,560</u>	<u>\$ 4,162,567</u>

7. Due To/From Related Entities

Due from related entities

	2021	(Restated) 2020
Lower Kootenay Development Corporation	\$ 40,601	\$ 40,556
Ainsworth Hot Springs Ltd.	1,466,112	1,466,112
Nupika wu'u GP Ltd.	2,021	2,021
Ka'amaknala Development Corporation	134	134
yaqan nukiy Farms LLP	1,773,559	1,750,567
kaniskoonok MP Ltd.	346	346
	<u>\$ 3,282,773</u>	<u>\$ 3,259,736</u>

Due to related entities

	2021	(Restated) 2020
Lower Kootenay Development Limited Partnership	364,069	70,196
Ainsworth Hot Springs Resort Limited Partnership	454,766	1,015,121
	<u>\$ 818,835</u>	<u>\$ 1,085,317</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).

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2021

8. Long-term Investments

	2021	(Restated) 2020
All Nations Trust Company, 90,000 Class A common shares, at cost	\$ 60,000	\$ 60,000
Ktunaxa Holdings Limited Partnership, 20% owned by the First Nation, at cost	39,010	39,010
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	100
BCFN GRS GP Ltd., common shares, at cost	10	10
	<u>\$ 99,143</u>	<u>\$ 99,143</u>

9. Investment in Business Enterprises

	2021	(Restated) 2020
Ainsworth Hot Springs Ltd., wholly-owned owned by the First Nation	\$ 3,861,270	\$ 4,128,846
Ainsworth Hot Springs Limited Partnership, 99.99% owned by the First Nation	2,289,920	2,890,316
Ka'amaknala Development Corporation, wholly-owned by the First Nation	1	1
Lower Kootenay Development Limited Partnership, 99.99% owned by the First Nation	2,088,396	2,527,594
Lower Kootenay Development Corporation, wholly-owned by the First Nation	1	1
Morris Flowers Inc, wholly-owned by the First Nation	945,536	999,687
Nupika wu'u GP Ltd., wholly-owned by the First Nation	1	1
	<u>\$ 9,185,125</u>	<u>\$ 10,546,446</u>

The above investments include \$2,317,038 (2020 - \$2,536,272) of unamortized purchase price premium. Amortization of \$165,233 (2020 - \$165,233) has been recorded as a reduction in the income (loss) from business enterprises reported on the Consolidated Statement of Operations.

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2021

9. Investment in Business Enterprises (continued)

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

		(Restated)
	2021	2020
(a) Summary of Financial Position		
Assets		
Cash and short term investments	\$ 1,746,219	\$ 1,654,290
Accounts receivable	108,387	366,502
Inventory	494,626	420,727
Prepays and other assets	33,005	91,738
Long-term investments	482,215	482,191
Due from related parties	891,450	882,599
Tangible capital assets	9,336,205	9,355,127
Total Assets	13,092,107	13,253,174
Liabilities		
Accounts payable and accrued liabilities	660,554	408,720
Due to related parties	3,140,400	2,409,791
Long-term debt	2,936,164	3,102,266
Total Liabilities	6,737,118	5,920,777
Equity	\$ 6,354,989	\$ 7,332,397
(b) Summary of Financial Activities		
	2021	2020
Total Revenues	\$ 3,583,978	\$ 7,042,650
Total Expenses	4,106,110	6,599,785
Amortization of purchase price	165,233	165,233
Income (loss) for the year	\$ (687,365)	\$ 277,632

Included in the results from the year are net losses of \$19,461 (2020 - \$1,762) relating to investments in business enterprises which are already recorded at a nominal value of \$1 each. These losses are not included in the income (loss) from business enterprises reported on the Consolidated Statement of Operations.

Lower Kootenay Band
Notes to the Consolidated Financial Statements

March 31, 2021

10. Deferred Revenue

	<u>2021</u>	<u>2020</u>
Deferred revenue is comprised of the following:		
Land preservation	\$ 874,832	\$ 225,068
Deferred land leases	62,081	68,915
First Nations Education Grants	121,210	74,323
Cultural	14,103	7,103
ISC Special Needs Emergency Supplement	5,806	5,806
ISC capital funding	234,586	5,221
Columbia Basin Trust	23,896	-
ISC - COVID Funding	217,748	-
Province of BC Grant	145,690	-
NRT - Grant	20,000	-
KNC - Covid Funding	25,000	-
	<u>\$ 1,744,952</u>	<u>\$ 386,436</u>

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2021

11. Long-term Debt

	2021	2020
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, maturing April 2026	\$ 5,749,694	\$ 6,133,731
John Deere - repayable in semi-annual installments of \$5,663, interest free, secured by tractors, maturing March 2022	11,327	22,654
John Deere - repayable in semi-annual installments of \$7,709, interest free, secured by tractors, maturing June 2023	38,545	53,963
Brandt - repayable in monthly installments of \$5,904, interest free, secured by excavator, maturing June 2022	88,562	159,412
Loans repaid in the year	-	209,152
All Nations Trust - Phase 10 mortgage repayable in monthly installments of \$1,190 including interest at 1.14% per annum, maturing July 2021	4,754	18,910
All Nations Trust Company - Phase 11 mortgage repayable in monthly installments of \$1,697 including interest at 1.84% per annum, maturing June 2022	25,183	44,922
All Nations Trust Company - Phase 12 mortgage repayable in monthly installments of \$1,076 including interest at 2.22% per annum, maturing December 2023	34,486	46,519
	<u>\$ 5,952,551</u>	<u>\$ 6,689,263</u>

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

2022	\$ 695,028
2023	610,264
2024	575,766
2025	559,400
2026	559,400
Thereafter	<u>2,952,693</u>
	<u>\$ 5,952,551</u>

Lower Kootenay Band
Notes to the Consolidated Financial Statements

March 31, 2021

12. Tangible Capital Assets

	2021					
	Land	Buildings	Community infrastructure	Equipment	Assets under construction	Total
Cost, beginning of year	\$ 363,842	\$ 8,775,780	\$ 7,345,297	\$ 1,538,845	\$ 1,372,648	\$ 19,396,412
Additions	-	57,994	7,003	266,477	3,939,343	4,270,817
Disposals	-	(302,978)	-	-	-	(302,978)
Cost, end of year	363,842	8,530,796	7,352,300	1,805,322	5,311,991	23,364,251
Accumulated amortization, beginning of year	-	5,132,583	3,323,212	905,697	-	9,361,492
Amortization	-	265,457	316,015	239,202	-	820,674
Disposals	-	(302,978)	-	-	-	(302,978)
Accumulated amortization, end of year	-	5,095,062	3,639,227	1,144,899	-	9,879,188
Net carrying amount, end of year	\$ 363,842	\$ 3,435,734	\$ 3,713,073	\$ 660,423	\$ 5,311,991	\$ 13,485,063

Lower Kootenay Band
Notes to the Consolidated Financial Statements

March 31, 2021

12. Tangible Capital Assets (continued)

	2020					
	Land	Buildings	Community infrastructure	Equipment	Assets under construction	Total
Cost, beginning of year	\$ 343,842	\$ 8,764,549	\$ 6,033,428	\$ 1,128,719	\$ 1,267,964	\$ 17,538,502
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)
Cost, end of year	363,842	8,775,780	7,345,297	1,538,845	1,372,648	19,396,412
Accumulated amortization, beginning of year	-	4,822,752	3,066,360	714,318	-	8,603,430
Amortization	-	309,831	256,852	195,379	-	762,062
Disposals	-	-	-	(4,000)	-	(4,000)
Accumulated amortization, end of year	-	5,132,583	3,323,212	905,697	-	9,361,492
Net carrying amount, end of year	\$ 363,842	\$ 3,643,197	\$ 4,022,085	\$ 633,148	\$ 1,372,648	\$ 10,034,920

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2021

13. Accumulated Surplus

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

	(Restated)	
	2021	2020
Equity in investments (Note 8)	\$ 99,143	\$ 99,143
Equity in business enterprises (Note 9)	9,185,125	10,546,446
Replacement reserve balance (Note 14)	142,782	34,463
Equity in tangible capital assets (Note 15)	13,282,203	9,479,385
Equity in Ottawa Trust Funds (Note 16)	76,691	75,263
Internally restricted	2,649,761	2,649,761
Unrestricted operating equity	10,164,796	7,382,855
	<u>\$ 35,600,501</u>	<u>\$ 30,267,316</u>

Internally restricted reserves are primarily related the the Impact Management and Benefits Agreement funding received and are required to be spent on community development and economic development.

14. Replacement Reserve

	2021	2020
Balance, beginning of year	\$ 34,463	\$ 35,924
Add:		
Current year allocation	15,139	15,139
Interest	415	827
CMHC supplemental assistance payment	123,500	-
Less:		
Approved expenditures	30,735	17,427
Balance, end of year	142,782	34,463
Funded balance (Note 4)	132,577	70,412
Under (over) funded balance	<u>\$ 10,205</u>	<u>\$ (35,949)</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. During the year, supplemental funding of \$123,500 was provided and required to be credited to the Replacement Reserve.

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2021

15. Equity in Tangible Capital Assets

	2021	2020
Balance, beginning of year, as previously stated	\$ 9,405,753	\$ 8,354,008
Restated comparative adjustments	<u>73,632</u>	<u>73,632</u>
Balance, beginning of the year restated	\$ 9,479,385	\$ 8,427,640
Add:		
Purchases of tangible capital assets	4,270,817	1,861,910
Debt repayment	<u>352,675</u>	<u>175,075</u>
	<u>4,623,492</u>	<u>2,036,985</u>
Less:		
Amortization of tangible capital assets	820,674	762,062
Proceeds from new debt issuance	<u>-</u>	<u>223,178</u>
	<u>820,674</u>	<u>985,240</u>
	<u>\$ 13,282,203</u>	<u>\$ 9,479,385</u>

16. Ottawa Trust Funds

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

	Revenue	Capital	2021 Total	2020 Total
Balance, beginning of year	\$ 35,975	\$ 39,288	\$ 75,263	\$ 72,720
Add:				
Interest on trust balances	<u>1,428</u>	<u>-</u>	<u>1,428</u>	<u>2,543</u>
Balance, end of year	<u>\$ 37,403</u>	<u>\$ 39,288</u>	<u>\$ 76,691</u>	<u>\$ 75,263</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 the Consolidated Financial Statements

March 31, 2021

17. Funds Held in Trust

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

	<u>2021</u>	<u>2020</u>
Band members - land settlement	<u>\$ 515,440</u>	<u>\$ 63,841</u>

The First Nation holds and administers the above amounts in trust relating to deposits and other cash amounts on hand relating to other parties. At March 31, 2021 the liabilities which relate to these funds held in trust are under funded by \$444,387.

18. Budget

The Band Council Budget Resolution adopted by Council was not prepared on a basis consistent with that used to report actual results (public sector accounting standards). The budget was prepared on a modified accrual basis while public sector accounting standards require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years. As a result, the budget figures presented in the Consolidated Statements of Operations and Change in Net Financial Assets represent the Budget adopted by Council with adjustments as follows:

	<u>2021</u>
Budget Bylaw surplus for the year	\$ 405,652
Add:	
Capital expenditures	-
Budgeted transfers to accumulated surplus	737,139
Admin expenses	210,182
Less:	
Budgeted transfers from accumulated surplus	(217,800)
Admin revenue	<u>(122,277)</u>
Budget surplus per Consolidated Statement of Operations	<u>\$ 1,012,896</u>

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2021

19. Expenses By Object

	Budget	2021	2020
Advertising	\$ 2,500	\$ -	\$ 2,605
Amortization	703,800	820,674	762,062
Bad debts (recovery)	-	(16,541)	2,097
CMHC approved expenditures	-	30,735	17,427
Consulting	101,000	173,895	107,996
Insurance	110,657	100,499	83,404
Interest on long-term debt	278,500	176,998	279,101
Interest and bank charges	10,225	9,318	10,280
Miscellaneous	174,162	149,937	76,700
Office	127,150	136,408	114,988
Professional fees	137,500	90,870	82,299
Program expenses	995,582	2,984,799	1,778,028
Rent	59,702	50,618	54,997
Repairs and maintenance	283,450	102,127	236,476
Supplies	61,550	49,381	42,072
Training and workshops	29,848	9,584	12,267
Travel	53,444	11,654	32,668
Vehicle	42,000	96,488	40,241
Wages and benefits	2,609,457	2,254,943	2,064,956
Total expenses for the year	\$ 5,780,527	\$ 7,232,387	\$ 5,800,664

20. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2021

21. Segmented Information

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

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

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 the Consolidated Financial Statements

March 31, 2021

21. Segmented Information (continued)

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 2021 Actual	Total 2021 Budget
Revenues								
Indigenous Services Canada	\$ 334,620	\$ 646,078	\$ -	\$ 903,665	\$ -	\$ 481,058	\$ 2,365,421	\$ 1,430,715
Rental income	-	-	-	-	159,090	-	159,090	155,000
Province of British Columbia	694,865	6,665	-	967,238	-	-	1,668,768	1,681,865
First Nation Education Steering Committee	-	-	-	211,765	-	-	211,765	182,773
First Nations Health Authority	-	-	2,368,625	-	-	-	2,368,625	297,133
Loss from business enterprises	(716,449)	-	-	-	-	-	(716,449)	-
Canada Mortgage Housing Corporation	-	-	-	-	316,761	-	316,761	15,139
Other	5,948,908	10,511	96,470	64,139	71,563	-	6,191,591	3,030,798
	<u>6,261,944</u>	<u>663,254</u>	<u>2,465,095</u>	<u>2,146,807</u>	<u>547,414</u>	<u>481,058</u>	<u>12,565,572</u>	<u>6,793,423</u>
Expenses								
Purchases	2,793,538	436,313	129,140	578,993	218,786	-	4,156,770	2,467,270
Payroll	1,014,435	61,207	116,168	984,478	78,655	-	2,254,943	2,609,457
Amortization	1,672	-	-	-	45,928	773,074	820,674	703,800
	<u>3,809,645</u>	<u>497,520</u>	<u>245,308</u>	<u>1,563,471</u>	<u>343,369</u>	<u>773,074</u>	<u>7,232,387</u>	<u>5,780,527</u>
Surplus (deficit) for the year	<u>\$ 2,452,299</u>	<u>\$ 165,734</u>	<u>\$ 2,219,787</u>	<u>\$ 583,336</u>	<u>\$ 204,045</u>	<u>\$ (292,016)</u>	<u>\$ 5,333,185</u>	<u>\$ 1,012,896</u>

Lower Kootenay Band
Notes to the Consolidated Financial Statements

March 31, 2021

21. Segmented Information (continued)

	Administration	Social Development	Health	Education	Social Housing	Capital	(Restated) 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
First Nations Health Authority	-	-	559,308	-	-	-	559,308	271,784
Income from business enterprises	413,614	-	-	-	-	-	413,614	275,000
Canada Mortgage Housing Corporation	-	-	-	-	20,250	-	20,250	20,470
Other	8,794,597	-	183,311	77,826	6,750	-	9,062,484	3,015,600
	<u>10,572,499</u>	<u>445,044</u>	<u>742,619</u>	<u>2,030,744</u>	<u>184,749</u>	<u>556,683</u>	<u>14,532,338</u>	<u>7,486,162</u>
Expenses								
Purchases	1,568,567	393,869	95,271	488,758	427,181	-	2,973,646	2,580,434
Payroll	929,070	47,371	123,650	896,032	68,833	-	2,064,956	2,270,427
Amortization	-	-	-	-	45,139	716,923	762,062	48,800
	<u>2,497,637</u>	<u>441,240</u>	<u>218,921</u>	<u>1,384,790</u>	<u>541,153</u>	<u>716,923</u>	<u>5,800,664</u>	<u>4,899,661</u>
Surplus (deficit) for the year	<u>\$ 8,074,862</u>	<u>\$ 3,804</u>	<u>\$ 523,698</u>	<u>\$ 645,954</u>	<u>\$ (356,404)</u>	<u>\$ (160,240)</u>	<u>\$ 8,731,674</u>	<u>\$ 2,586,501</u>