

**LAX KW'ALAAMS BAND
FINANCIAL STATEMENTS**

MARCH 31, 2019

LAX KW'ALAAMS BAND
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LAX KW'ALAAMS BAND
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
YEAR ENDED MARCH 31, 2019

The accompanying financial statements of the Lax Kw'alaams Band and all the information in this annual report are the responsibility of management and have been approved by the Mayor and Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards which includes certain amounts based on judgments and estimates. Management has chosen the most appropriate method to determine the judgments/estimates to ensure the financial statements are presented fairly, in all material respects.

The Lax Kw'alaams Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Band's assets are appropriately accounted for and adequately safeguarded.

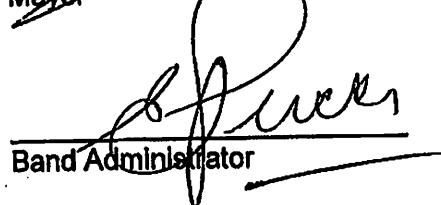
The Band Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Band Council meets regularly with management and is available to meet with the external auditor to satisfy themselves that each party is properly discharging their responsibilities. The Band Council also considers the engagement of the external auditor.

The financial statements have been audited by Carlyle Shepherd & Co., Chartered Professional Accountants, in accordance with generally accepted auditing standards on behalf of the members. Carlyle Shepherd & Co. have full and free access to the Band Council.



Mayor



Band Administrator

INDEPENDENT AUDITOR'S REPORT**TO MAYOR AND COUNCIL - LAX KW'ALAAMS BAND****Opinion**

We have audited the financial statements of Lax Kw'alaams Band, which comprise the statement of financial position as at March 31, 2019 and the statements of financial activities, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Band as at March 31, 2019 and the results of its operations 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. We are independent of the Band in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

Responsibilities of Management and Council for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Band's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless conditions exist that do not allow for the going concern basis to be used.

The Council is responsible for overseeing the Band's financial reporting process.

Prince Rupert, BC
September 23, 2019



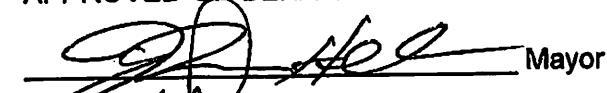
LAX KW'ALAAMS BAND

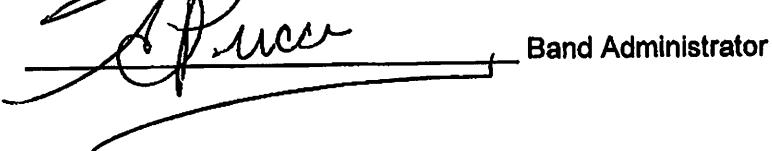
STATEMENT OF FINANCIAL POSITION

MARCH 31

	2019	2018
	\$	\$
FINANCIAL ASSETS		
Cash (note 2)	17,265,774	16,939,284
Accounts receivable (note 3)	7,731,058	6,010,285
Inventory (notes 1 and 4)	296,036	303,758
Ottawa Trust funds (note 5)	1,382,680	1,343,100
	<u>26,675,548</u>	<u>24,596,427</u>
LIABILITIES		
Accounts payable and accruals (note 7)	5,869,598	1,359,903
Long-term debt (note 8)	<u>14,400,299</u>	<u>14,796,665</u>
	<u>20,269,897</u>	<u>16,156,568</u>
	<u>6,405,651</u>	<u>8,439,859</u>
NET FINANCIAL ASSETS		
NON-FINANCIAL ASSETS		
Investments (notes 1 and 9)	29,776,617	24,814,903
Prepaid expenses (note 6)	222,202	221,175
Property and equipment (notes 1 and 11)	<u>53,713,738</u>	<u>49,580,983</u>
	<u>83,712,557</u>	<u>74,617,061</u>
	<u>90,118,208</u>	<u>83,056,920</u>
BAND POSITION		
Surplus (note 10)	5,245,173	7,317,934
Equity in Ottawa Trust funds (note 5)	1,382,680	1,343,100
Equity in property and equipment (note 12)	53,713,738	49,580,983
Equity in investments (note 9)	<u>29,776,617</u>	<u>24,814,903</u>
	<u>90,118,208</u>	<u>83,056,920</u>

APPROVED ON BEHALF OF COUNCIL

 Mayor

 Band Administrator

LAX KW'ALAAMS BAND

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	Unaudited Budget	2019	2019	2018
		\$	\$	\$
REVENUE				
INAC	14,317,000	11,542,686	13,338,361	
DFO	-	19,800	440,932	
First Nations Health Authority	2,163,000	2,202,784	2,163,356	
Interest	275,000	354,732	272,270	
Ottawa Trust funds	40,000	39,580	37,846	
Province of British Columbia	3,042,000	5,911,859	3,131,241	
Resource agreements and entities	1,600,000	9,239,836	15,392,723	
Sales and rental	2,055,000	2,290,032	2,045,116	
Settlement trust	-	-	4,572	
Other	<u>1,770,300</u>	<u>726,442</u>	<u>865,440</u>	
	<u>25,262,300</u>	<u>32,327,751</u>	<u>37,691,857</u>	
EXPENDITURE				
Administration	2,476,600	2,556,723	2,444,378	
Amortization	1,600,000	1,570,103	1,691,674	
Capital Development	6,150,000	927,985	1,048,317	
Community Health	1,746,300	1,824,567	1,740,251	
Economic Development	1,372,000	1,434,988	1,368,577	
Education	4,714,000	3,283,942	4,921,224	
Other	6,338,000	10,666,331	13,557,042	
Public Works	2,571,400	2,031,389	2,488,575	
Social Assistance	<u>847,700</u>	<u>970,435</u>	<u>836,318</u>	
	<u>27,816,000</u>	<u>25,266,463</u>	<u>30,096,356</u>	
REVENUE OVER EXPENDITURE	-2,553,700	7,061,288	7,595,501	
OPENING POSITION	<u>83,056,920</u>	<u>83,056,920</u>	<u>75,461,419</u>	
CLOSING POSITION	<u>80,503,220</u>	<u>90,118,208</u>	<u>83,056,920</u>	

LAX KW'ALAAMS BAND
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	7,061,288	7,595,501
Amortization	1,570,103	1,691,674
Accounts payable and accruals	4,509,695	-928,355
Accounts receivable	-1,720,773	-606,943
Inventory	7,722	-3,785
Prepaid expenses	-1,028	12,963
Ottawa Trust funds	<u>-39,580</u>	<u>-37,846</u>
	<u>11,387,427</u>	<u>7,723,209</u>
FINANCING ACTIVITIES		
Long-term debt	<u>-396,366</u>	<u>-374,517</u>
INVESTING ACTIVITIES		
Investments	-4,961,714	-13,196,471
Property and equipment additions	<u>-5,702,857</u>	<u>-2,622,994</u>
	<u>-10,664,571</u>	<u>-15,819,465</u>
CHANGE IN CASH	326,490	-8,470,773
OPENING CASH BALANCE	<u>16,939,284</u>	<u>25,410,057</u>
CLOSING CASH BALANCE	<u>17,265,774</u>	<u>16,939,284</u>

LAX KW'ALAAMS BAND
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31

	Unaudited	2019	2018
	Budget	\$	\$
Revenue over expenditure	-2,553,700	7,061,288	7,595,501
Amortization	1,600,000	1,570,103	1,691,674
Property and equipment additions	-4,500,000	-5,702,857	-2,622,994
Investments	-2,000,000	-4,961,714	-13,196,471
Prepaid expenses	<u>150,000</u>	<u>-1,028</u>	<u>12,963</u>
Change in net financial assets	-7,303,700	-2,034,208	-6,519,327
Opening net financial assets	<u>8,439,859</u>	<u>8,439,859</u>	<u>14,959,186</u>
Closing net financial assets	<u>1,136,159</u>	<u>6,405,651</u>	<u>8,439,859</u>

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

a) Financial Statement Presentation

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

b) Inventory

Inventory held for resale is valued at the lower of cost and net realizable value (determined on the first-in, first-out basis).

c) Investments

Long-term investments are recorded as an expenditure in the related fund when acquired, and are reported using the modified equity method. Losses are recorded only to the extent of the Band's investment.

d) Property and Equipment

Property and equipment are reported at cost and are amortized using the declining balance method at the following annual rates:

Equipment	30%
Roads, sewer and water	2%
Buildings	2.5%

e) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from these estimates.

f) Recognition of Revenue and Expenditures

Revenue is recorded in the period in which the transactions or events that give rise to the revenue occur. Funding from external parties is reported as per the terms of the funding agreement.

Expenditures are accounted for in the period when the goods and services are acquired and the liability is incurred.

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial Instruments

It is management's opinion that the Band's financial instruments are not exposed to significant interest rate, liquidity, market or other price risks. The reported value of bank debt approximates fair value as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar items.

The Band measures financial assets and liabilities at market value at the date of acquisition.

h) Budget Information

The unaudited budget information has been provided by management.

2. CASH

	2019	2018
Operating accounts	\$ 16,794,829	\$ 16,726,389
Secured revenue trust	<u>470,945</u>	<u>212,895</u>
	<u><u>\$ 17,265,774</u></u>	<u><u>\$ 16,939,284</u></u>

3. ACCOUNTS RECEIVABLE

	2019	2018
INAC	\$ -	\$ 1,019,761
Member receivables	89,460	82,007
Other	<u>8,010,113</u>	<u>5,055,391</u>
	<u><u>8,099,573</u></u>	<u><u>6,157,159</u></u>
Allowance for doubtful accounts	<u>368,515</u>	<u>146,874</u>
	<u><u>\$ 7,731,058</u></u>	<u><u>\$ 6,010,285</u></u>

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2019

4. INVENTORY

	2019	2018
Building supplies	\$ 3,015	\$ 470
Cigarettes	90,734	90,727
Fuel	<u>202,287</u>	<u>212,561</u>
	<u>\$ 296,036</u>	<u>\$ 303,758</u>

5. OTTAWA TRUST FUNDS

	Revenue	Capital	Suspense	Total 2019	Total 2018
Opening balance	\$ 643,457	\$ 687,508	\$ 12,135	\$ 1,343,100	\$ 1,305,254
Receipts	<u>39,302</u>	<u>-</u>	<u>278</u>	<u>39,580</u>	<u>37,846</u>
Closing balance	<u>\$ 682,759</u>	<u>\$ 687,508</u>	<u>\$ 12,413</u>	<u>\$1,382,680</u>	<u>\$ 1,343,100</u>

The trust funds arise from monies derived from capital and revenue sources as outlined in Section 62 of the Indian Act. These funds are held in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Act.

6. PREPAID EXPENSES

	2019	2018
Post-secondary allowances	\$ 43,957	\$ 44,852
Legal retainer	<u>178,245</u>	<u>176,323</u>
	<u>\$ 222,202</u>	<u>\$ 221,175</u>

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2019

7. ACCOUNTS PAYABLE AND ACCRUALS

	2019	2018
Trade payable and accruals	\$ 5,637,993	\$ 1,105,562
Wages and holiday pay	<u>231,605</u>	<u>254,341</u>
	<u>\$ 5,869,598</u>	<u>\$ 1,359,903</u>

8. LONG-TERM DEBT

British Columbia Treaty Commission advances for the purposes of treaty negotiations. Repayment provisions are outlined in Sections 13.0 and 14.0 of the First Nation Negotiation Support Agreement. Extension agreement to November 1, 2021. The Federal Government has indicated that the treaty loans will be forgiven in the 2020 fiscal year.

First Nation Finance Authority short term loan, \$30,283/month including interest at 2.9% per annum.	<u>\$ 3,606,838</u>
Less debt reserve fund	<u>5,940,886</u>
Net promissory note	<u>346,139</u>
First Nation Finance Authority short-term loan, \$29,594/month including interest at 2.985% per annum.	<u>5,594,747</u>
Less debt reserve fund	<u>5,535,018</u>
Net promissory note	<u>336,304</u>
	<u>5,198,714</u>
	<u>\$ 14,400,299</u>

Scheduled principal repayment during the next five years is as follows:

2020	\$ 3,953,526
2021	346,688
2022	346,688
2023	346,688
2024	346,688
	<u>\$ 5,340,278</u>

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2019

9. INVESTMENTS

	2019	2018
Coast Tsimshian Resources Limited Partnership	\$ 10,219,687	\$ 12,682,444
Lax Kw'alaams Fishing Enterprises Limited Partnership	2,899,462	1,500,002
Lax Kw'alaams (MV Nucleus) LLP	677,886	633,404
Lax Kw'alaams Business Development LP	14,180,027	9,999,053
Coast Tsimshian Fish Plant Inc.	299,555	-
Lax Kw'alaams Tribal Resources Ltd.	1,500,000	-
	<u>\$ 29,776,617</u>	<u>\$ 24,814,903</u>

The Band also has partnership interests in a number of limited partnerships, membership in three societies and shareholdings in ten companies. For those entities that are active, the Band records their share of revenue and expenditures through the Band's records. The remainder of the entities do not have any value as they are either inactive or have operational deficits in excess of the Band's investment.

Lax Kw'alaams Business Development LP was organized to operate independently of Band control. As the Band has contributed a substantial portion of the company's revenue, management has determined that reporting using the modified equity method is appropriate.

10. SURPLUS (DEFICIT)

	2019	2018
Administration	\$ 857,410	\$ 208,118
Capital Development	491,996	1,909,392
Community Health	1,143,250	760,525
Economic Development	906,373	539,202
Education	1,070,028	549
Infrastructure and O&M	49,939	-
Other	5,295,111	8,448,183
Social Assistance	9,139	22,075
Treaty Process	-4,578,073	-4,570,110
	<u>\$ 5,245,173</u>	<u>\$ 7,317,934</u>

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2019

11. PROPERTY AND EQUIPMENT

	PROPERTY AND EQUIPMENT			ACCUMULATED AMORTIZATION			NET BOOK VALUE	
	Opening Balance	Additions	Closing Balance	Opening Balance	Annual Amortization	Closing Balance	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
Land	560,127		560,127	-	-	-	560,127	560,127
Buildings	43,750,458	5,200,401	48,950,859	16,129,308	679,925	16,809,233	32,141,626	27,621,150
Infrastructure	36,513,660	448,351	36,962,011	17,435,441	396,476	17,831,917	19,130,094	19,078,219
Equipment	7,465,072	54,105	7,519,177	5,143,584	493,702	5,637,286	1,881,891	2,321,487
	<u>88,289,317</u>	<u>5,702,857</u>	<u>93,992,174</u>	<u>38,708,333</u>	<u>1,570,103</u>	<u>40,278,436</u>	<u>53,713,738</u>	<u>49,580,983</u>

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2019

12. EQUITY IN PROPERTY AND EQUIPMENT

	2019	2018
Opening balance	\$ 49,580,983	\$ 48,649,663
Contributions from operations	5,702,857	2,622,994
Amortization	<u>-1,570,103</u>	<u>-1,691,674</u>
 Closing balance	 <u>\$ 53,713,738</u>	 <u>\$ 49,580,983</u>

13. CONTINGENT LIABILITIES

Guarantor of Band member mortgages to \$648,446 (maximum program limit - \$1,000,000).

Lax Kw'alaams Ferry Corporation letter of credit to \$1,000,000 in favour of the Ministry of Transportation for use of the Aero Point facility.

Guarantee for Coast Tsimshian Fish Plant Ltd. - \$2,500,000 demand revolving credit and \$50,000 corporate facility Mastercard.

Coast Tsimshian Resources Limited Partnership - \$3,000,000 demand revolving credit.

A number of members have not applied for the 2019 member distribution. It is unknown if these members will apply. The liability will be recognized when an approved application is received. An estimate of the liability is not available.

14. COMPARATIVES

The Band adopted the modified equity accounting method for an investment previously accounted for on a consolidation basis. The prior period comparatives have been restated to reflect the current presentation. This change in accounting policy did not impact the Band's opening financial position.

15. SEGMENT DISCLOSURE

The presentation by segment is based on the same accounting policies as described in the summary of significant accounting policies as described in note one. The following table presents the expenses incurred and the revenue generated by main object of expense and by major revenue type. The segment results for the year are as follows:

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2019

15. Segment Disclosure (continued)

	Budget	Administration	Capital Development	Community Health	Economic Development	Education	Other	Public Works	Social Assistance	Amortization	Total 2019	Total 2018
REVENUE												
INAC	14,317,000	3,610,981	1,413,377	-	130,781	4,472,930	-	1,017,649	896,968	-	11,542,686	13,338,361
DFO	-	-	-	-	-	-	19,800	-	-	-	19,800	440,932
First Nations Health Authority	2,163,000	-	-	2,202,784	-	-	-	-	-	-	2,202,784	2,163,356
Resource agreements	1,600,000	-	-	-	-	-	9,239,836	-	-	-	9,239,836	15,392,723
Province of British Columbia	3,042,000	-	3,688,023	-	926,589	-	1,297,247	-	-	-	5,911,859	3,131,241
Other	4,140,300	65,674	-	34,978	733,782	125,298	1,931,239	517,603	2,212	-	3,410,786	3,225,244
	25,262,300	3,676,655	5,101,400	2,237,762	1,791,152	4,598,228	12,488,122	1,535,252	899,180	-	32,327,751	37,691,857
EXPENDITURE												
Administration	144,500	-	-	149,660	-	-	-	-	-	-	149,660	144,186
Advances to affiliates	2,000,000	-	-	-	-	-	5,634,539	-	-	-	5,634,539	2,003,190
Allowances	1,685,000	-	-	358,912	-	708,212	1,804,500	-	557,557	-	3,429,181	1,706,675
Amortization	1,600,000	-	-	-	-	-	-	-	-	1,570,103	1,570,103	1,691,674
Contract services and fees	12,556,100	79,285	37,876	519,163	2,870	2,374,186	1,029,828	182,950	326,248	-	4,552,406	7,529,844
Council												
Honoraria	731,000	719,892	-	-	-	-	-	-	-	-	719,892	730,592
Travel	212,700	482,385	-	-	-	-	-	-	-	-	482,385	212,698
Equipment rental and repairs	1,685,000	27,297	-	-	206,235	39,270	185,262	628,632	15,776	-	1,102,472	1,012,574
Materials, supplies and other	2,511,500	113,783	-	297,005	269,244	45,940	1,449,510	116,412	6,183	-	2,298,077	10,328,985
Professional services	505,000	459,164	385,888	-	-	-	448,951	-	-	-	1,294,003	703,906
Telephone and utilities	352,000	60,912	422,518	15,380	5,507	-	11,538	325,914	-	-	841,769	350,454
Travel and workshops	292,200	25,150	121	47,987	4,397	-	1,314	107,615	15,506	-	202,090	290,548
Wages and benefits	3,541,000	588,855	81,582	436,460	946,735	116,334	100,889	669,866	49,165	-	2,989,886	3,391,030
	27,816,000	2,556,723	927,985	1,824,567	1,434,988	3,283,942	10,666,331	2,031,389	970,435	1,570,103	25,266,463	30,096,356
REVENUE OVER EXPENDITURE	-2,553,700	1,119,932	4,173,415	413,195	356,164	1,314,286	1,821,791	-496,137	-71,255	-1,570,103	7,061,288	7,595,501