

**LAX KW'ALAAMS BAND
FINANCIAL STATEMENTS**

MARCH 31, 2021

LAX KW'ALAAMS BAND
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LAX KW'ALAAMS BAND
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
YEAR ENDED MARCH 31, 2021

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.

Garry Ruer
Mayor

Andrea Doherty
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, 2021 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, 2021 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.

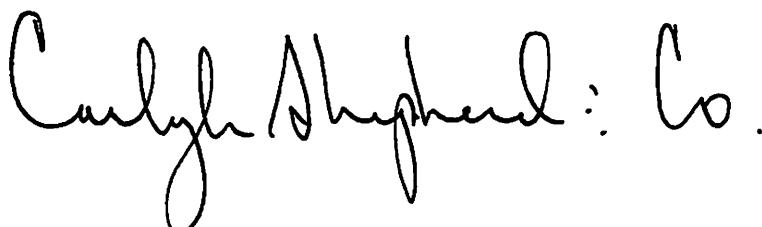
Responsibilities of Management and Council for the Financial Statements

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
May 16, 2022



LAX KW'ALAAMS BAND

STATEMENT OF FINANCIAL POSITION

MARCH 31

	2021	2020
	\$	\$
FINANCIAL ASSETS		
Cash (note 2)	25,132,129	17,855,668
Accounts receivable (note 3)	8,222,432	4,404,196
Inventory (notes 1 and 4)	222,798	282,516
Ottawa Trust funds (note 5)	<u>1,439,033</u>	<u>1,413,741</u>
	<u>35,016,392</u>	<u>23,956,121</u>
LIABILITIES		
Accounts payable and accruals (note 7)	2,968,663	2,441,566
Long-term debt (note 8)	<u>9,984,247</u>	<u>10,383,494</u>
	<u>12,952,910</u>	<u>12,825,060</u>
NET FINANCIAL ASSETS	<u>22,063,482</u>	<u>11,131,061</u>
NON-FINANCIAL ASSETS		
Investments (notes 1 and 10)	47,356,140	48,618,223
Prepaid expenses (note 6)	174,369	84,572
Property and equipment (notes 1 and 9)	<u>60,647,950</u>	<u>59,240,217</u>
	<u>108,178,459</u>	<u>107,943,012</u>
	<u>130,241,941</u>	<u>119,074,073</u>
BAND POSITION		
Surplus (note 11)	20,798,818	9,801,892
Equity in Ottawa Trust funds (note 5)	1,439,033	1,413,741
Equity in property and equipment (note 12)	60,647,950	59,240,217
Equity in investments (note 10)	<u>47,356,140</u>	<u>48,618,223</u>
	<u>130,241,941</u>	<u>119,074,073</u>

APPROVED ON BEHALF OF COUNCIL

Barry Lee Mayor

John Smith Band Administrator

LAX KW'ALAAMS BAND

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	Unaudited Budget 2021	2021	2020
	\$	\$	\$
REVENUE			
ISC	10,898,052	18,020,898	12,460,827
BC Housing	-	680,627	2,555,688
DFO	140,000	469,313	77,167
First Nations Health Authority	2,186,837	2,608,702	2,352,131
Interest	295,000	187,283	405,150
Investments (loss)	-	-1,262,083	18,841,606
Ottawa Trust funds	-	25,292	31,061
Province of British Columbia	4,031,981	2,976,872	2,501,166
Resource agreements	-	4,581,977	2,499,616
Sales and rental	1,658,000	2,042,984	1,154,035
Settlement trust	2,000	1,717	70,924
Treaty funds	-	-	3,856,838
Other	<u>9,602,935</u>	<u>4,636,730</u>	<u>2,878,943</u>
	<u>28,814,805</u>	<u>34,970,312</u>	<u>49,685,152</u>
EXPENDITURE			
Administration	3,180,213	2,928,020	2,751,559
Amortization	1,600,000	1,713,520	1,510,463
Capital Development	8,500,393	963,267	555,081
Community Health	2,120,267	1,702,246	1,785,400
Community Project Funds	2,717,326	5,918,641	4,632,771
Economic Development	2,690,447	2,044,078	1,482,886
Education	5,992,796	4,870,841	4,660,765
Public Works	2,470,491	2,186,310	2,152,884
Social Assistance	<u>1,481,820</u>	<u>1,475,521</u>	<u>1,197,478</u>
	<u>30,753,753</u>	<u>23,802,444</u>	<u>20,729,287</u>
REVENUE OVER EXPENDITURE	-1,938,948	11,167,868	28,955,865
OPENING POSITION	<u>119,074,073</u>	<u>119,074,073</u>	<u>90,118,208</u>
CLOSING POSITION	<u>117,135,125</u>	<u>130,241,941</u>	<u>119,074,073</u>

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

	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	11,167,868	28,955,865
Amortization	1,713,520	1,510,463
Accounts payable and accruals	527,097	-3,428,032
Accounts receivable	-3,818,236	3,326,862
Inventory	59,718	13,520
Prepaid expenses	-89,797	137,632
Ottawa Trust funds	<u>-25,292</u>	<u>-31,061</u>
	<u>9,534,878</u>	<u>30,485,249</u>
FINANCING ACTIVITIES		
Long-term debt	<u>-399,247</u>	<u>-4,016,805</u>
INVESTING ACTIVITIES		
Investments	1,262,083	-18,841,606
Property and equipment additions	<u>-3,121,253</u>	<u>-7,036,944</u>
	<u>-1,859,170</u>	<u>-25,878,550</u>
CHANGE IN CASH	7,276,461	589,894
OPENING CASH BALANCE	<u>17,855,668</u>	<u>17,265,774</u>
CLOSING CASH BALANCE	<u>25,132,129</u>	<u>17,855,668</u>

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

	Unaudited Budget	2021	2020
	\$	\$	\$
Revenue over expenditure	-1,938,948	11,167,868	28,955,865
Amortization	1,600,000	1,713,520	1,510,463
Property and equipment additions	-3,000,000	-3,121,253	-7,036,944
Investments	-	1,262,083	-18,841,606
Prepaid expenses	<u>10,000</u>	<u>-89,797</u>	<u>137,632</u>
 Change in net financial assets	 -3,328,948	 10,932,421	 4,725,410
 Opening net financial assets	 <u>11,131,061</u>	 <u>11,131,061</u>	 <u>6,405,651</u>
 Closing net financial assets	 <u>7,802,113</u>	 <u>22,063,482</u>	 <u>11,131,061</u>

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

a) Financial Statement Presentation

These financial statements have been prepared in accordance with Canadian public sector accounting standards. Interfund administration and rent charges and the offsetting revenue in the amount of \$2,110,813 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, 2021

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

	2021	2020
Operating accounts	\$ 24,661,443	\$ 17,516,085
Secured revenue trust	<u>470,686</u>	<u>339,583</u>
	<u><u>\$ 25,132,129</u></u>	<u><u>\$ 17,855,668</u></u>

3. ACCOUNTS RECEIVABLE

	2021	2020
ISC	\$ 745,748	\$ 134,903
Member receivables	80,323	94,433
Other	<u>8,039,575</u>	<u>4,553,960</u>
	<u><u>8,865,646</u></u>	<u><u>4,783,296</u></u>
Allowance for doubtful accounts	<u>643,214</u>	<u>379,100</u>
	<u><u>\$ 8,222,432</u></u>	<u><u>\$ 4,404,196</u></u>

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2021

4. INVENTORY

	2021	2020
Cigarettes	\$ 107,165	\$ 110,215
Fuel	<u>115,633</u>	<u>172,301</u>
	<u>\$ 222,798</u>	<u>\$ 282,516</u>

5. OTTAWA TRUST FUNDS

	Revenue	Capital	Suspense	Total 2021	Total 2020
Opening balance	\$ 713,620	\$ 687,508	\$ 12,613	\$ 1,413,741	\$ 1,382,680
Receipts	<u>25,145</u>	<u>-</u>	<u>147</u>	<u>25,292</u>	<u>31,061</u>
Closing balance	<u>\$ 738,765</u>	<u>\$ 687,508</u>	<u>\$ 12,760</u>	<u>\$ 1,439,033</u>	<u>\$ 1,413,741</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

	2021	2020
Post-secondary allowances	\$ 61,459	\$ 39,211
Legal retainer and other	<u>112,910</u>	<u>45,361</u>
	<u>\$ 174,369</u>	<u>\$ 84,572</u>

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2021

7. ACCOUNTS PAYABLE AND ACCRUALS

	2021	2020
Trade payable and accruals	\$ 2,608,109	\$ 2,221,271
Wages and benefits	<u>360,554</u>	<u>220,295</u>
	<u><u>\$ 2,968,663</u></u>	<u><u>\$ 2,441,566</u></u>

8. LONG-TERM DEBT

First Nations Finance Authority short-term loan, \$30,283/month including interest at 2.9% per annum.	\$ 5,551,920
Less debt reserve fund	<u>363,659</u>
Net promissory note	<u>5,188,261</u>
First Nations Finance Authority short-term loan, \$29,594/month including interest at 2.985% per annum.	5,149,313
Less debt reserve fund	<u>353,327</u>
Net promissory note	<u>4,795,986</u>
	<u><u>\$ 9,984,247</u></u>

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

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2021

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	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	560,127	-	-	560,127	-	-	-	-	560,127	560,127
Buildings	54,673,467	1,043,575	-	55,717,042	17,862,317	-	441,766	18,304,083	37,412,959	36,811,150
Infrastructure	38,066,674	1,966,928	-	40,033,602	17,945,320	-	900,087	18,845,407	21,188,195	20,121,354
Equipment	7,728,850	110,750	-	7,839,600	5,981,264	-	371,667	6,352,931	1,486,669	1,747,586
	<u>101,029,118</u>	<u>3,121,253</u>	<u>-</u>	<u>104,150,371</u>	<u>41,788,901</u>	<u>-</u>	<u>1,713,520</u>	<u>43,502,421</u>	<u>60,647,950</u>	<u>59,240,217</u>

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2021

10. INVESTMENTS

	2021	2020
Coast Tsimshian Resources Limited Partnership	\$ 8,688,861	\$ 9,027,735
Lax Kw'alaams Fishing Enterprises Limited Partnership	3,547,622	3,117,236
Lax Kw'alaams (MV Nucleus) LLP	868,119	774,957
Lax Kw'alaams Business Development LP	32,818,370	34,198,295
Lax Kw'alaams Holdings LP	<u>1,433,168</u>	<u>1,500,000</u>
	<u>\$ 47,356,140</u>	<u>\$ 48,618,223</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)

	2021	2020
Administration	\$ 5,528,736	\$ 2,795,542
Capital Development	-928,284	-2,072,054
Community Health	2,616,437	1,709,981
Community Project Funds	10,390,571	5,355,235
Economic Development	2,176,856	1,435,428
Education	230,846	1,707,779
Public Works	534,272	-450,154
Social Assistance	19,447	62,632
Treaty Process	<u>229,937</u>	<u>-742,497</u>
	<u>\$ 20,798,818</u>	<u>\$ 9,801,892</u>

LAX KW'ALAAMS BAND

NOTES

MARCH 31, 2021

12. EQUITY IN PROPERTY AND EQUIPMENT

	2021	2020
Opening balance	\$ 59,240,217	\$ 53,713,736
Contributions from operations	3,121,253	7,036,944
Amortization	<u>-1,713,520</u>	<u>-1,510,463</u>
Closing balance	<u>\$ 60,647,950</u>	<u>\$ 59,240,217</u>

13. CONTINGENT LIABILITIES

Guarantor of Band member mortgages to \$458,334 (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.

Guarantor on Bank of Montreal operating line and demand loan for Coast Tsimshian Fish Plant Ltd. to \$1,800,000.

14. PRIOR PERIOD ADJUSTMENT

During 2021, accounting for the Coast Tsimshian RTI Holdings Limited Partnership for the 2020 fiscal year was finalized. This resulted in additional revenue of \$19,726,027 from Lax Kw'alaams Business Development Limited Partnership being reported in the fiscal 2020 comparative figures. The impact on the comparative figures are increases of \$19,726,027 to investments and \$19,726,027 to equity in investments.

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, 2021

15. Segment Disclosure (continued)

	Budget	Administration	Capital Development	Community Health	Economic Development	Education	Community Project Funds	Public Works	Social Assistance	Amortization	Total 2021	Total 2020
REVENUE												
ISC	10,898,052	3,320,034	2,858,575	-	468,323	4,807,638	2,478,338	2,097,920	1,990,070	-	18,020,898	12,460,827
OFO	140,000	-	-	-	-	-	469,313	-	-	-	469,313	77,167
First Nations Health Authority	2,186,837	-	-	2,608,702	-	-	-	-	-	-	2,608,702	2,352,131
Investments (loss)	-	-	-	-	-	-	-1,262,083	-	-	-	-1,262,083	18,841,606
Resource agreements	-	-	-	-	-	-	4,581,977	-	-	-	4,581,977	2,499,616
Province of British Columbia	4,031,981	-	1,672,627	-	1,308,000	-	676,872	-	-	-	3,657,499	2,501,160
Other	11,557,935	4,113,486	-	-	504,220	222,733	1,743,835	306,500	3,232	-	6,894,006	10,952,645
	28,814,805	7,433,520	4,531,202	2,608,702	2,280,543	5,030,371	8,688,252	2,404,420	1,993,302	-	34,970,312	49,885,152
EXPENDITURE												
Administration	1,821,513	234,316	247,145	261,419	169,083	323,491	178,972	283,426	176,581	-	1,874,433	1,371,099
Advances to affiliates	4,500	-	-	-	-	-	84,992	-	-	-	84,992	2,920
Allowances	1,830,000	-	-	190,718	-	806,754	3,126,273	-	836,116	-	4,959,861	3,541,063
Amortization	1,600,000	-	-	-	-	-	-	-	-	1,713,520	1,713,520	1,510,463
Contract services and fees	14,404,761	212,902	264,930	235,428	344,584	3,493,261	723,193	311,544	251,137	-	5,836,979	5,045,339
Council	-	-	-	-	-	-	-	-	-	-	-	-
Honoraria	622,720	622,720	-	-	-	-	-	-	-	-	622,720	685,748
Travel	472,500	108,468	-	-	-	-	-	-	-	-	108,468	480,150
Equipment rental and repairs	1,233,821	3,688	-	-	158,664	7,980	258,048	364,045	10,048	-	802,473	1,319,165
Materials, supplies and other	2,663,157	180,390	174,355	403,476	130,165	47,012	1,415,870	201,849	15,419	-	2,568,536	2,270,529
Professional services	452,160	309,238	-	-	105,723	-	18,413	-	-	-	433,374	735,539
Telephone and utilities	590,300	29,006	-	21,623	11,826	100,000	4,150	288,665	1,173	-	456,443	398,996
Travel and workshops (recovery)	380,788	17,219	109	-9,564	6,967	-	-	10,386	1,195	-	26,312	188,845
Wages and benefits	4,677,533	1,210,073	276,728	599,146	1,117,066	92,343	108,730	726,395	183,852	-	4,314,333	3,179,431
	30,753,753	2,928,020	963,267	1,702,246	2,044,078	4,870,841	5,918,641	2,186,310	1,475,521	1,713,520	23,802,444	20,729,287
REVENUE OVER EXPENDITURE	-1,938,948	4,505,500	3,567,935	906,456	236,465	159,530	2,789,611	218,110	517,781	-1,713,520	11,167,868	28,955,865