

Lower Kootenay Band
Consolidated Financial Statements
For the year ended March 31, 2022

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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.

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Director of Operations



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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, 2022, and the consolidated statements of operations, 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 consolidated financial statements present fairly, in all material respects, the financial position of the Lower Kootenay Band as at March 31, 2022 and its operations, 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 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.

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

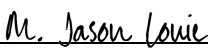
March 3, 2023

Lower Kootenay Band

Consolidated Statement of Financial Position

March 31	2022	2021
Financial Assets		
Cash (Note 2)	\$ 15,923,662	\$ 16,479,300
Restricted cash (Note 3)	133,280	132,577
Temporary investments (Note 4)	364,953	356,740
Accounts receivable (Note 5)	1,817,732	1,091,560
Due from related entities (Note 6)	3,284,178	3,282,773
Long-term investments (Note 7)	99,143	99,143
Investment in business enterprises (Note 8)	9,910,111	9,185,125
Ottawa Trust Funds (Note 15)	78,714	76,691
	<u>31,611,773</u>	<u>30,703,909</u>
Financial Liabilities		
Accounts payable and accrued liabilities	328,591	386,360
Due to related entities (Note 6)	935,534	818,835
Deferred revenue (Note 9)	3,299,795	1,744,952
Long-term debt (Note 10)	5,477,627	5,952,551
	<u>10,041,547</u>	<u>8,902,698</u>
Net Financial Assets	<u>21,570,226</u>	<u>21,801,211</u>
Non-Financial Assets		
Tangible capital assets (Note 11)	16,474,143	13,485,063
Prepaid expenses	360,974	314,227
	<u>16,835,117</u>	<u>13,799,290</u>
Accumulated Surplus (Note 12)	<u>\$ 38,405,343</u>	<u>\$ 35,600,501</u>

Approved on behalf of the Band Council

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Lower Kootenay Band Consolidated Statement of Operations

For the year ended March 31	Budget	2022	2021
Revenue			
Indigenous Services Canada	\$ 1,465,354	\$ 2,068,584	\$ 2,380,571
First Nations Education Steering Committee	120,000	335,133	211,765
First Nations Health Authority	305,701	866,478	2,368,625
Province of British Columbia	1,557,355	1,976,998	1,668,768
Rental income	160,000	161,433	159,090
Other income	3,584,499	2,940,877	3,675,608
Income (loss) from business enterprises	-	754,986	(716,449)
Canada Mortgage Housing Corporation	14,300	17,259	316,761
Ktunaxa Nation Council	-	-	2,500,833
	<u>7,207,209</u>	<u>9,121,748</u>	<u>12,565,572</u>
Expenses (Note 18)			
Administration	998,363	994,289	950,323
Social development	447,597	489,136	497,520
Health	295,005	337,211	245,308
Education	1,611,810	1,705,103	1,563,471
Social housing	265,505	404,772	343,369
Infrastructure and land management	1,768,187	1,118,793	2,507,303
Economic development	118,225	900	5,704
Operations and maintenance	567,593	455,153	346,315
Capital fund	800,000	811,549	773,074
	<u>6,872,285</u>	<u>6,316,906</u>	<u>7,232,387</u>
Annual surplus	334,924	2,804,842	5,333,185
Accumulated surplus, beginning of year	<u>35,600,501</u>	<u>35,600,501</u>	<u>30,267,316</u>
Accumulated surplus, end of year	<u>\$ 35,935,425</u>	<u>\$ 38,405,343</u>	<u>\$ 35,600,501</u>

Lower Kootenay Band
Consolidated Statement of Change in Net Financial Assets

For the year ended March 31	Budget	2022	2021
Annual surplus	\$ 334,924	\$ 2,804,842	\$ 5,333,185
Acquisition of tangible capital assets (Note 11)	-	(3,837,347)	(4,270,817)
Amortization of tangible capital assets (Note 11)	850,000	848,267	820,674
Change in prepaid expenses	-	(46,747)	12,521
Net change in net financial assets	1,184,924	(230,985)	1,895,563
Net financial assets, beginning of year	21,801,211	21,801,211	19,905,648
Net financial assets, end of year	\$ 22,986,135	\$ 21,570,226	\$ 21,801,211

Lower Kootenay Band Consolidated Statement of Cash Flows

For the year ended March 31	2022	2021
Cash flows provided by (used in) operating activities		
Cash receipts customers	\$ 9,950,054	\$ 16,995,095
Cash paid to employees and suppliers	<u>(5,572,789)</u>	<u>(6,219,223)</u>
	<u>4,377,265</u>	<u>10,775,872</u>
Cash flows used in capital activities		
Purchase of tangible capital assets	<u>(3,837,347)</u>	<u>(4,270,817)</u>
Cash flows used in investing activities		
Advances from (to) business enterprises	(724,986)	1,361,319
Purchase of short term temporary investments	(8,213)	(2,026)
Advances from (to) related entities	<u>115,293</u>	<u>(289,519)</u>
	<u>(617,906)</u>	<u>1,069,774</u>
Cash flows provided by (used in) financing activities		
Proceeds from issuance of long-term debt	53,895	-
Repayment of long-term debt	<u>(528,819)</u>	<u>(736,712)</u>
	<u>(474,924)</u>	<u>(736,712)</u>
Net increase (decrease) in cash	(552,912)	6,838,117
Cash, beginning of year	<u>16,688,568</u>	<u>9,850,451</u>
Cash, end of year	<u>\$ 16,135,656</u>	<u>\$ 16,688,568</u>
Represented by		
Cash	\$ 15,923,662	\$ 16,479,300
Restricted cash	133,280	132,577
Ottawa Trust Funds	<u>78,714</u>	<u>76,691</u>
	<u>\$ 16,135,656</u>	<u>\$ 16,688,568</u>

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

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2022

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 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, 2022

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. 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:

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, 2022

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, 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. 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.
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 Consolidated Statement of Financial Position. The revenue is recognized in the Consolidated Statement of Operations 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 Consolidated 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 consolidated financial statements.
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.

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2022

2. 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.

3. Restricted Cash

	2022	2021
Social Housing Operations - Replacement reserve (Note 13)	\$ 133,280	\$ 132,577

4. Temporary Investments

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

	2022	2021
Money market fund, Municipal Finance Authority	\$ 303,336	\$ 305,886
GIC, interest paid annually at blended rate of 1.30%, maturing August 2022	51,617	50,854
GIC's, interest paid on maturity at 1.20% due August 2022	10,000	-
	\$ 364,953	\$ 356,740

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2022

5. Accounts Receivable

	2022	2021
Trade accounts receivable	\$ 1,367,427	\$ 1,002,815
Due from ISC	676,834	316,661
Band member receivables	83,447	82,103
Allowance for doubtful accounts	(309,976)	(310,019)
	<u>\$ 1,817,732</u>	<u>\$ 1,091,560</u>

6. Due To/From Related Entities

Due from related entities

	2022	2021
Lower Kootenay Development Corporation	\$ 42,549	\$ 40,601
Ainsworth Hot Springs Ltd.	1,466,112	1,466,112
Morris Flowers Inc.	1,630	-
Nupika wu'u GP Ltd.	2,066	2,021
Ka'amaknala Development Corporation	223	134
yaqan nukiy Farms LLP	1,770,483	1,773,559
kaniskoonok MP Ltd.	1,115	346
	<u>\$ 3,284,178</u>	<u>\$ 3,282,773</u>

Due to related entities

	2022	2021
Lower Kootenay Development Limited Partnership	479,786	364,069
Ainsworth Hot Springs Resort Limited Partnership	455,748	454,766
	<u>\$ 935,534</u>	<u>\$ 818,835</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, 2022

7. Long-term Investments

	2022	2021
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>

8. Investment in Business Enterprises

	2022	2021
Ainsworth Hot Springs Ltd., wholly-owned owned by the First Nation	\$ 3,604,988	\$ 3,861,270
Ainsworth Hot Springs Limited Partnership, 99.99% owned by the First Nation	2,486,417	2,289,920
Ka'amaknala Development Corporation, wholly-owned by the First Nation	1	1
Lower Kootenay Development Limited Partnership, 99.99% owned by the First Nation	2,912,482	2,088,396
Lower Kootenay Development Corporation, wholly-owned by the First Nation	1	1
Morris Flowers Inc, wholly-owned by the First Nation	906,221	945,536
Nupika wu'u GP Ltd., wholly-owned by the First Nation	1	1
	<u>\$ 9,910,111</u>	<u>\$ 9,185,125</u>

The above investments include \$2,151,805 (2021 - \$2,317,038) of unamortized purchase price premium. Amortization of \$165,233 (2021 - \$165,233) has been recorded as a reduction of the income from government business enterprises for the year.

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2022

8. Investment in Business Enterprises (continued)

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

(a) Summary of Financial Position	<u>2022</u>	<u>2021</u>
Assets		
Cash and short term investments	\$ 2,627,640	\$ 1,746,219
Accounts receivable	251,354	108,387
Inventory	513,879	494,626
Prepays and other assets	35,992	33,005
Long-term investments	449,278	482,215
Due from related parties	1,033,222	891,450
Tangible capital assets	<u>9,192,361</u>	<u>9,336,205</u>
Total Assets	<u>14,103,726</u>	<u>13,092,107</u>
Liabilities		
Accounts payable and accrued liabilities	563,164	660,554
Due to related parties	2,976,360	3,140,400
Long-term debt	<u>3,320,887</u>	<u>2,936,164</u>
Total Liabilities	<u>6,860,411</u>	<u>6,737,118</u>
Equity	<u>\$ 7,243,315</u>	<u>\$ 6,354,989</u>
(b) Summary of Financial Activities	<u>2022</u>	<u>2021</u>
Total Revenues	\$ 6,338,368	\$ 3,583,978
Total Expenses	5,274,618	4,106,110
Amortization of purchase price	<u>165,233</u>	<u>165,233</u>
Income (loss) for the year	<u>\$ 898,517</u>	<u>\$ (687,365)</u>

Included in income from the year as shown above is net income of \$193,089 (2021 - loss of \$19,461) 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 from business enterprises that is reported on the Consolidated Statement of Operations.

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2022

9. Deferred Revenue

	<u>2022</u>	<u>2021</u>
Deferred revenue is comprised of the following:		
Land preservation	\$ 928,676	\$ 874,832
Deferred land leases	62,081	62,081
First Nations Education grants	155,256	121,210
Cultural	19,003	14,103
ISC Special Needs Emergency Supplement	6,256	5,806
ISC capital funding	306,701	234,586
Columbia Basin Trust	363,282	23,896
ISC - COVID Funding	842,850	217,748
Province of BC Grant	145,690	145,690
NRT - Grant	-	20,000
KNC - Covid funding	-	25,000
ISC New Approach for Housing Support	300,000	-
First Nation Health Authority	40,000	-
Other donations	130,000	-
	<u>\$ 3,299,795</u>	<u>\$ 1,744,952</u>

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2022

10. Long-term Debt

	<u>2022</u>	<u>2021</u>
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	\$ 5,355,626	\$ 5,749,694
Indigenous Services Canada - no repayment terms, interest free, unsecured, maturing March 2026	53,895	-
John Deere - loan repaid in the year	-	11,327
John Deere - repayable in semi-annual installments of \$7,709, interest free, secured by tractors, maturing June 2023	23,127	38,545
Brandt - repayable in monthly installments of \$5,904, interest free, secured by excavator, maturing June 2022	17,712	88,562
All Nations Trust - Phase 10 mortgage repaid in the year	-	4,754
All Nations Trust Company - Phase 11 mortgage repayable in monthly installments of \$1,697 including interest at 1.84% per annum, maturing June 2022	5,081	25,183
All Nations Trust Company - Phase 12 mortgage repayable in monthly installments of \$1,076 including interest at 2.22% per annum, maturing December 2023	22,186	34,486
	<u>\$ 5,477,627</u>	<u>\$ 5,952,551</u>

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

2023	\$ 695,028
2024	610,264
2025	575,766
2026	559,400
2027	559,400
Thereafter	<u>2,477,769</u>
	<u>\$ 5,477,627</u>

Lower Kootenay Band
Notes to the Consolidated Financial Statements

March 31, 2022

11. Tangible Capital Assets

	2022					
	Land	Buildings	Community infrastructure	Equipment	Assets under construction	Total
Cost, beginning of year	\$ 363,842	\$ 8,530,796	\$ 7,352,300	\$ 1,805,322	\$ 5,311,991	\$ 23,364,251
Additions	162,912	58,264	105,282	284,334	3,228,548	3,839,340
Disposals	-	-	-	(5,440)	-	(5,440)
Asset reclassified	(30,000)	24,260	-	3,747	-	(1,993)
Asset transfers	-	417,353	181,164	9,771	(608,288)	-
Cost, end of year	496,754	9,030,673	7,638,746	2,097,734	7,932,251	27,196,158
Accumulated amortization, beginning of year	-	5,095,062	3,639,227	1,144,899	-	9,879,188
Amortization	-	297,604	277,904	274,745	-	850,253
Disposals	-	-	-	(5,440)	-	(5,440)
Accumulated amortization reclassified	-	41,199	(37,859)	(5,326)	-	(1,986)
Accumulated amortization, end of year	-	5,433,865	3,879,272	1,408,878	-	10,722,015
Net carrying amount, end of year	\$ 496,754	\$ 3,596,808	\$ 3,759,474	\$ 688,856	\$ 7,932,251	\$ 16,474,143

Lower Kootenay Band
Notes to the Consolidated Financial Statements

March 31, 2022

11. Tangible Capital Assets (continued)

	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, 2022

12. Accumulated Surplus

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

	2022	2021
Equity in investments (Note 7)	\$ 99,143	\$ 99,143
Equity in business enterprises (Note 8)	9,910,111	9,185,125
Replacement reserve balance (Note 13)	115,315	142,782
Equity in tangible capital assets (Note 14)	16,406,034	13,282,203
Equity in Ottawa Trust Funds (Note 15)	78,714	76,691
Internally restricted	2,649,761	2,649,761
Unrestricted operating equity	9,146,265	10,164,796
	<u>\$ 38,405,343</u>	<u>\$ 35,600,501</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.

13. Replacement Reserve

	2022	2021
Balance, beginning of year	\$ 142,782	\$ 34,463
Add:		
Current year allocation	12,479	15,139
Interest	704	415
CMHC supplemental assistance payment	-	123,500
Less:		
Approved expenditures	40,650	30,735
Balance, end of year	115,315	142,782
Funded balance (Note 3)	133,280	132,577
Under (over) funded balance	<u>\$ (17,965)</u>	<u>\$ 10,205</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 \$12,479. 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 the Consolidated Financial Statements

March 31, 2022

14. Equity in Tangible Capital Assets

	2022	2021
Balance, beginning of year	\$ 13,282,203	\$ 9,479,385
Add:		
Purchases of tangible capital assets	3,837,347	4,270,817
Debt repayment	134,751	352,675
	<u>3,972,098</u>	<u>4,623,492</u>
Less:		
Amortization of tangible capital assets	<u>848,267</u>	<u>820,674</u>
	<u>\$ 16,406,034</u>	<u>\$ 13,282,203</u>

15. Equity in Ottawa Trust Funds

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

	Revenue	Capital	2022 Total	2021 Total
Balance, beginning of year	\$ 37,403	\$ 39,288	\$ 76,691	\$ 75,263
Add:				
Interest on trust balances	2,023	-	2,023	1,428
Balance, end of year	<u>\$ 39,426</u>	<u>\$ 39,288</u>	<u>\$ 78,714</u>	<u>\$ 76,691</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, 2022

16. Funds Held in Trust

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

	<u>2022</u>	<u>2021</u>
Band members - land settlement	<u>\$ 506,462</u>	<u>\$ 515,440</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, 2022 the liabilities which relate to these funds held in trust are under funded by \$433,090.

17. 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>2022</u>
Budget Bylaw surplus for the year	\$ 692,446
Add:	
Capital expenditures	-
Budgeted transfers to accumulated surplus	15,139
Admin expenses	184,652
Less:	
Budgeted transfers from accumulated surplus	(352,265)
Admin revenue	<u>(205,048)</u>
Budget surplus per Consolidated Statement of Operations	<u>\$ 334,924</u>

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2022

18. Expenses By Object

	Budget	2022	2021
Advertising	\$ 2,500	\$ 7,627	\$ -
Amortization	850,000	850,253	820,674
Bad debts (recovery)	-	(43)	(16,541)
CMHC approved expenditures	-	40,650	30,735
Consulting	101,000	104,967	96,593
Insurance	114,700	110,176	100,499
Interest on long-term debt	178,500	166,216	176,998
Interest and bank charges	10,150	9,446	9,318
Miscellaneous	181,700	67,418	114,140
Office	110,100	146,303	226,736
Professional fees	138,500	93,358	90,870
Program expenses	2,110,968	1,517,558	2,962,275
Rent	51,784	62,950	67,028
Repairs and maintenance	167,899	255,533	128,585
Supplies	53,450	116,857	49,381
Training and workshops	28,500	11,458	12,011
Travel	51,450	20,393	11,654
Vehicle	42,500	83,678	96,488
Wages and benefits	2,678,584	2,652,108	2,254,943
Total expenses for the year	\$ 6,872,285	\$ 6,316,906	\$ 7,232,387

19. Comparative Figures

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

20. Subsequent Events

Subsequent to the year end, the Band completed the purchase of a property, "the Armstrong Property" for \$4,650,597, through Lower Kootenay Development Corporation.

Subsequent to the year end, the Band completed a settlement claim that was in progress at the year end and was awarded \$500,000. A referendum was held on how to distribute the funds in February 2023. Subsequent to the report date, the full amount of the settlement was distributed to members.

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2022

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, 2022

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 2022 Actual	Total 2022 Budget
Revenues								
Indigenous Services Canada	\$ 934,766	\$ 362,773	\$ -	\$ 771,045	\$ -	\$ -	\$ 2,068,584	\$ 1,465,354
Rental Income	-	-	-	-	161,433	-	161,433	160,000
Province of British Columbia	721,648	-	-	1,255,350	-	-	1,976,998	1,557,355
First Nations Education Steering Committee	-	-	-	335,133	-	-	335,133	120,000
First Nations Health Authority	-	-	866,478	-	-	-	866,478	305,701
Income from business enterprises	754,986	-	-	-	-	-	754,986	-
CMHC revenue	-	-	-	-	17,259	-	17,259	14,300
Other	2,147,919	7,657	731,264	7,388	46,649	-	2,940,877	3,584,499
	<u>4,559,319</u>	<u>370,430</u>	<u>1,597,742</u>	<u>2,368,916</u>	<u>225,341</u>	<u>-</u>	<u>9,121,748</u>	<u>7,207,209</u>
Expenses								
Purchases	1,455,860	413,991	147,924	520,291	278,087	(1,608)	2,814,545	3,343,701
Payroll	1,113,276	75,145	189,287	1,184,812	89,588	-	2,652,108	2,678,584
Amortization	-	-	-	-	37,097	813,156	850,253	850,000
	<u>2,569,136</u>	<u>489,136</u>	<u>337,211</u>	<u>1,705,103</u>	<u>404,772</u>	<u>811,548</u>	<u>6,316,906</u>	<u>6,872,285</u>
Surplus (deficit) for the year	<u>\$ 1,990,183</u>	<u>\$ (118,706)</u>	<u>\$ 1,260,531</u>	<u>\$ 663,813</u>	<u>\$ (179,431)</u>	<u>\$ (811,548)</u>	<u>\$ 2,804,842</u>	<u>\$ 334,924</u>

Lower Kootenay Band
Notes to the Consolidated Financial Statements

March 31, 2022

21. Segmented Information (continued)

	Administration	Social Development	Health	Education	Social Housing	Capital	Total 2021 Actual	Total 2021 Budget
Revenues								
Indigenous Services Canada	\$ 830,828	\$ 646,078	\$ -	\$ 903,665	\$ -	\$ -	\$ 2,380,571	\$ 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 Nations 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)	-
CMHC revenue	-	-	-	-	316,761	-	316,761	15,139
Other	5,933,758	10,511	96,470	64,139	71,563	-	6,176,441	3,030,798
	<u>6,743,002</u>	<u>663,254</u>	<u>2,465,095</u>	<u>2,146,807</u>	<u>547,414</u>	<u>-</u>	<u>12,565,572</u>	<u>6,793,423</u>
Expenses								
Purchases	2,795,210	436,313	129,140	578,993	218,786	140	4,158,582	2,467,270
Payroll	1,014,435	61,207	116,168	984,478	78,655	-	2,254,943	2,609,457
Amortization	-	-	-	-	45,928	772,934	818,862	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>\$ 2,933,357</u>	<u>\$ 165,734</u>	<u>\$ 2,219,787</u>	<u>\$ 583,336</u>	<u>\$ 204,045</u>	<u>\$ (773,074)</u>	<u>\$ 5,333,185</u>	<u>\$ 1,012,896</u>