

LAKE BABINE NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019



LAKE BABINE NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2019

The accompanying consolidated financial statements of Lake Babine Nation 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 prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

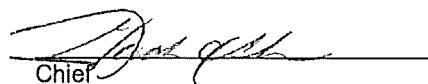
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

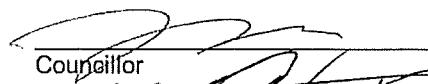
The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, DMC Chartered Professional Accountants Inc., conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Lake Babine Nation and meet when required.

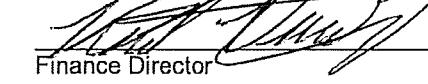
On behalf of Lake Babine Nation:


Chief

July 29, 2019
Date


Councillor

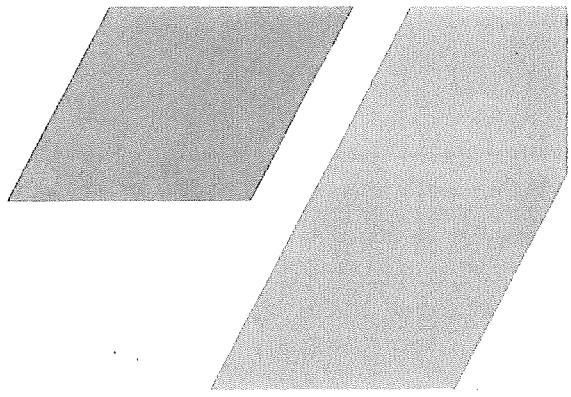
July 29, 2019
Date


Finance Director

July 29, 2019
Date



Chartered
Professional
Accountants Inc.



Independent Auditor's Report

To the Members of
Lake Babine Nation

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Lake Babine Nation, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated consolidated statements of revenue, expenditures and accumulated surplus, change in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

Except as noted in the following paragraph, in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2019 and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

We were unable to obtain sufficient audit evidence for the First Nation's investments, specifically the investment in Burns Lake Native Development Corporation (BLNDC), Talok Fisheries LP, Talok Fisheries Ltd., Lake Babine Forestry LP, Lake Babine Forestry Ltd. and Lake Babine Economic Development Society. As a result, we are not able to determine whether any adjustments might be necessary to these investments, other income or ending surplus on schedule 875 Equity in First Nations Investments.

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 qualified opinion.

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

Management is responsible for the preparation and fair presentation of the 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 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 Group 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.

*DMC Chartered Professional
Accountants Inc.*

Prince George, British Columbia
July 29, 2019

LAKE BABINE NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2019

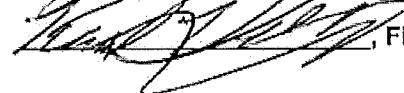
	2019	2018
FINANCIAL ASSETS		
Cash (Note 2)	\$ 1,991,276	\$ 1,586,146
Short term deposits (Note 2)	481,407	2,138,896
Restricted cash (Note 2)	293,077	867,513
Accounts receivable (Note 3)	2,389,502	1,781,043
Due from government agencies (Note 4)	269,469	179,662
Loans receivable (Note 5)	76,400	92,399
Inventory held for resale (Note 6)	21,808	21,808
Long term receivable		162,000
Investment in First Nation Entities (Notes 7, 8)	4,878,403	4,208,762
Federal trust funds (Note 9)	1,463,799	1,441,273
	11,865,141	12,479,502
LIABILITIES		
Bank indebtedness (Note 10)	36,789	68,246
Accounts payable and accrued liabilities (Note 11)	2,405,599	2,427,320
Deferred revenue (Note 12)	1,268,561	431,696
Long-term debt (Note 13)	15,983,071	13,178,180
	19,694,020	16,105,442
NET DEBT	(7,828,879)	(3,625,940)
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 14)	29,176,045	26,429,741
Prepaid expenses	103,970	204,776
	29,280,015	26,634,517
ACCUMULATED SURPLUS (Note 15)	\$ 21,451,136	\$ 23,008,577

Contingent Liabilities (Note 16)
 Economic Dependence (Note 17)
 Subsequent Events (Note 20)

Approved on behalf of the Lake Babine Nation

, Chief

, Councillor

, Finance Director

See accompanying notes to these financial statements.

LAKE BABINE NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED MARCH 31, 2019

	2019 Budget	2019 Actual	2018 Actual
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ (4,888,539)	\$ (1,557,441)	\$ 1,596,430
Acquisition of tangible capital assets	(3,594,470)	(3,922,190)	(3,382,306)
Amortization of tangible capital assets	-	1,159,500	1,136,280
Gain on disposal of tangible capital assets	-	8,886	(9,980)
Proceeds on disposal of tangible capital assets	-	7,500	27,193
	(3,594,740)	(2,746,304)	(2,228,813)
Acquisition of prepaid asset	(100,526)	(100,526)	(112,909)
Use of prepaid asset	201,332	201,332	60,050
	100,806	100,806	(52,859)
Loan proceeds repayable	-	-	(585,867)
Decrease in net financial assets	(8,382,473)	(4,202,939)	(1,271,109)
NET DEBT AT BEGINNING OF YEAR	-	(3,625,940)	(2,354,831)
NET DEBT AT END OF YEAR	\$ -	\$ (7,828,879)	\$ (3,625,940)

See accompanying notes to these financial statements.

LAKE BABINE NATION

CONSOLIDATED STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2019

	2019 Budget	2019 Actual	2018 Actual
REVENUE			
Federal government transfers (Note 18)	\$ 9,913,943	\$ 12,944,496	\$ 11,549,508
Provincial government transfers (Note 18)	590,933	3,454,253	6,470,638
Administration fee	-	-	18,754
Band Generated	1,639,680	1,685,811	1,283,926
Interest income	-	66,423	84,876
Miscellaneous	260,496	501,872	556,510
Other Aboriginal Groups	4,124,666	6,357,320	5,344,953
Transfer from deferred revenue	312,356	289,821	1,816,939
Transfer to deferred revenue	-	(1,073,907)	(271,184)
	16,842,074	24,226,089	26,854,920
EXPENDITURES			
Operations	3,588,712	3,303,955	3,037,853
LBN Education Program	4,410,753	6,656,994	6,695,312
Economic Development	1,760,975	1,552,555	1,275,279
Natural Resource Management	413,580	2,258,234	2,633,903
Social Housing Fund	1,777,648	817,938	800,503
Health Services Fund	3,749,389	4,289,688	3,633,499
LBN Social Development	3,037,386	2,473,129	2,371,886
Capital Projects 500	911,749	1,516,750	1,672,938
Operations & Maintenance	1,185,865	1,389,130	1,277,531
Fisheries Fund	800,728	863,270	854,468
Treaty Negotiation Fund	-	226,796	576,875
	21,636,785	25,348,439	24,830,047
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE OTHER ITEMS			
	(4,888,539)	(1,122,350)	2,024,871
OTHER ITEMS			
Bad debts- Housing	-	(263,263)	(167,278)
Loss in First Nation Entities	-	(19,549)	(520,953)
Insurance Proceeds	-	-	249,810
Loss(gain) on disposal of tangible capital assets	-	(8,886)	9,980
Forgiveness of debt	-	18,607	-
Contract receivable adjustment	-	(162,000)	-
	-	(435,091)	(428,441)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES			
	(4,888,539)	(1,557,441)	1,596,430
ACCUMULATED SURPLUS AT BEGINNING OF YEAR			
	-	23,008,577	21,998,014
TREATY LOAN			
	-	-	(585,867)
ACCUMULATED SURPLUS AT END OF YEAR			
	\$ (4,888,539)	\$ 21,451,136	\$ 23,008,577

See accompanying notes to these financial statements.

LAKE BABINE NATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
Cash flows from OPERATING ACTIVITIES		
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ (1,557,441)	\$ 1,596,430
Items not affecting cash		
Amortization	1,159,500	1,136,280
Loan proceeds repayable	-	(585,867)
Gain on disposal of tangible capital assets	8,886	(9,980)
	(389,055)	2,136,863
Change in non-cash operating working capital		
Accounts receivable	(608,459)	167,262
Due from government agencies	(89,807)	91,240
Inventory	-	424
Prepaid expenses	100,806	(52,858)
Accounts payable and accrued liabilities	(21,721)	777,564
Due to government agencies	-	(76,970)
Deferred revenue	836,865	(1,554,947)
Long term receivable	162,000	-
	(9,371)	1,488,578
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(3,922,190)	(3,382,306)
Proceeds on sale of tangible capital assets	7,500	27,193
	(3,914,690)	(3,355,113)
FINANCING ACTIVITIES		
Proceeds on long term debt	2,934,819	1,436,437
Repayment of long term debt	(129,928)	(87,961)
Advances from (to) short term financing	(31,457)	31,844
Proceeds from repayment of band member receivables	15,999	(4,462)
	2,789,433	1,375,858
INVESTING ACTIVITIES		
Investment in First Nation Controlled Entities	(669,641)	517,387
Contributions to Ottawa Trust fund	(22,526)	(36,955)
	(692,167)	480,432
DECREASE IN CASH AND CASH EQUIVALENTS	(1,826,795)	(10,245)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,592,555	4,602,800
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,765,760	\$ 4,592,555
REPRESENTED BY		
Cash	\$ 1,991,276	\$ 1,586,146
Short term deposits	481,407	2,138,896
Restricted cash	293,077	867,513
	\$ 2,765,760	\$ 4,592,555

See accompanying notes to these financial statements.

LAKE BABINE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

DESCRIPTION OF OPERATIONS

Lake Babine Nation is a self-governed First Nation Band and operates on Lake Babine Nation traditional territory, located at Burns Lake, BC and area.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Reporting entity principles of financial reporting

The First Nation reporting entity includes the First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

The First Nation also prepares Financial Statements that summarize the assets, liabilities and results of operations for the following entities:

1. Lake Babine Nation Operations Fund
2. Lake Babine Nation Treaty Negotiation Fund
3. Lake Babine Nation Health Services Fund
4. Lake Babine Nation Fisheries Fund
5. Lake Babine Nation Social Housing Fund
6. Lake Babine Nation Capital Fund
7. Lake Babine Nation Equity in First Nation Investments Fund

All inter-entity balances have been eliminated.

(b) Fund accounting

The First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual, or voluntary actions. The various funds have been amalgamated for the purposes of presentation in the Summary Financial Statements. Detail of the operations of each fund are set out in the supplementary schedules. The First Nation maintains the following funds:

- The Operating Fund which reports the general activities of the First Nation including administration, education, social assistance, natural resource management, operations and maintenance, and other miscellaneous programs.
- The Treaty Negotiation Fund which reports the activities of the BC Treaty Program.
- The Social Housing Fund which reports on the housing assets, rental income and other related activities.
- The Health Services Fund which reports the activities related to the Nation's health programs.
- The Capital Fund which reports the capital assets of the First Nation and their related activities.
- The Equity in First Nation Investments Fund which reports the activities of the First Nation's investments on a modified equity basis.

LAKE BABINE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions:

The entity subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, accounts receivable, short term deposits and trust funds.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, reserves, and long term debt.

Fair value is determined by the price that is quoted in an active market. The most recent quote price becomes its new carrying value. When a quoted price in an active market is not available for an equity instrument that is an investment, it is measured at cost.

The Nation does not currently have any financial instruments that are measured at fair value.

(d) Cash

Cash and cash equivalents include cash on hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

(e) Inventories held for resale

Inventory of supplies and goods held for resale are recorded at the lower of cost and net realizable value based on weighted average cost method.

(f) Loans receivable

Loans receivable are stated at the lower of cost and management's best estimate of net recoverable value. Valuation allowances, which are not required to reduce loans receivable, are based on past events, current conditions and all circumstances known at the date of the preparation of the financial statements. Interest revenue is recognized when earned. Interest revenue is not accrued when the collectability of either principle or interest is not reasonably assured.

LAKE BABINE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investments in First Nation entities

Lake Babine Nation's investment in First Nation Entities owned or controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are accounted for using the modified equity method. Under the modified equity method, the equity method is modified only to the extent that the First Nation entity accounting principles are not adjusted to conform to those of the First Nation. The First Nation's investment in these entities is recorded at cost and increased or decreased for it's proportionate share of the post acquisition earnings, losses and distributions received. Entities accounted for under the modified equity method include:

- Burns Lake Native Development Corporation
- Lake Babine Economic Development Society
- Woyenne Enterprises Ltd.
- Talok Fisheries Ltd.
- Talok Fisheries Limited Partnership
- Lake Babine Nation Forestry Ltd.
- Lake Babine Nation Forestry Limited Partnership
- Lake Babine Nation Construction Ltd.
- Lake Babine Nation Ventures Ltd.
- Lake Babine Nation Ventures LP
- Nedut'een Development Corp.
- 1203001 B.C. Ltd.

(h) Trust funds

Trust funds are included as revenue in these statements only to the extent they have been received from the First Nation's trust funds. The trust funds arise from monies derived from capital or revenue sources as 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.

LAKE BABINE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Lake Babine Nation's incremental cost of borrowing.

Amortization is provided for on a declining balance basis based on each asset class' estimated useful lives as follows:

Automotive equipment	30%
Buildings and infrastructure	4%
Computer equipment	30%
Equipment	20%
Fisheries equipment	20%
Water and sewer	5%
Roads and bridges	5%

Tangible capital assets are written down when conditions indicate that they no longer contribute to Lake Babine Nation'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 consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets.

Assets under construction are not amortized until the asset is available to be put into service.

(j) Impairment of long-lived asset

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as excess of the carrying value of the asset over its fair value.

LAKE BABINE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Surplus recoveries and deficit funding

Under the terms of funding arrangements, remaining surpluses of certain programs may be recovered by the funding agency, and remaining deficits may be funded by the funding agency. These recoveries and additional fundings are recognized when recovered or received from the funding arrangement.

(l) Revenue recognition

Revenue and funding are recognized as follows:

- i) Government funding is recognized as revenue when it becomes available under the terms of the applicable funding agreements. Funding received under the funding agreements relating to a subsequent period is reflected as deferred revenue in the year of receipt.
- ii) Housing revenue is recognized based on lower end of market (LEM) rent for CMHC subsidized housing and based on collected receipts for non-subsidized houses. Rents not collected are written off to bad debts.
- iii) Income from investments is recorded on the accrual basis.
- iv) Government transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met and reasonable estimates of the amount can be made.

(m) Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or to finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible assets, prepaid expenses and inventory of supplies.

(n) Net Financial Debt

The Nation's financial statements are presented so as to highlight net financial debt as the measurement of financial position. The net debt of the Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

(o) Segments

The First Nation conducts its business through reportable segments. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives, aid in resource allocation decisions, and to assess operational performance. For each reported segment, revenues and expenses represent both amounts that are directly attributed to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

LAKE BABINE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Use of estimates

The preparation of financial statements in conformity with Canadian Public Sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accounts specifically affected by estimates in these financial statements are allowance for doubtful accounts and accounts receivable impairment. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

	2019	2018
Internally restricted		
Short term deposit - Premium Investment Savings Account	\$ 481,407	\$ 2,138,896
Capital projects	293,077	867,513
	<hr/> 774,484	<hr/> 3,006,409
Unrestricted		
Operating	1,450,614	620,716
Health	12,296	
Social Housing	532,467	938,742
Treaty Negotiation	8,195	14,392
	<hr/> 1,991,276	<hr/> 1,586,146
Total cash and cash equivalents	\$ 2,765,760	\$ 4,592,555

LAKE BABINE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

3. ACCOUNTS RECEIVABLE

	2019	2018
Due from funders		
Indigenous Services Canada (ISC)	\$ (18,010)	\$ -
Department of Fisheries and Oceans	112,547	108,292
Canada Mortgage and Housing Corporation	60,444	33,760
Other First Nation Funding agencies	8,060	45,845
	<u>1,802,883</u>	<u>1,353,908</u>
	<hr/> 1,965,924	<hr/> 1,541,805
Due from members		
Rent receivable	4,455,912	4,013,209
Allowance for doubtful accounts - rent receivable	(4,031,166)	(3,766,236)
	<hr/> 424,746	<hr/> 246,973
Due from others		
Miscellaneous	(1,168)	(8,446)
Travel reimbursements	-	711
	<hr/> (1,168)	<hr/> (7,735)
	<hr/> \$ 2,389,502	<hr/> \$ 1,781,043

Amounts due from Nation members (including rent receivable) shown above are unsecured and non-interest bearing.

4. DUE FROM GOVERNMENT AGENCIES

	2019	2018
Operations fund - GST rebate	\$ 165,123	\$ 95,028
Health Services fund - GST rebate	47,865	7,454
Social Housing fund - GST rebate	4,419	1,924
Treaty Negotiation fund - GST rebate	3,577	2,205
Operations fund - PST rebate	<u>48,485</u>	<u>73,051</u>
	<hr/> \$ 269,469	<hr/> \$ 179,662

Amounts receivable from government agencies are for GST and PST rebates, these include GST and PST paid on travel for band management activities, amounts charged on items delivered to the First Nation reserve in error, and any expenditures eligible for the public service body rebate.

LAKE BABINE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

5. LOANS RECEIVABLE

Loans receivable consists of band member loans and payroll advances, these amounts are unsecured and non-interest bearing.

	2019	2018
Payroll advances	\$ 16,178	\$ 13,848
Allowance for doubtful accounts (payroll advances)	(16,178)	-
Member loans	76,400	78,551
	<hr/> \$ 76,400	<hr/> \$ 92,399

6. INVENTORY HELD FOR RESALE

Inventories held for resale are classified as follows:

	2019	2018
Confectionary	\$ 6,121	\$ 6,121
Fuel and oil	13,304	13,304
Cigarettes and tobacco	2,383	2,383
	<hr/> \$ 21,808	<hr/> \$ 21,808

LAKE BABINE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

7. INVESTMENT IN GOVERNMENT BUSINESS ENTITIES

- ◆ Burns Lake Native Development Corporation (BLDNC)
- ◆ Lake Babine Economic Development Society (LBEDS)
- ◆ Talok Fisheries Corporation Ltd (Talok Ltd.)
- ◆ Talok Fisheries LP (Talok LP)

Burns Lake Native Development Corporation qualification:

The Company has not had a year end engagement completed to June 30, 2018 and as a result of the above, we were unable to determine whether adjustments were required in respect of investments and advances, other income (charges), excess revenue (expenses) for the year, and fund balances at end of year.

Talok Fisheries Ltd., and Talok Fisheries LP:

The Companies have not had a year end engagement completed to March 31, 2019 and as a result of the above, we were unable to determine whether adjustments were required in respect of investments and advances, other income (charges), excess revenue (expenses) for the year, and fund balances at end of year.

Lake Babine Economic Development Society:

The Company has not had a year end engagement completed to March 31, 2019 and as a result of the above, we were unable to determine whether adjustments were required in respect of investments and advances, other income (charges), excess revenue (expenses) for the year, and fund balances at end of year.

Talok Fisheries LP:

A yearly payment amount of \$25,444 is paid to the Nation for repayment of a non-interest bearing long term loan.

Related Party Transactions

Transactions with related parties, if any, are in the normal course of business, and are recorded at the exchange value that is mutually agreed upon by the related parties.

	2019	2018
LBEDS - Supplies	\$ 3,183	\$ 4,331
LBEDS - Fuel	41,463	35,517
LBEDS - Social Assistance and Support	4,598	4,868
LBEDS - Travel	7,339	14,707
LBEDS - Community support	7,537	9,504
Talok LLP - Consultant fees	-	1,580
Talok LLP - Administration revenue	-	995
Talok LLP - Miscellaneous revenue	-	10,417
	<hr/> \$ 64,120	<hr/> \$ 81,919

LAKE BABINE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

8. INVESTMENT IN FIRST NATION ENTITIES

	2019	2018
Burns Lake Native Development Corporation (62.87%)		
BLNDC shares, at cost	\$ 63	\$ 63
BLNDC share of net assets	<u>3,406,608</u>	<u>3,426,157</u>
	3,406,671	3,426,220
Lake Babine Economic Development Society (100%)		
Advances to Lake Babine Economic Development Society	1,228,918	533,688
Lake Babine Economic Development Society, deficiency in net assets	<u>(171,793)</u>	<u>(171,793)</u>
	1,057,125	361,895
Woyenne Enterprises Ltd. shares, at cost (100%)	2	2
Talok Fisheries Ltd. (100%)		
Talok Fisheries Ltd. shares at cost (100%)	1	1
TFL share of net assets	79,599	79,599
Advances from Talok Fisheries Ltd.	<u>(5,822)</u>	<u>68</u>
	73,778	79,668
Talok Fisheries LP (99.99%)		
Partnership Units	1,200	1,200
LBN share of net assets	5,265	5,265
Advances from Talok Fisheries LP	<u>(1,547)</u>	<u>(1,547)</u>
Loan receivable for sale of fisheries equipment	330,775	330,775
	335,693	335,693
Lake Babine Nation Forestry LP (99.99%)		
Partnership Units	1,200	1,200
Advances to Lake Babine Nation Forestry LP	3,934	4,084
	5,134	5,284
	<u>\$ 4,878,403</u>	<u>\$ 4,208,762</u>

Lake Babine Nation holds a 62.87% share ownership interest in Burns Lake Native Development Corporation ("BLNDC"), which in turn holds a 100% interest in Dz'ilh K'az Kwa Development Corporation ("DKKA"), and in Burns Lake Native Logging Ltd. ("BLNL"). DKKA in turn owns 100% of the issued shares of Burns Lake Specialty Wood Ltd. and BLNDC also holds a 15% interest in Babine Forest Products Limited, both accounted for by the cost method. The investment in BLNDC and Woyenne Enterprises Ltd. (an inactive company) is as detailed above.

Lake Babine Economic Development Society is an agent to Lake Babine Nation due to the fact that the Chief and Council of Lake Babine Nation hold significant decision making power within the Society. Therefore, the Society has been accounted for on a modified equity basis as described in Note 1 (g).

Lake Babine Nation owns 100% of Talok Fisheries Ltd.

Lake Babine Nation owns 99.99% of Talok Fisheries LP.

Lake Babine Nation owns 99.99% of Lake Babine Nation Forestry LP

LAKE BABINE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

9. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

The Ottawa Trust Accounts arise from monies derived from capital or revenue sources as 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.

	2019	2018
Capital funds held in trust	\$ 690,080	\$ 690,080
Revenue funds held in trust	773,719	751,193
	<hr/> \$ 1,463,799	<hr/> \$ 1,441,273

	2019 Revenue	2019 Capital	2019 Total	2018 Total
Surplus, beginning of year	\$ 751,193	\$ 690,080	\$ 1,441,273	\$ 1,404,318
Interest earnings	22,526	-	22,526	36,955
Surplus, end of year	<hr/> \$ 773,719	<hr/> \$ 690,080	<hr/> \$ 1,463,799	<hr/> \$ 1,441,273

10. BANK INDEBTEDNESS

Bank indebtedness consists of an operating line of credit authorized to \$150,000 bearing interest at prime plus 2.65% per annum, and is unsecured.

	2019	2018
Cheques in excess of cash	<hr/> \$ 36,789	<hr/> \$ 68,246

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Trades accounts payable	\$ 1,583,647	\$ 1,563,464
Payroll and benefits	744,683	741,468
Accrued payables	77,269	122,388
	<hr/> \$ 2,405,599	<hr/> \$ 2,427,320

LAKE BABINE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

12. DEFERRED REVENUE

	March 31, 2018	Funding received, 2019	Revenue recognized, 2019	March 31, 2019
Indigenous Services Canada (ISC)				
Asset management system	\$ -	\$ 31,968	\$ -	\$ 31,968
Nation rebuilding	-	220,363	-	220,363
CPMS 7769 Surplus Account	1,776	-	-	1,776
ISC Fixed - Ec Dev - Add to reserve lot 5341	5,881	-	(3,094)	2,787
ISC - A&C - Tachet Wastewater System Feasibility	-	103,811	-	103,811
	7,657	356,142	(3,094)	360,705
Provincial Government				
Joint Forestry Forum	32,904	-	(11,152)	21,752
Social Cultural Tech	130,303	-	(96,857)	33,446
Province of BC - Family and Youth Support	30,000	-	(18,586)	11,414
Province of BC - Crime Reduction	75,000	-	(75,000)	-
Province of BC - Healing and Rebuilding	30,000	-	(30,000)	-
Reciprocal Tuition - Province of BC	-	59,058	-	59,058
Province of BC - FPS SOC Child and Family	-	298,630	-	298,630
	298,207	357,688	(231,595)	424,300
Other				
NORHA Funding (CPMS 7367)	55,132	-	(55,132)	-
Tree Planting	70,000	-	-	70,000
First Nation Health Authority - Lease	700	-	(700)	-
FNESCS - School Bus Purchase Program	-	65,805	-	65,805
Naut'sa Mawt Tribal Council	-	5,000	-	5,000
TWLC - School Assessment	-	5,000	-	5,000
First Nation Health Authority (FNHA)	-	53,479	-	53,479
First Nation Health Authority - Traditional Land Based Healing	-	29,175	-	29,175
First Nation Health Authority - ELCC Development & Planning Grant	-	15,000	-	15,000
First Nation Health Authority - Traditional Wellness Approach	-	116,752	-	116,752
Language Resource Centre	-	69,394	-	69,394
FNESC Skills Link Program	-	53,951	-	53,951
	125,832	413,556	(55,832)	483,556
	\$ 431,696	\$ 1,127,386	\$ (290,521)	\$ 1,268,561

LAKE BABINE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

13. LONG-TERM DEBT

	2019	2018
Lake Babine Nation has signed promissory notes and First Nation Negotiation Support Agreements totaling \$12,191,495 as at March 31, 2019, representing advances made by Canada for negotiations. Repayment provisions for these loans are outlined in Sections 13.0 and 14.0 of the First Nation Negotiation Support Agreement.	\$ 12,191,495	\$ 12,191,495
Natural Resource Building term loan bearing interest at prime plus 0.5% per annum, repayable in monthly payments of \$7,920 including interest. The loan is secured by general security agreement. The loan matures on July 13, 2043.	1,333,098	775,000
Safehouse - On-reserve Shelter Enhancement Program loan bearing interest at 0% per annum, forgivable over 15 years from final advance.	1,329,145	-
Gas Bar term loan bearing interest at 4.26% per annum, repayable in monthly payments once the final draw has been made.	503,951	-
Triplex term loan bearing interest at 4.26% per annum, repayable in monthly payments of \$2,814 including interest. The loan is secured by general security agreement. The loan matures on June 30, 2023.	363,446	-
Vehicle loan bearing interest at 6.99% per annum, repayable in monthly payments of \$1,081 including interest, due on demand. The loan is secured by specific equipment with a net book value of \$54,294. The loan matures on January 22, 2024.	53,091	-
On-reserve Residential Rehabilitation Assistance Program loan bearing interest at 5.375% per annum. The loan is forgivable over a 5 year period and must be repaid in full including interest should the Nation default on the loan. The loan matures on December 18, 2023.	48,000	-
Vehicle loan bearing interest at 6.99% per annum, repayable in monthly payments of \$951 including interest, due on demand. The loan is secured by specific equipment with a net book value of \$50,417. The loan matures on January 22, 2024.	46,698	-
On-reserve Residential Rehabilitation Assistance Program loan bearing interest at 4.875% per annum. The loan is forgivable over a 5 year period and must be repaid in full including interest should the Nation default on the loan. The loan matures on January 15, 2020.	39,496	49,370
Vehicle loan bearing interest at 5.49% per annum, repayable in monthly payments of \$1,657 including interest, due on demand. The loan is secured by specific equipment with a net book value of \$27,057. The loan matures on December 22, 2020.	33,119	50,660

LAKE BABINE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

13. LONG-TERM DEBT, continued

	2019	2018
Vehicle loan bearing interest at 2.49% per annum, repayable in monthly payments of \$677 including interest, due on demand. The loan is secured by specific equipment with a net book value of \$12,926. The loan matures on November 30, 2021.	21,039	28,547
On-reserve Residential Rehabilitation Assistance Program loan bearing interest at 3.5% per annum. The loan is forgivable over a 3 year period and must be repaid in full including interest should the Nation default on the loan. The loan matures on January 15, 2020.	17,467	26,200
Vehicle loan bearing interest at 6.29% per annum, repayable in monthly payments of \$1,521 including interest, due on demand. The loan is secured by specific equipment with a net book value of \$13,604. The loan matures on April 22, 2019.	1,513	19,072
Vehicle loan bearing interest at 6.29% per annum, repayable in monthly payments of \$1,521 including interest, due on demand. The loan is secured by specific equipment with a net book value of \$13,604. The loan matures on April 22, 2019.	1,513	19,072
<u>Loan, repaid during the year.</u>	<u>18,764</u>	
	<u>\$ 15,983,071</u>	<u>\$ 13,178,180</u>

All of the above On-reserve Residential Rehabilitation Assistance Program loans are secured by promissory notes signed by the Nation stating that the loans are forgiven on a straight line basis over the period of the loan should they remain in compliance with the agreements. If the Nation is not in compliance, the principal plus any accrued interest becomes due on demand. As at March 31, 2019 the Nation was in compliance with the agreements.

	2019	2018
Interest expense for the year on long-term debt	\$ 45,745	\$ 9,904

LAKE BABINE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

14. TANGIBLE CAPITAL ASSETS

	Cost	Additions	Disposals	Accumulated amortization	2019 Net book value
Land	\$ 4,743,539	\$ -	\$ -	\$ -	\$ 4,743,539
Buildings and infrastructure	45,732,361	3,685,443	-	34,353,775	15,064,029
Automotive equipment	1,288,895	135,814	89,222	870,322	465,165
Computer equipment	794,757	62,509	300,055	388,172	169,039
Equipment	2,207,507	25,870	38,033	1,908,203	287,141
Fisheries equipment	251,047	12,554	49,015	132,082	82,504
Water and sewer	12,329,757	-	-	6,099,934	6,229,823
Roads and bridges	5,175,667	-	-	3,040,862	2,134,805
	\$ 72,523,530	\$ 3,922,190	\$ 476,325	\$ 46,793,350	\$ 29,176,045

	Cost	Additions	Disposals	Accumulated amortization	2018 Net book value
Land	\$ 4,743,539	\$ -	\$ -	\$ -	\$ 4,743,539
Buildings and infrastructure	42,723,839	3,008,522	-	33,927,175	11,805,186
Automotive equipment	1,170,699	227,211	109,016	807,266	481,629
Computer equipment	758,464	36,293	-	619,201	175,556
Equipment	2,123,614	104,685	20,792	1,876,780	330,727
Fisheries equipment	245,452	5,595	-	162,815	88,232
Water and sewer	12,329,757	-	-	5,772,049	6,557,708
Roads and bridges	5,175,667	-	-	2,928,503	2,247,164
	\$ 69,271,031	\$ 3,382,306	\$ 129,808	\$ 46,093,789	\$ 26,429,741

Buildings under construction in the amount of \$2,847,159 (2018 - \$2,956,376) are included in Buildings and Infrastructure and will not be amortized until construction is complete.

15. ACCUMULATED SURPLUS

	2019	2018
Restricted		
Equity in Investments in First Nation Entities	\$ 3,322,001	\$ 3,341,550
Equity in Ottawa Trust Funds	1,838,602	1,742,167
	5,160,603	5,083,717
Unrestricted		
Operating equity	16,290,533	17,924,860
	\$ 21,451,136	\$ 23,008,577