

**LAX KW'ALAAMS BAND
FINANCIAL STATEMENTS**

MARCH 31, 2020

LAX KW'ALAAMS BAND
INDEX TO FINANCIAL STATEMENTS
MARCH 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
INDEPENDENT AUDITOR'S REPORT
STATEMENT OF FINANCIAL POSITION
STATEMENT OF FINANCIAL ACTIVITIES
STATEMENT OF CASH FLOWS
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
NOTES

LAX KW'ALAAMS BAND
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
YEAR ENDED MARCH 31, 2020

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.

Barry Lewis

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, 2020 and the statements of financial activities, cash flows and changes in net financial assets 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, 2020 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 30, 2020

LAX KW'ALAAMS BAND
STATEMENT OF FINANCIAL POSITION

MARCH 31

	2020	2019
	\$	\$
FINANCIAL ASSETS		
Cash (note 2)	17,855,668	17,265,774
Accounts receivable (note 3)	4,404,196	7,731,058
Inventory (notes 1 and 4)	282,516	296,036
Ottawa Trust funds (note 5)	<u>1,413,741</u>	<u>1,382,680</u>
	<u>23,956,121</u>	<u>26,675,548</u>
LIABILITIES		
Accounts payable and accruals (note 7)	2,441,566	5,869,598
Long-term debt (note 8)	<u>10,383,494</u>	<u>14,400,299</u>
	<u>12,825,060</u>	<u>20,269,897</u>
NET FINANCIAL ASSETS	<u>11,131,061</u>	<u>6,405,651</u>
NON-FINANCIAL ASSETS		
Investments (notes 1 and 10)	28,892,197	29,776,617
Prepaid expenses (note 6)	84,572	222,202
Property and equipment (notes 1 and 9)	<u>59,240,217</u>	<u>53,713,738</u>
	<u>88,216,986</u>	<u>83,712,557</u>
	<u>99,348,047</u>	<u>90,118,208</u>
BAND POSITION		
Surplus (note 11)	9,801,892	5,245,173
Equity in Ottawa Trust funds (note 5)	1,413,741	1,382,680
Equity in property and equipment (note 12)	59,240,217	53,713,738
Equity in investments (note 10)	<u>28,892,197</u>	<u>29,776,617</u>
	<u>99,348,047</u>	<u>90,118,208</u>
APPROVED ON BEHALF OF COUNCIL		

Brandy Luce _____ Mayor
Brandy Luce _____ Band Administrator

LAX KW'ALAAMS BAND

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	Unaudited Budget 2020	2020	2019
	\$	\$	\$
REVENUE			
ISC	12,996,477	12,460,827	11,542,686
BC Housing	-	2,555,688	-
DFO	-	77,167	19,800
First Nations Health Authority	2,085,110	2,352,131	2,202,784
Interest	274,500	405,150	354,732
Ottawa Trust funds	-	31,061	39,580
Province of British Columbia	-	2,501,166	5,911,859
Resource agreements and entities	-	1,615,196	9,239,836
Sales and rental	2,141,096	1,154,035	2,290,032
Settlement trust	-	70,924	-
Treaty funds	-	3,856,838	-
Other	<u>8,131,302</u>	<u>2,878,943</u>	<u>726,442</u>
	<u>25,628,485</u>	<u>29,959,126</u>	<u>32,327,751</u>
EXPENDITURE			
Administration	2,339,384	2,751,559	2,556,723
Amortization	1,550,000	1,510,463	1,570,103
Capital Development	3,477,414	555,081	927,985
Community Health	1,775,591	1,785,400	1,824,567
Economic Development	1,054,723	1,482,886	1,434,988
Education	6,421,271	4,660,765	3,283,942
Other	2,181,447	4,632,771	10,666,331
Public Works	2,113,219	2,152,884	2,031,389
Social Assistance	<u>1,263,559</u>	<u>1,197,478</u>	<u>970,435</u>
	<u>22,176,608</u>	<u>20,729,287</u>	<u>25,266,463</u>
REVENUE OVER EXPENDITURE	3,451,877	9,229,839	7,061,288
OPENING POSITION	<u>90,118,208</u>	<u>90,118,208</u>	<u>83,056,920</u>
CLOSING POSITION	<u>93,570,085</u>	<u>99,348,047</u>	<u>90,118,208</u>

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

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	9,229,839	7,061,288
Amortization	1,510,463	1,570,103
Accounts payable and accruals	-3,428,032	4,509,695
Accounts receivable	3,326,862	-1,720,773
Inventory	13,520	7,722
Prepaid expenses	137,632	-1,028
Ottawa Trust funds	<u>-31,061</u>	<u>-39,580</u>
	<u>10,759,223</u>	<u>11,387,427</u>
FINANCING ACTIVITIES		
Long-term debt	<u>-4,016,805</u>	<u>-396,366</u>
INVESTING ACTIVITIES		
Investments	884,420	-4,961,714
Property and equipment additions	<u>-7,036,944</u>	<u>-5,702,857</u>
	<u>-6,152,524</u>	<u>-10,664,571</u>
CHANGE IN CASH	589,894	326,490
OPENING CASH BALANCE	<u>17,265,774</u>	<u>16,939,284</u>
CLOSING CASH BALANCE	<u>17,855,668</u>	<u>17,265,774</u>

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

	Unaudited Budget	2020	2019
	\$	\$	\$
Revenue over expenditure	3,431,641	9,229,839	7,061,288
Amortization	1,550,000	1,510,463	1,570,103
Property and equipment additions	-4,500,000	-7,036,944	-5,702,857
Investments	1,000,000	884,420	-4,961,714
Prepaid expenses	<u>150,000</u>	<u>137,632</u>	<u>-1,028</u>
Change in net financial assets	1,631,641	4,725,410	-2,034,208
Opening net financial assets	<u>6,405,651</u>	<u>6,405,651</u>	<u>8,439,859</u>
Closing net financial assets	<u>8,037,292</u>	<u>11,131,061</u>	<u>6,405,651</u>

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

a) Financial Statement Presentation

These financial statements have been prepared in accordance with Canadian public sector accounting standards. Interfund administration charges and the offsetting revenue in the amount of \$1,371,099 has not been eliminated for consolidation purposes.

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	20%
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, 2020

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

	2020	2019
Operating accounts	\$ 17,516,085	\$ 16,794,829
Secured revenue trust	<u>339,583</u>	<u>470,945</u>
	<u><u>\$ 17,855,668</u></u>	<u><u>\$ 17,265,774</u></u>

3. ACCOUNTS RECEIVABLE

	2020	2019
ISC	\$ 134,903	\$ -
Member receivables	94,433	89,460
Other	<u>4,553,960</u>	<u>8,010,113</u>
	<u><u>4,783,296</u></u>	<u><u>8,099,573</u></u>
Allowance for doubtful accounts	<u>379,100</u>	<u>368,515</u>
	<u><u>\$ 4,404,196</u></u>	<u><u>\$ 7,731,058</u></u>

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2020

4. INVENTORY

	2020	2019
Building supplies	\$ -	\$ 3,015
Cigarettes	110,215	90,734
Fuel	<u>172,301</u>	<u>202,287</u>
	<u>\$ 282,516</u>	<u>\$ 296,036</u>

5. OTTAWA TRUST FUNDS

	Revenue	Capital	Suspense	Total 2020	Total 2019
Opening balance	\$ 682,759	\$ 687,508	\$ 12,413	\$ 1,382,680	\$ 1,343,100
Receipts	<u>30,861</u>	<u>200</u>	<u>31,061</u>	<u>39,580</u>	
Closing balance	<u>\$ 713,620</u>	<u>\$ 687,508</u>	<u>\$ 12,613</u>	<u>\$ 1,413,741</u>	<u>\$ 1,382,680</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

	2020	2019
Post-secondary allowances	\$ 39,211	\$ 43,957
Legal retainer	<u>45,361</u>	<u>178,245</u>
	<u>\$ 84,572</u>	<u>\$ 222,202</u>

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2020

7. ACCOUNTS PAYABLE AND ACCRUALS

	2020	2019
Trade payable and accruals	\$ 2,221,271	\$ 5,637,993
Wages and holiday pay	<u>220,295</u>	<u>231,605</u>
	<u>\$ 2,441,566</u>	<u>\$ 5,869,598</u>

8. LONG-TERM DEBT

First Nation Finance Authority short-term loan, \$30,283/month including interest at 2.9% per annum.	\$ 5,749,277
Less debt reserve fund	<u>360,520</u>
Net promissory note	<u>5,388,757</u>
First Nation Finance Authority short-term loan, \$29,594/month including interest at 2.985% per annum.	5,345,015
Less debt reserve fund	<u>350,278</u>
Net promissory note	<u>4,994,737</u>
	<u>\$ 10,383,494</u>

Scheduled principal repayment during the next five years is \$346,688 per annum

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2020

9. PROPERTY AND EQUIPMENT

	PROPERTY AND EQUIPMENT			ACCUMULATED AMORTIZATION				NET BOOK VALUE		
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Disposals	Annual Amortization	Closing Balance	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	560,127	-	-	560,127	-	-	-	-	560,127	560,127
Buildings	48,950,859	5,722,608	-	54,673,467	17,199,388	-	662,927	17,862,317	36,811,150	31,751,471
Infrastructure	36,962,011	1,104,663	-	38,066,674	17,534,680	-	410,640	17,945,320	20,121,354	19,427,331
Equipment	7,519,177	209,673	-	7,728,850	5,544,368	-	436,896	5,981,264	1,747,586	1,974,809
	<u>93,992,174</u>	<u>7,036,944</u>	<u>-</u>	<u>101,029,118</u>	<u>40,278,436</u>	<u>-</u>	<u>1,510,463</u>	<u>41,788,901</u>	<u>59,240,217</u>	<u>53,713,738</u>

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2020

10. INVESTMENTS

	2020	2019
Coast Tsimshian Resources Limited Partnership	\$ 9,027,735	\$ 10,219,687
Lax Kw'alaams Fishing Enterprises Limited Partnership	3,117,236	2,899,462
Lax Kw'alaams (MV Nucleus) LLP	774,957	677,886
Lax Kw'alaams Business Development LP	14,472,269	14,180,027
Coast Tsimshian Fish Plant Ltd.	-	299,555
Lax Kw'alaams Tribal Resources Ltd.	<u>1,500,000</u>	<u>1,500,000</u>
	<u><u>\$ 28,892,197</u></u>	<u><u>\$ 29,776,617</u></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.

11. SURPLUS (DEFICIT)

	2020	2019
Administration	\$ 2,795,542	\$ 857,410
Capital Development	-2,072,054	491,996
Community Health	1,709,981	1,143,250
Economic Development	1,435,428	906,373
Education	1,707,779	1,070,028
Infrastructure and O&M	-450,154	49,939
Other	5,355,235	5,295,111
Social Assistance	62,632	9,139
Treaty Process	<u>-742,497</u>	<u>-4,578,073</u>
	<u><u>\$ 9,801,892</u></u>	<u><u>\$ 5,245,173</u></u>

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2020

12. EQUITY IN PROPERTY AND EQUIPMENT

	2020	2019
Opening balance	\$ 53,713,738	\$ 49,580,983
Contributions from operations	7,036,944	5,702,857
Amortization	<u>-1,510,463</u>	<u>-1,570,103</u>
 Closing balance	 <u>\$ 59,240,217</u>	 <u>\$ 53,713,738</u>

13. CONTINGENT LIABILITIES

Guarantor of Band member mortgages to \$622,024 (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. - \$1,000,000 demand revolving credit

A number of members have not applied for the 2020 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. 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 KWALAAMS BAND

NOTES

MARCH 31, 2020

14. Segment Disclosure (continued)

	Budget	Administration	Capital Development	Community Health	Economic Development	Education	Other	Public Works	Social Assistance	Amortization	Total 2020	Total 2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE												
ISC	12,996,477	1,999,417	2,262,614	-	273,360	5,246,004	125,299	1,304,529	1,249,604	-	12,460,827	11,542,686
DFO	-	-	-	-	-	-	77,167	-	-	-	77,167	19,800
First Nations Health Authority	2,085,110	-	-	2,352,131	-	-	-	-	-	-	2,352,131	2,202,784
Resource agreements	-	-	-	-	-	-	1,615,196	-	-	-	1,615,196	9,239,836
Province of British Columbia	-	1,424,120	-	-	1,036,163	-	40,877	-	-	-	2,501,160	5,911,859
Other	10,546,898	5,132,791	2,555,688	-	702,418	154,336	2,057,783	348,262	1,387	-	10,952,645	3,410,786
	25,628,485	8,556,328	4,818,302	2,352,131	2,011,941	5,400,340	3,916,322	1,652,791	1,250,971	-	29,959,126	32,327,751
EXPENDITURE												
Administration	1,590,948	47,027	304,981	183,255	28,778	299,040	39,769	304,758	163,491	-	1,371,099	149,660
Advances to affiliates	4,500	-	-	-	-	-	2,920	-	-	-	2,920	5,634,539
Allowances	1,730,000	-	-	357,667	-	715,954	1,818,588	-	648,854	-	3,541,063	3,429,181
Amortization	1,550,000	-	-	-	-	-	-	-	-	1,510,463	1,510,463	1,570,103
Contract services and fees	8,149,085	263,955	167,897	383,143	5,907	3,358,106	474,774	192,005	199,552	-	5,045,339	4,552,406
Council												
Honoraria	657,720	685,748	-	-	-	-	-	-	-	-	685,748	719,892
Travel	195,000	480,150	-	-	-	-	-	-	-	-	480,150	482,385
Equipment rental and repairs	1,831,231	32,023	-	-	203,485	3,946	560,525	519,186	-	-	1,319,165	1,102,472
Materials, supplies and other	2,174,574	124,638	11,679	354,213	53,789	66,395	1,406,930	240,703	12,182	-	2,270,529	2,298,077
Professional services	190,000	496,808	-	-	30,069	-	208,662	-	-	-	735,539	1,294,003
Telephone and utilities	322,300	42,451	-	24,304	4,902	100,000	11,648	214,627	1,064	-	398,996	841,769
Travel and workshops	339,065	29,878	2,158	46,502	1,734	1,570	347	104,332	2,324	-	188,845	202,090
Wages and benefits	3,442,184	548,881	68,366	436,316	1,154,222	115,754	108,608	577,273	170,011	-	3,179,431	2,989,886
	22,176,608	2,751,559	555,081	1,785,400	1,482,886	4,660,765	4,632,771	2,152,884	1,197,478	1,510,463	20,729,287	25,266,463
REVENUE OVER EXPENDITURE	3,451,877	5,804,769	4,263,221	566,731	529,055	739,575	-716,449	-500,093	53,493	-1,510,463	9,229,839	7,061,288