

ISKUT BAND COUNCIL

MARCH 31, 2019

Iskut Band Council

TABLE OF CONTENTS

For the year ended March 31, 2019

Audited Financial Statements for the year ended March 31, 2019	1
Schedules of Remunerations and Expenses - Chief and Councilors, and Unelected Senior Officials	2
Statement of Moveable Assets Reserve	3
Reconciliation of INAC contributions, including contributions for the year, deferred revenue and accounts receivable	4
Management Letter	5

**Iskut Band Council
Consolidated Financial Statements
For the year ended March 31, 2019**

**Iskut Band Council
Consolidated Financial Statements
For the year ended March 31, 2019**

Contents

Management's Responsibility for the Consolidated Financial Statements	2
Independent Auditor's Report	3 - 5
Financial Statements	
Consolidated Statement of Financial Position	6
Consolidated Statement of Operations	7
Consolidated Statement of Change in Net Financial Assets	8
Consolidated Statement of Cash Flows	9
Notes to Consolidated Financial Statements	10 - 27

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Iskut Band Council are the responsibility of management and have been approved by the Chief and another Band Councilor on behalf of the Band Council.

These 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. Management is responsible 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.

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

The external auditors, BDO Canada LLP, conduct an audit, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have access to financial management of Iskut Band Council and meet when required.

On Behalf of Iskut Band Council:

M. Quock

Chief Councilor

John P. Mole

Band Councilor

Independent Auditor's Report

To the Members
Iskut Band Council

Qualified Opinion

We have audited the consolidated financial statements of the Iskut Band Council and its controlled entities (the "Band"), which comprise the consolidated statement of financial position as at March 31, 2019, the consolidated statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Iskut Band Council as at March 31, 2019 and the result of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

As disclosed in Note 1, the Band accounts for its investment in Iskut Band Development Corporation using the modified equity method. The Band has not received updated information with respect to this investment for the year ended March 31, 2019. Accordingly, no income from the investment has been included in these financial statements for the years ended March 31, 2019. This constitutes a departure from Canadian public sector accounting standards. Because the Band does not have current financial information, we were unable to determine the impact of this departure on the revenue and the surplus of revenue over expense for the years ended March 31, 2019, the investment in Iskut Band Development Corporation as at March 31, 2019, and accumulated surplus as at March 31, 2019. In addition, due to the lack of access to the accounting records, we were unable to determine whether any adjustments may be necessary to the investment in the partnerships as at March 31, 2018, revenue and annual surplus (deficit) for the years ended March 31, 2018 and accumulated surplus as at March 31, 2018. Our audit report for the year ended March 31, 2018 was modified accordingly because of this matter.

The Band has a 33.3% ownership in the Tahltan Nation Development Limited Partnership. As a result, the modified equity method must be used to record the Band's interest in the partnership. The Band has not received updated financial information with respect to this investment for the year ended March 31, 2019. Accordingly, no income from the investment has been included in these financial statements for the year ended March 31, 2019. This constitutes a departure from Canadian public sector accounting standards. Because the Band does not have current financial information, we were unable to determine the impact of this departure on the revenue and the surplus of revenue over expense for the years ended March 31, 2019, the investment in Tahltan Nation Development Limited Partnership as at March 31, 2019, and accumulated surplus as at March 31 for the 2019 year. In addition, due to the lack of access to the accounting records, we were unable to determine whether any adjustments may be necessary to the investment in the partnerships as at March 31, 2018, revenue and annual surplus (deficit) for the years ended March 31, 2018 and accumulated surplus as at March

31, 2018. Our audit opinion for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

The Band is a 33.3% beneficiary of the Tahltan Heritage Trust. The Trust assets arise from monies received from various resource developers planning to undertake commercial activities using natural resources in the Tahltan traditional territory. The Band should account for its interest in the Trust on a proportionate consolidated basis because the Trust is a government partnership. The Band has recorded the Trust as government business partnership and accounted for it using the modified equity method. This constitutes a departure from Canadian public sector accounting standards. The impact of this departure on the financial statements has not been determined because it is impracticable to do so. In addition, due to the lack of access to the accounting records of the Trust, we were also unable to determine whether any additional adjustments may be necessary to the investment in the Trust as at March 31, 2019 and 2018, revenue and annual surplus (deficit) for the years ended March 31, 2019 and 2018, and accumulated surplus as at April 1 and March 31 for both the 2019 and 2018 years. Our audit opinion for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

As disclosed in Note 6 to the financial statements, the Band has a 33.3% ownership in the Tahltan Legacy Corporation, the bare trustee for Volcano Creek Limited Partnership. The Volcano Creek Limited Partnership was incorporated August 2015. In the year of incorporation, the Band's initial investment was \$666,667. This amount was not recorded in the year ended March 31, 2016. When this was identified in the current year, instead of adjusting the April 1, 2017 accumulated surplus and long term investment account to correct this omission, the Band recorded it as current year income from investment in government business partnerships. This constitutes a departure from Canadian public sector accounting standards. In addition, due to the lack of access to the accounting records of Tahltan Legacy Corporation and Volcano Creek Limited Partnership, we were unable to determine whether any additional adjustments may be necessary to the investment at March 31, 2019 and 2018, annual surplus (deficit) for the years ended March 31, 2019 and 2018, and accumulated surplus as at April 1 and March 31 for both the 2019 and 2018 years.

As disclosed in Note 5 to the financial statements, the Band has not recorded any amounts related to its former investment in Tahltan Nation Community Development Corporation. Due to the lack of access to the accounting records of Tahltan Nation Community Development Corporation at the time of dissolution, we were unable to determine whether any adjustments may be necessary resulting from the dissolution of its investment at March 31, 2019 and 2018, annual surplus (deficit) for the years ended March 31, 2019 and 2018, and accumulated surplus as at April 1 and March 31 for both the 2019 and 2018 years.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 2 to the consolidated financial statements, which explains that certain comparative information presented for the year ended March 31, 2018 has been restated. Our opinion is not modified in respect of this matter.

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 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 management either intends to liquidate the Band or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Band's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Band'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 Band'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 Band 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.

BDO Canada LLP

Chartered Professional Accountants

Penticton, British Columbia
August 29, 2019

Iskut Band Council
Consolidated Statement of Financial Position

<u>March 31</u>	<u>2019</u>	<u>2018</u>
Financial assets		
Cash (Note 3)	\$ 272,688	\$ 786,058
Short-term investments (Note 3)	579,300	1,378,827
Accounts receivable (Note 4)	1,332,839	480,722
Long-term investments (Note 6)	13,237,685	5,302,857
Trust assets (Note 5)	<u>4,449,415</u>	<u>3,515,365</u>
	<u>19,871,927</u>	<u>11,463,829</u>
Liabilities		
Accounts payable and accrued liabilities (Note 8)	642,862	510,483
Long-term debt (Note 11)	<u>2,498,965</u>	<u>2,599,708</u>
	<u>3,141,827</u>	<u>3,110,191</u>
Net financial assets	<u>16,730,100</u>	<u>8,353,638</u>
Non-financial assets		
Prepaid expenses	45,543	36,065
Tangible capital assets (Note 7)	<u>15,164,353</u>	<u>15,223,676</u>
	<u>15,209,896</u>	<u>15,259,741</u>
Accumulated surplus (Note 12)	<u>\$ 31,939,996</u>	<u>\$ 23,613,379</u>

Approved on behalf of Chief & Council

Mr. Quock
John P. male

Iskut Band Council
Consolidated Statement of Operations

<u>March 31, 2019</u>	<u>2019</u>	<u>2018</u>
Revenue		
Federal Government:		
Indigenous Service Canada	\$ 3,607,369	\$ 3,684,673
Canada Mortgage and Housing Corporation	108,367	159,391
Fisheries and Oceans Canada	509,791	546,647
Health and Welfare Canada/First Nations Health Authority	2,418,158	2,614,016
Provincial Government:		
First Nations Education Steering Committee	326,961	312,416
Province of British Columbia	275,431	279,384
Other		
Equipment rental	13,800	77,426
Fisheries contracts	178,938	60,626
Housing charges	246,595	250,810
Interest and investment income	112,873	105,824
Local operations	892,053	799,533
Miscellaneous health contracts	382,480	262,778
Contracts, rent, contributions and miscellaneous	145,311	300,445
	<u>9,218,127</u>	<u>9,453,969</u>
Expenditures (Note 16)		
Administration	1,247,178	1,237,320
Social services	873,004	797,535
Education	1,938,041	1,882,854
Fisheries	644,305	592,310
Community health	2,635,914	2,379,103
Housing	620,205	692,977
Public works	821,425	1,089,568
Enterprise fund	931,330	325,481
	<u>9,711,402</u>	<u>8,997,148</u>
Annual surplus before income from government business enterprise and partnership	(493,275)	456,821
Income from investment in government business enterprises, partnership and Tahltan Heritage Trust (Note 6)	8,819,892	1,033,582
Annual surplus	8,326,617	1,490,403
Accumulated surplus at beginning of year, as previously stated	23,448,147	21,983,361
Prior period adjustment (Note 2)	165,232	139,615
Accumulated surplus at beginning of year	23,613,379	22,122,976
Accumulated surplus at end of year	\$ 31,939,996	\$ 23,613,379

Iskut Band Council
Consolidated Statement of Change in Net Financial Assets

<u>March 31, 2019</u>	<u>2019</u>	<u>2018</u>
Annual surplus	\$ 8,326,617	\$ 1,490,403
Tangible capital assets:		
Acquisition of tangible capital assets	(947,639)	(494,650)
Amortization of tangible capital assets	1,006,962	936,383
Loss on sale of tangible capital assets	-	12,660
Proceeds on sale of tangible capital assets	-	36,848
	<u>8,385,940</u>	<u>1,981,644</u>
Net acquisition of prepaid expenses	(9,478)	(9,825)
Increase in net financial assets	8,376,462	1,971,819
Net financial assets, beginning of year	8,353,638	6,242,204
Prior period adjustment	-	139,615
	<u>\$ 16,730,100</u>	<u>\$ 8,353,638</u>
Net financial assets, end of year		

**Iskut Band Council
Consolidated Statement of Cash Flows**

<u>March 31, 2019</u>	<u>2019</u>	<u>2018</u>
Operating activities		
Annual surplus	\$ 8,326,617	\$ 1,490,403
Items not affecting cash:		
Amortization	1,006,962	936,383
Loss (gain) on disposal of tangible capital assets	-	12,660
Income (loss) from investments and trusts	(8,825,966)	(1,013,776)
Changes in operating balances:		
Decrease (increase) in accounts receivable	(852,117)	275,620
Decrease (increase) in prepaid expenses	(9,478)	(9,825)
Increase (decrease) in accounts payable and accrued liabilities	<u>132,379</u>	<u>92,146</u>
	<u>(221,603)</u>	<u>1,783,611</u>
Capital activities		
Purchase of tangible capital assets	(947,639)	(494,650)
Proceeds from disposal of tangible capital assets	-	36,848
	<u>(947,639)</u>	<u>(457,802)</u>
Investing activities		
Net decrease (increase) in short-term investments	799,527	(727,962)
Advance to Iskut Band Development Corporation	<u>(42,912)</u>	<u>(23,453)</u>
	<u>756,615</u>	<u>(751,415)</u>
Financing activities		
Proceeds from long-term debt	96,263	86,701
Repayment of long-term debt	(197,006)	(234,505)
Proceeds from (repayment of) line of credit	<u>-</u>	<u>(135,000)</u>
	<u>(100,743)</u>	<u>(282,804)</u>
Increase in cash for the year	(513,370)	291,590
Cash, beginning of year	786,058	494,468
Cash, end of year (Note 3)	\$ 272,688	\$ 786,058

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

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies

Nature of Business	Iskut Band Council provides services and support to its band members. Iskut Band Council is an Indian Band and, as such, is exempt from income tax under section 87 of the Indian Act.
Basis of Accounting	These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board.
Reporting Entity	The Iskut Band Council reporting entity includes the Iskut Band Council government and all related entities that are controlled by the First Nation, including Iskut Rental Housing Operations, Tahltan Fisheries Program, and Iskut Energy Limited Partnership.
Principles of Consolidation	All controlled entities are fully consolidated on a line-by-line basis except for commercial enterprises and partnerships which meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.
	Under the modified equity method of accounting, only Iskut Band Council's investment in the government business enterprise and partnerships and the First Nation's portion of the enterprise's and partnership's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Iskut Band Council and inter-organizational balances and transactions are not eliminated.
Asset Classification	Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or 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 capital assets, and prepaid expenses.
Cash	Cash includes cash on hand and balances with banks.
Short-term Investments	Short-term investments include guaranteed investment certificates maturing at various times during the next fiscal year. These investments are recorded at cost.

Iskut Band Council Notes to Consolidated Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies (continued)

Long-term Investments	<p>The First Nation's investment in Iskut Band Development Corporation, a government business enterprise, is recorded on a modified equity basis. The modified equity method of reporting includes the investment, equity, and net income of the government business enterprise.</p> <p>The First Nation's investment in Tahltan Nation Development Corporation, an entity which is not controlled, is recorded at cost.</p> <p>Tahltan Nation Development Limited Partnership, a government business partnership of which Iskut Band Council is the limited partner and is not dependent on the Board for their continuing operations, is included in the consolidated financial statements using the modified equity method.</p> <p>The First Nation's investment in Tahltan Legacy Corporation, a government business enterprise, is recorded on a modified equity basis. The modified equity method of reporting includes the investment, equity, and net income of the government business enterprise.</p> <p>The First Nation's investment in Tahltan Nation Community Development Corporation, an entity which is not controlled, is not recorded.</p>												
Use of Estimates	<p>The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>												
Tangible Capital Assets	<p>Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital assets including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:</p> <table><tbody><tr><td>Automotive equipment</td><td>5 years</td></tr><tr><td>Buildings and improvements</td><td>25 years</td></tr><tr><td>Band owned housing</td><td>40 years</td></tr><tr><td>Community equipment</td><td>5 years</td></tr><tr><td>Infrastructure</td><td>50 years</td></tr><tr><td>Office equipment</td><td>5 years</td></tr></tbody></table>	Automotive equipment	5 years	Buildings and improvements	25 years	Band owned housing	40 years	Community equipment	5 years	Infrastructure	50 years	Office equipment	5 years
Automotive equipment	5 years												
Buildings and improvements	25 years												
Band owned housing	40 years												
Community equipment	5 years												
Infrastructure	50 years												
Office equipment	5 years												

Tangible capital asset under construction, development or that have been removed from service are not amortized until they are available to be put into service.

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies (continued)

Net Financial Assets	The Band's consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the Band is determined by its financial assets less its liabilities.
Revenue Recognition	<p>Revenue in the operating activities is recognized as it becomes receivable under the terms of applicable funding agreements. Revenue received under the funding agreements which relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Statement of Financial Position.</p> <p>Revenue in the commercial enterprise activities is recognized when ownership of products is transferred to a third party or services are provided, and collection is reasonably assured.</p> <p>Revenue from rental and other income is recognized when services are provided, and collection is reasonably assured. When payments are received in advance of contracted services, the Band records this as deferred revenue.</p> <p>Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.</p>
Trust Assets	The Band is a 33.3% beneficiary of the Tahltan Heritage Trust. The trust assets arise from monies received from various resource developers planning to undertake commercial activities using natural resources in the Tahltan traditional territory.
Fiscal Plan	Canadian public sector accounting standards requires that the Band's budget be presented in the financial statements. As the Band currently does not prepare a budget, no budgeted figures have been presented as otherwise required.

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2019

2. Prior Period Adjustment

During the year, the Band's records of its investment in Iskut Band Development Corporation were brought up to date which required an adjustment to reflect the accumulated earnings and losses from 2015 through 2018. The total adjustment required was an increase in the 2018 annual surplus and long term investment account of \$25,617 and an adjustment to the April 1, 2017 accumulated surplus and long term investment account of \$139,615 which represents the accumulated surplus incurred in Iskut Band Development Corporation from 2015 through 2018 fiscal periods.

3. Cash and Short-term Investments

	2019	2018
Consists of:		
Cash	\$ 272,688	\$ 786,058
Term deposits	<u>579,300</u>	<u>1,378,827</u>
	<u>\$ 851,988</u>	<u>\$ 2,164,885</u>
Replacement reserves		
CMHC housing replacement reserves	\$ 477,156	\$ 475,695
Band housing replacement reserves	\$ 40,817	\$ 40,641
Health replacement reserves	49,635	79,209
Unrestricted	<u>284,380</u>	<u>1,569,340</u>
	<u>\$ 851,988</u>	<u>\$ 2,164,885</u>

Term deposits consist of 1 year cashable GIC's at a rate of 0.50% per annum, maturing either June 2019, or September 2019.

CMHC Housing Replacement Reserves

Under the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC"), the Housing Replacement Reserve account is to be credited annually in an amount as specified by CMHC. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC. Withdrawals are credited to interest first and then principal.

The Housing Replacement Reserve funds are held for the purpose of normal maintenance and repairs of the Band-owned housing currently under CMHC funding.

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2019

4. Accounts Receivable

	2019	2018
Trade	\$ 241,870	\$ 148,393
Indigenous and Northern Affairs Canada	177,423	6,648
Canada Mortgage and Housing Corporation	9,031	38,131
Band member rent	947,637	904,619
First Nations Education Steering Committee	3,620	86,806
Fisheries & Oceans Canada	191,718	29,971
GST	51,515	40,561
First Nation Health Authority	-	4,127
Province of British Columbia	10,000	-
Tahltan Central Government	588,775	42,000
Miscellaneous	12,633	42,471
	<hr/>	<hr/>
Less: Housing allowance for doubtful accounts	2,234,222	1,343,727
	(901,383)	(863,005)
	<hr/>	<hr/>
Net accounts receivable	\$ 1,332,839	\$ 480,722

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2019

5. Trust Assets

	March 31, 2018	Additions	Withdrawals		March 31, 2019
Ottawa Trust Funds					
Revenue	\$ 187,727	\$ 6,074	\$ -	\$ 193,801	
Capital	16	-	-	16	
	<u>187,743</u>	<u>6,074</u>	<u>-</u>	<u>193,817</u>	
Tahltan Heritage Trust (unaudited)	<u>3,327,622</u>	<u>927,976</u>	<u>-</u>	<u>4,255,598</u>	
	<u><u>\$ 3,515,365</u></u>	<u><u>\$ 934,050</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,449,415</u></u>	

The Ottawa 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act. The revenue and capital trust funds are accessible by the Band for specified purposes.

The Heritage Trust assets arise from monies held in the Tahltan Heritage Trust which have been received from resource developers planning to undertake commercial activities, primarily using natural resources in the Tahltan Nations traditional territory. The management of these funds are primarily governed by the band leaders of the Tahltan Nation. Iskut Band Council holds a 33.3% interest in the trust. As disclosed in Note 6, subsequent to March 31, 2019, the ownership of Tahltan Legacy Corporation was transferred to Tahltan Heritage Trust.

6. Long-term Investments

Tahltan Nation Development Corporation

Tahltan Nation Development Corporation is a general partner of Tahltan Nation Development Limited Partnership. The only asset the entity owns is its partnership equity in Tahltan Nation Development Limited Partnership.

Iskut Band Development Corporation

Iskut Band Development Corporation is a wholly owned corporation which includes four operating divisions. It includes The Kluachon Centre Store (operating a retail store selling groceries, gas, and general merchandise) which is the only active division. The inactive divisions are: Eagle River Guide Outfitters, Kluachon Guide Outfitters, and Zetu Construction.

Tahltan Nation Development Limited Partnership

Tahltan Nation Development Limited Partnership has entered into a number of joint venture agreements which has resulted in a wide range of support and construction services being provided to industry and government.

Iskut Band Council Notes to Consolidated Financial Statements

March 31, 2019

6. Long-term Investments (continued)

Tahltan Legacy Corporation/Volcano Creek Limited Partnership

Tahltan Legacy Corporation owns 100% of the shares of 1045365 B.C. Ltd., a general partner that holds 0.01% interest in Volcano Creek Limited Partnership ("VCLP"); Tahltan Legacy Corporation is also the limited partner and it holds 99.99% interest in VCLP. VCLP owns a 2.7% investment in Coast Mountain Hydro Limited Partnership, a partnership which operates a run-of-river plant facility constructed and developed by Altagas Ltd. in collaboration with BC Hydro ("Volcano Creek Facility"). Subsequent to March 31, 2019 the ownership of Tahltan Legacy Corporation was transferred to Tahltan Heritage Trust and VCLP became entitled to purchase up to 5% interest in Volcano Creek Facility. Tahltan Legacy Corporation is a government business partnership and the Band accounted for it by the modified equity method.

Tahltan Nation Community Development Corporation

The Band formerly had a 33.33% investment in Tahltan Nation Community Development Corporation (TNCDC). On January 18, 2016, TNCDC was dissolved. Management has not obtained any information related to the dissolution of TNCDC or determined if it has any impact on the amounts recorded in the consolidated financial statements, which at March 31, 2019 was \$nil (2018 - \$nil).

	2019	2018
Tahltan Nation Development Corp. (33.3% owned)	\$ 251	\$ 251
Tahltan Nation Development Limited Partnership (33.331%)	4,585,860	4,693,944
Iskut Band Development Corp.	651,574	608,662
Tahltan Legacy Corporation/Volcano Creek Limited Partnership	<u>8,000,000</u>	-
	<u>\$ 13,237,685</u>	<u>\$ 5,302,857</u>

Iskut Band Development Corporation

The Band has not received updated information with respect to this investment for 2019. Therefore, no figures have been presented.

The following transactions occurred during the year between Iskut Band Development Corporation and the First Nation. These transactions are measured at the amount of consideration established and agreed to by the related parties.

- Iskut Band Council purchased \$190,179 (2018 - \$125,414) of fuel and goods from the Kluachon Centre Store

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2019

6. Long-term Investments (continued)

	2019	2018
	Tahltan Nation Development Limited Partnership*	Total
Assets		
Current	\$ 9,948,894	\$ 9,948,894
Non-current	<u>8,891,890</u>	<u>8,891,890</u>
	\$18,840,784	\$18,840,784
Liabilities		
Current	\$ 4,264,569	\$ 4,264,569
Non-current	<u>817,718</u>	<u>817,718</u>
	5,082,287	5,082,287
Surplus		
	13,758,497	13,758,497
	\$18,840,784	\$18,840,784
Revenue		
Expenditures	<u>\$11,179,210</u>	<u>\$11,179,210</u>
	<u>(11,503,483)</u>	<u>(11,503,483)</u>
	\$ (324,273)	\$ (324,273)
Total Loss		
	\$ (108,084)	\$ (108,084)
Allocation		
	\$ (177,282)	

*The 2019 figures of Tahltan Nation Development Limited Partnership (TNDLP) are not available, so the 2018 figures have been presented based on the unaudited financial statements prepared by a public accountant. The comparative figures presented are based on the 2017 unaudited financial statements.

The Band has not received updated information with respect to this investment in Tahltan Legacy Corporation and Volcano Creek Limited Partnership for 2019. Therefore, no figures have been presented

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2019

7. Tangible Capital Assets

	2019								
	Automotive Equipment	Band-Owned Housing	Buildings	Community Equipment	Equipment	Infrastructure	Construction in Progress	Social Housing	Total
Cost, beginning of year	\$ 1,576,162	\$ 5,861,969	\$ 8,045,136	\$ 1,176,285	\$ 595,610	\$ 4,874,109	\$ -	\$ 4,787,922	\$ 26,917,193
Additions	196,052	-	-	5,885	34,704	-	710,998	-	947,639
Disposals	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Cost, end of year	1,772,214	5,861,969	8,045,136	1,182,170	630,314	4,874,109	710,998	4,787,922	27,864,832
Accumulated amortization, beginning of year	1,029,098	3,773,791	2,920,784	728,714	417,452	1,739,379	-	1,084,299	11,693,517
Amortization	143,528	142,329	298,152	147,390	59,417	97,484	-	118,662	1,006,962
Disposals	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Accumulated amortization, end of year	1,172,626	3,916,120	3,218,936	876,104	476,869	1,836,863	-	1,202,961	12,700,479
Net carrying amount, end of year	\$ 599,588	\$ 1,945,849	\$ 4,826,200	\$ 306,066	\$ 153,445	\$ 3,037,246	\$ 710,998	\$ 3,584,961	\$ 15,164,353

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2019

7. Tangible Capital Assets (continued)

	2018							
	Automotive Equipment	Band-Owned Housing	Buildings	Community Equipment	Equipment	Infrastructure	Social Housing	Total
Cost, beginning of year	\$1,276,376	\$5,151,014	\$8,045,136	\$1,168,647	\$ 532,148	\$ 4,874,109	\$ 5,498,877	\$26,546,307
Additions	423,550	-	-	7,638	63,462	-	-	494,650
Disposals	(123,764)	-	-	-	-	-	-	(123,764)
Transfers	-	710,955	-	-	-	-	(710,955)	-
Cost, end of year	1,576,162	5,861,969	8,045,136	1,176,285	595,610	4,874,109	4,787,922	26,917,193
Accumulated amortization, beginning of year	1,032,761	3,238,695	2,622,632	564,805	370,623	1,641,895	1,359,979	10,831,390
Amortization	70,593	124,902	298,152	163,909	46,829	97,484	134,514	936,383
Disposals	(74,256)	-	-	-	-	-	-	(74,256)
Transfers	-	410,194	-	-	-	-	(410,194)	-
Accumulated amortization, end of year	1,029,098	3,773,791	2,920,784	728,714	417,452	1,739,379	1,084,299	11,693,517
Net carrying amount, end of year	\$ 547,064	\$ 2,088,178	\$ 5,124,352	\$ 447,571	\$ 178,158	\$ 3,134,730	\$ 3,703,623	\$ 15,223,676

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2019

8. Accounts Payable and Accrued Liabilities

	2019	2018
Trade payables	\$ 201,014	\$ 205,358
Accrued liabilities	362,844	185,367
Accrued salaries and employee benefits payable	<u>79,004</u>	<u>119,758</u>
	<hr/>	<hr/>
	\$ 642,862	\$ 510,483

Included in accrued salaries and employee benefits payable are government remittances payable of \$31,340 (2018 - \$25,918).

9. Demand Loan

The bank overdraft and line of credit are due on demand. The bank overdraft bears interest at the bank's prime rate plus 1.6% per annum, calculated and payable monthly. The line of credit bears interest at the bank's prime rate plus 1.6% per annum, calculated and payable monthly with a maximum limit of \$200,000. The loans are secured by the assets of the Band and authorized through Band Council Resolution. As at March 31, 2019, the line of credit had a balance of \$nil (2018 - \$nil).

10. Pension Plan

The Band and certain of its employees contribute to the Iskut Band Pension Plan (the "Plan"). The Plan is a defined contribution plan. Pacific Employee Benefits administers the Plan through Sun Life Financial Group Retirement Services, including the payment of pension benefits on behalf of the employer and employees in accordance with the federal legislation.

During the year, the Band paid \$131,164 (2018 - \$74,826) to the Plan on behalf of its employees.

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2019

11. Long-term Debt

	2019	2018
Capital Loans		
RBC - various loans, with monthly payments totaling \$9,435 including interest at varying interest rates between 4.99 - 5.99% per annum, secured by specific equipment with a carrying value of \$599,402.	<u>\$ 470,246</u>	<u>\$ 453,011</u>
Social Housing Mortgages		
CMHC mortgage payable with payments of \$6,907 per month including interest at 2.13% per annum, maturing September 2032.	972,217	1,033,770
CMHC mortgage payable with payments of \$5,877 per month including interest at 1.30% per annum, maturing November 2035.	<u>1,056,502</u>	<u>1,112,927</u>
	<u>\$ 2,028,719</u>	<u>\$ 2,146,697</u>
	<u>\$ 2,498,965</u>	<u>\$ 2,599,708</u>

All Social Housing mortgages are secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada. Principal repayments on long-term debt for the next five years and thereafter are as follows:

2020	\$ 211,595
2021	205,321
2022	211,265
2023	199,104
2024	194,512
Thereafter	<u>1,477,168</u>
	<u>\$ 2,498,965</u>

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2019

12. Accumulated Surplus

Accumulated surplus is comprised of the following:

	Balance Mar 31, 2018	Surplus	Transfers to (from)	Balance Mar 31, 2019
General Non-financial assets	\$ 7,287,762 15,259,741	\$ 9,351,269 (997,485)	\$(1,028,791) 947,640	\$ 15,610,240 15,209,896
	22,547,503	8,353,784	(81,151)	30,820,136
Internally Restricted Reserves				
Housing replacement reserve	475,255	(3,842)	31,151	502,564
Band housing operations				
Replacement reserve	38,839	176	-	39,015
Health replacement reserve	67,226	(29,574)	50,000	87,652
Education replacement reserve	146,829	-	-	146,829
Administration reserve	150,000	-	-	150,000
	878,149	(33,240)	81,151	926,060
Externally Restricted Reserves				
Equity in Ottawa Trust Funds	187,727	6,073	-	193,800
	1,065,876	(27,167)	81,151	1,119,860
Total Accumulated Surplus	\$23,613,379	\$ 8,326,617	\$	\$ 31,939,996

Internally restricted replacement reserves were underfunded \$358,451 at March 31, 2019 (2018 - underfunded \$282,583). Underfunded replacement reserves are covered by Operating GIC's totaling \$406,704 in 2019 (2018 - \$804,799) that are included within term deposits.

13. Economic Dependence

Iskut Band Council receives a major portion of its revenue from Indigenous and Northern Affairs Canada and Health and Welfare Canada/First Nations Health Authority. The nature and extent of this revenue is of such significance that the Band is economically dependent on this source of revenue.

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2019

14. Comparative Figures

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

15. Federal Assistance Payments

The Iskut Rental Housing Operations receives federal assistance through CMHC to reduce mortgage interest expense to 2% to enable the project to provide housing to low income individuals. The amount of the assistance received for the year ended March 31, 2019 was \$108,367 (2018 - \$122,291), and this amount is included in CMHC revenue on the statement of operations.

16. Contingencies

The Iskut First Nation, and Council have been named as defendants in a lawsuit arising in the ordinary course of operations. Legal counsel for the organization has advised that it is premature to make any evaluation of the possible outcome or possible settlement amount of this claim. Consequently, no provision for this claim has been made in the financial statements.

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2019

17. Statement of Expenditures by Object

	2019	2018
Expenditures		
Amortization	\$ 1,006,962	\$ 936,383
Bad debts	38,379	51,895
Bank charges	9,373	23,084
Contract services	438,668	293,540
Cultural services	24,788	300
Direct social assistance	270,653	293,105
Equipment rental	36,316	54,125
Guidance and counselling	29,792	42,024
Honoraria	34,925	57,550
Insurance	47,356	46,802
Interest on long-term debt	58,330	58,593
Materials and supplies	174,977	192,583
Office and miscellaneous	19,251	43,155
Patient transport	665,488	569,813
Professional fees	571,906	875,924
Program resources	529,744	281,241
Repairs and maintenance	459,478	531,809
Salaries and benefits	3,864,084	3,471,628
Student allowance and transportation	145,912	150,000
Technology	87,245	56,759
Telephone	101,352	91,891
Travel and accommodation	602,294	461,227
Tuition fees	50,732	51,286
Utilities	166,067	164,851
Vehicles operations and maintenance	158,881	102,390
Workshops and training	118,449	95,190
Total expenditures for the year	\$ 9,711,402	\$ 8,997,148

Iskut Band Council Notes to Consolidated Financial Statements

March 31, 2019

18. Segmented Information Iskut Band Council is a First Nation organization that provides a wide range of services to its members including social, education, health, housing, public works and economic activities. For management reporting purposes, the Band's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives with special regulations, restrictions or limitations. Services are provided by programs and their activities are reported in these funds. Certain programs have been separately disclosed in the segmented information, along with the services they provide, are detailed in the Schedule of Segmented Financial Activities.

Administration

The Administration Services program provides administration support to other band operation programs and services.

Social Services

The Social Services program provides financial benefits and services to individuals and families, resident on reserve, who are in need.

Education

The Education program provides services to eligible First Nation students enrolled in elementary/secondary education programs and eligible post-secondary education programs.

Fisheries

The Fisheries program is a co-management initiative with the Department of Fisheries and Oceans that includes monitoring and enhancement projects.

Community Health

Iskut Valley Health Services provides health programs and services under an agreement with First Nations Health Authority.

Housing

The Housing program provides on-reserve housing to eligible members under the CMHC housing programs for First Nation.

Public Works

The Public Works program is responsible for the construction and maintenance of public spaces within the community.

Enterprise Fund

The Enterprise Fund is responsible for all locally initiated business activities, usually derived from non-government financial support.

Iskut Band Council
Notes to Consolidated Financial Statements
Schedule of Segmented Financial Activities

March 31, 2019

18. Segmented Information (continued)

2019

	Administration	Social Services	Education	Fisheries	Community Health	Housing	Public Works	Enterprise Fund	Total
Revenue									
I.N.A.C.	\$ 665,344	\$ 498,326	\$ 1,678,344	\$ -	\$ -	\$ 108,367	\$ 765,355	\$ -	\$ 3,607,369
C.M.H.C.	-	-	-	509,791	-	-	-	-	108,367
Fisheries & Oceans Canada	-	-	-	326,961	-	-	-	-	509,791
F.N.E.S.C.	-	-	-	-	-	-	-	-	326,961
Health & Welfare Canada	-	-	-	-	2,418,158	-	-	-	2,418,158
Housing Charges	-	-	11,525	-	-	235,070	-	-	246,595
Investment income	6,189	-	-	-	-	-	-	8,926,576	8,932,765
Province of B.C.	-	237,887	10,000	-	27,544	-	-	-	275,431
Other	41,195	206,833	24,622	178,938	196,658	2,148	52,685	909,503	1,612,582
	712,728	943,046	2,051,452	688,729	2,642,360	345,585	818,040	9,836,079	18,038,019
Expenditures									
Amortization	22,641	12,937	79,540	14,886	154,003	252,169	470,786	-	1,006,962
Direct Assistance	-	270,655	-	-	-	-	-	-	270,655
Interest	-	-	128	-	-	35,255	-	-	35,383
Materials, supplies and utilities	49,567	54,517	83,724	7,352	114,024	14,462	53,721	54,329	431,696
Operations and maintenance	576,264	200,111	468,672	282,881	275,776	253,639	76,858	554,726	2,688,927
Salaries, wages and benefits	505,073	228,879	1,068,701	312,730	1,232,725	49,649	177,606	288,720	3,864,083
Student costs	-	-	145,912	-	-	-	-	-	145,912
Transportation costs	93,633	105,905	91,364	26,456	859,386	15,031	42,454	33,555	1,267,784
	1,247,178	873,004	1,938,041	644,305	2,635,914	620,205	821,425	931,330	9,711,402
Excess of revenue (expenditure) for the year	\$ (534,450)	\$ 70,042	\$ 113,411	\$ 44,424	\$ 6,446	\$ (274,620)	\$ (3,385)	\$ 8,904,749	\$ 8,326,617

Iskut Band Council
Notes to Consolidated Financial Statements
Schedule of Segmented Financial Activities

March 31, 2019

18. Segmented Information (continued)

	2018								
	Administration	Social Services	Education	Fisheries	Community Health	Housing	Public Works	Enterprise Fund	Total
Revenue									
I.N.A.C.	\$ 606,644	\$ 414,358	\$ 1,760,491	\$ -	\$ -	\$ 250,000	\$ 653,180	\$ -	\$ 3,684,673
C.M.H.C.	-	-	-	-	-	\$ 159,391	-	-	\$ 159,391
Fisheries & Oceans Canada	-	-	-	546,647	-	-	-	-	\$ 546,647
F.N.E.S.C.	-	-	312,416	-	-	-	-	-	\$ 312,416
Health & Welfare Canada	-	-	-	-	2,614,016	-	-	-	\$ 2,614,016
Housing Charges	-	-	10,950	-	-	239,860	-	-	\$ 250,810
Investment income	7,569	-	-	-	-	-	-	1,131,837	\$ 1,139,406
Province of B.C.	80	222,666	29,821	-	26,817	-	-	-	\$ 279,384
Other	214,225	180,724	27,134	60,626	99,010	4,780	36,350	877,959	\$ 1,500,808
	828,518	817,748	2,140,812	607,273	2,739,843	654,031	689,530	2,009,796	10,487,551
Expenditures									
Amortization	21,416	12,938	87,419	15,124	140,430	249,693	409,363	-	\$ 936,383
Direct Assistance	-	293,105	-	-	-	-	-	-	\$ 293,105
Interest	-	-	184	-	-	34,979	-	-	\$ 35,163
Materials, supplies and utilities	30,720	52,099	81,309	37,596	111,861	13,872	66,524	44,619	\$ 438,600
Operations and maintenance	693,669	168,621	364,654	148,445	330,239	315,714	415,235	204,654	\$ 2,641,231
Salaries, wages and benefits	422,109	204,872	1,146,970	361,844	1,029,413	60,563	183,012	62,845	\$ 3,471,628
Student costs	-	-	150,000	-	-	-	-	-	\$ 150,000
Transportation costs	69,406	65,900	52,318	29,301	767,160	18,156	15,434	13,363	\$ 1,031,038
	1,237,320	797,535	1,882,854	592,310	2,379,103	692,977	1,089,568	325,481	8,997,148
Excess of revenue (expenditure) for the year	\$ (408,802)	\$ 20,213	\$ 257,958	\$ 14,963	\$ 360,740	\$ (38,946)	\$ (400,038)	\$ 1,684,315	\$ 1,490,403