

Iskut Band Council
Consolidated Financial Statements
For the year ended March 31, 2020

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Consolidated Financial Statements
For the year ended March 31, 2020

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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 Councillor 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 of CPA Canada. 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, conducted an audit in accordance with Canadian generally accepted auditing standards, and expressed their qualified opinion on the consolidated financial statements dated November 9, 2020. The external auditors were given access to financial management of Iskut Band Council and met with Council when required.

Approved on behalf of Chief & Council



Chief



Band Councillor

Independent Auditor's Report

To the Members of Iskut Band Council

Qualified Opinion

We have audited the consolidated financial statements of the Iskut Band Council (the "Band") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at March 31, 2020, 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 the Group as at March 31, 2020 and the consolidated results 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 6, the Band accounts for its investment in Iskut Band Development Corporation using the modified equity method. The Band has not received updated financial information with respect to this investment for the years ended March 31, 2020 and 2019. Accordingly, no income from the investment has been included in these consolidated financial statements for the years ended March 31, 2020 and 2019. This constitutes a departure from Canadian public sector accounting standards. In addition, because the Band does not have current audited financial information, we were unable to determine whether any adjustments might be necessary to revenue and annual surplus (deficiency) for the years ended March 31, 2020 and 2019, long-term investments as at March 31, 2020 and 2019, and accumulated surplus as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the consolidated financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

The Band has a 33.3% ownership in the Tahltan Nation Development Limited Partnership. Tahltan Nation Development Limited Partnership is a government business partnership, and the modified equity method should be used to record the Band's interest in the partnership. The Band has not received financial information with respect to this investment for the year ended March 31, 2020. Accordingly, no income or loss from the investment has been included in these consolidated financial statements for the year ended March 31, 2020. This constitutes a departure from Canadian public sector accounting standards. In addition, because the Band does not have audited financial information, we were unable to determine whether any adjustments might be necessary to revenue and annual surplus (deficiency) for the years ended March 31, 2020 and 2019, long-term investments as at March 31, 2020 and 2019, and accumulated surplus as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the consolidated financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

Independent Auditor's Report (continued)

Effective April 1, 2019, the Band changed its method of accounting for its interest in Tahltan Heritage Trust from the modified equity method to the cost method, with prospective application. Sufficient audit evidence was not available to determine whether the Band has shared control of the Tahltan Heritage Trust and, if not, whether this was a change in the circumstances during the year that supports prospective application of this method of accounting. As a result, we were unable to conclude on the appropriateness of the accounting treatment, including whether the change in accounting treatment should have actually been applied retroactively. In addition, the Band does not have audited financial information for the Trust for the current or prior years. As a result of these two limitations in scope with respect to Tahltan Heritage Trust, we were unable to determine whether any adjustments may be necessary to long-term investments as at March 31, 2020 and 2019, revenue and annual surplus (deficiency) for the years ended March 31, 2020 and 2019, and accumulated surplus as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion for the year ended March 31, 2019 was modified accordingly because of the inability to obtain audited financial information.

As described in Note 6, the Band previously had an indirect interest in Volcano Creek Limited Partnership, by virtue of its control of Tahltan Legacy Corporation. During the year, the investment in Volcano Creek Limited Partnership has been transferred to Tahltan Heritage Trust. Sufficient audit evidence was not available to determine the appropriate accounting treatment of Tahltan Heritage Trust, and we were unable to conclude whether additional adjustments are needed to the consolidated financial statements as a result of the transfer of the investment in Volcano Creek Limited Partnership. In addition, the Band does not have audited financial information for Volcano Creek Limited Partnership and Tahltan Legacy Corporation, we were unable to determine whether any adjustments might be necessary to long-term investments as at March 31, 2020 and 2019, revenue and annual surplus (deficiency) for the years ended March 31, 2020 and 2019, and accumulated surplus as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion for the year ended March 31, 2019 was modified accordingly because of the effects of this limitation in scope.

As described in Note 6, 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 to long-term investments as at March 31, 2020 and 2019, revenue and annual surplus (deficiency) for the years ended March 31, 2020 and 2019, and accumulated surplus as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion for the year ended March 31, 2019 was modified accordingly because of the effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independent Auditor's Report (continued)

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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (continued)

- 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 Group'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 Group 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

Edmonton, Alberta
November 9, 2020

Iskut Band Council

Consolidated Statement of Financial Position

March 31	2020	2019
Financial assets		
Cash (Note 3)	\$ 246,294	\$ 272,688
Short-term investments (Note 3)	985,974	579,300
Accounts receivable (Note 4)	1,410,277	1,332,839
Long-term investments (Note 6)	7,488,923	13,237,685
Trust assets (Note 5)	198,703	4,449,415
	<u>10,330,171</u>	<u>19,871,927</u>
Liabilities		
Line of credit (Note 8)	200,000	-
Accounts payable and accrued liabilities (Note 9)	490,468	642,862
Long-term debt (Note 11)	2,288,703	2,498,965
Obligation under capital lease (Note 12)	223,780	-
	<u>3,202,951</u>	<u>3,141,827</u>
Net financial assets	<u>7,127,220</u>	<u>16,730,100</u>
Non-financial assets		
Prepaid expenses	37,454	45,543
Tangible capital assets (Note 7)	14,849,680	15,164,353
Total non-financial assets	<u>14,887,134</u>	<u>15,209,896</u>
Accumulated surplus (Note 13)	<u>\$ 22,014,354</u>	<u>\$ 31,939,996</u>

Approved on behalf of Chief & Council

M. Quock

Chief

M. Fournier

Councillor

Iskut Band Council

Consolidated Statement of Operations

March 31, 2020	2020	2019
Revenue (Note 21)		
Federal Government:		
Indigenous Services Canada (ISC)	\$ 3,811,001	\$ 3,607,369
Canada Mortgage and Housing Corporation (CMHC)	108,367	108,367
Department of Fisheries and Oceans Canada	613,988	509,791
Health and Welfare Canada/First Nations Health Authority	3,236,465	2,418,158
Provincial Government:		
First Nations Education Steering Committee (FNESC)	331,999	326,961
Province of British Columbia	300,806	275,431
BCFN Gaming Revenue Sharing Limited Partnership (BCFN GR LP)	641,560	-
Other		
Equipment rental	16,392	13,800
Fisheries contracts	20,325	186,598
Housing charges	259,270	246,595
Interest and investment income	210,820	112,873
Local operations	695,590	622,237
Miscellaneous health contracts	545,583	382,480
Contracts, rent, contributions and miscellaneous	905,090	418,759
	<u>11,697,256</u>	<u>9,229,419</u>
Expenditures (Note 20 and 21)		
Administration	2,063,003	1,543,486
Social services	895,405	788,235
Education	2,271,578	2,022,808
Fisheries	622,450	651,965
Community health	2,834,977	2,635,914
Housing	524,418	623,840
Public works	969,834	821,425
Enterprise fund	519,175	635,021
	<u>10,700,840</u>	<u>9,722,694</u>
Surplus (deficiency) of revenue before the undernoted	996,416	(493,275)
Income (loss) from investment in government business enterprises, partnership and Tahltan Heritage Trust (Note 6)	(10,922,058)	8,819,892
Surplus (deficiency) of revenue for the year	(9,925,642)	8,326,617
Accumulated surplus, beginning of year, as previously stated	31,939,996	23,448,147
Prior period adjustment (Note 2)	-	165,232
Accumulated surplus, beginning of year, as restated	31,939,996	23,613,379
Accumulated surplus, end of year	\$ 22,014,354	\$ 31,939,996

Iskut Band Council
Consolidated Statement of Change in Net Financial Assets

<u>March 31, 2020</u>	<u>2020</u>	<u>2019</u>
Surplus (deficiency) of revenue for the year	\$ (9,925,642)	\$ 8,326,617
Tangible capital assets:		
Purchase of tangible capital assets	(722,324)	(947,639)
Amortization of tangible capital assets	1,031,392	1,006,962
Loss on disposal of tangible capital assets	105	-
Proceeds on disposal of tangible capital assets	5,500	-
	<u>(9,610,969)</u>	<u>8,385,940</u>
Decrease (increase) in prepaid expenses	<u>8,089</u>	<u>(9,478)</u>
Increase (decrease) in net financial assets	(9,602,880)	8,376,462
Net financial assets, beginning of year	<u>16,730,100</u>	<u>8,353,638</u>
Net financial assets, end of year	<u>\$ 7,127,220</u>	<u>\$ 16,730,100</u>

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

Iskut Band Council
Consolidated Statement of Cash Flows

March 31, 2020	2020	2019
Operating activities		
Surplus (deficiency) of revenue for the year	\$ (9,925,642)	\$ 8,326,617
Items not affecting cash:		
Amortization of tangible capital assets	1,031,392	1,006,962
Loss on disposal of tangible capital assets	105	-
Income from investment in Ottawa Trust Funds (Note 5)	(4,886)	(6,074)
Loss (income) from investment in government business enterprises, partnership and Tahltan Heritage Trust (Notes 5 and 6)	10,922,058	(8,819,892)
Changes in operating balances:		
Increase in accounts receivable	(77,438)	(852,117)
Decrease (increase) in prepaid expenses	8,089	(9,478)
Increase (decrease) in accounts payable and accrued liabilities	(152,394)	132,379
	<u>1,801,284</u>	<u>(221,603)</u>
Capital activities		
Purchase of tangible capital assets	(722,324)	(947,639)
Proceeds on disposal of tangible capital assets	5,500	-
	<u>(716,824)</u>	<u>(947,639)</u>
Investing activities		
Net decrease (increase) in short-term investments	(406,674)	799,527
Advances to Iskut Band Development Corporation	(917,588)	(42,912)
Investment in BCFN Gaming Revenue Sharing Limited Partnership (Note 6)	(110)	-
	<u>(1,324,372)</u>	<u>756,615</u>
Financing activities		
Proceeds from long-term debt (Note 11)	-	96,263
Repayment of long-term debt (Note 11)	(210,262)	(197,006)
Proceeds from obligation under capital lease (Note 12)	250,383	-
Repayment of obligation under capital lease (Note 12)	(26,603)	-
Proceeds from line of credit (Note 8)	200,000	-
	<u>213,518</u>	<u>(100,743)</u>
Decrease in cash for the year	(26,394)	(513,370)
Cash, beginning of year	272,688	786,058
Cash, end of year (Note 3)	\$ 246,294	\$ 272,688

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

Iskut Band Council

Notes to Consolidated Financial Statements

March 31, 2020

1. Summary of Significant Accounting Policies

Nature of Business Iskut Band Council (the "Band") provides services and support to its band members.

The Band is exempt from income tax under Section 87 of the Indian Act.

Basis of Accounting These consolidated financial statements (the "financial statements") have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of CPA Canada.

**Reporting Entity and
Principles of
Consolidation**

The Band's reporting entity includes the Iskut Band Council operations and all related entities that are controlled by the Band, including Iskut Rental Housing Operations and Iskut Energy Limited Partnership. The financial statements include the following entities:

% ownership

- Iskut Band Development Corporation	100%
- Tahltan Legacy Corporation	33.33%
- Tahltan Nation Community Development Corporation	33.33%
- Tahltan Nation Development Limited Partnership	33.33%

All controlled entities are fully consolidated on a line-by-line basis and inter-organizational balances and transactions are eliminated, except for the entities described above, which meet the definitions of government business enterprises and government business partnerships. Entities that meet the definitions of government business enterprises and government business partnerships are accounted for using the modified equity method. Under this method of accounting, only the Band's investment and the Band's portion of the enterprises' accumulated net income or loss and other changes in equity are recorded. Losses are recorded until the investment is reduced to \$nil. No adjustment is made for accounting policies of the business entities that are different from those of the Band 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.

Iskut Band Council

Notes to Consolidated Financial Statements

March 31, 2020

1. Summary of Significant Accounting Policies (continued)

Cash	Cash includes cash on hand and balances with banks.												
Short-term Investments	Short-term investments include guaranteed investment certificates ("GIC's") maturing at various times during the next fiscal year. These investments are recorded at cost.												
Long-term Investments	Long-term investments are in business entities and limited partnerships controlled significantly by the Band.												
Leases	Leases that transfer substantially all of the benefits and risks associated with ownership, are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the Band, and the obligation, including interest thereon, is expensed over the term of the lease.												
Use of Estimates	The preparation of the 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 revenue and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.												
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><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></table> <p>Tangible capital assets under construction, development or that have been removed from service are not amortized until they are available to be put into service.</p>	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												

Iskut Band Council

Notes to Consolidated Financial Statements

March 31, 2020

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

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 consolidated statement of financial position.

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.

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.

Government transfers are recognized as revenue 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 consolidated statement of operations as the stipulation liabilities are settled.

Trust Assets

Trust assets represent amounts held by a third party on behalf of the Band. Trust assets are recorded at cost and any investment income is recognized when earned.

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, 2020

2. Prior Period Adjustment

During the prior 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 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

	2020	2019
Consists of:		
Cash	\$ 246,294	\$ 272,688
Term deposits	985,974	579,300
	<u>\$ 1,232,268</u>	<u>\$ 851,988</u>
Replacement reserves		
CMHC housing replacement reserve	\$ 538,664	\$ 477,156
Band-owned housing replacement reserve	-	40,817
Health replacement reserve	49,814	49,635
Elders' replacement reserve	40,939	-
Unrestricted	<u>602,851</u>	<u>284,380</u>
	<u>\$ 1,232,268</u>	<u>\$ 851,988</u>

Term deposits consist of one year cashable GIC's at a rate of 0.50 - 1.60% per annum, maturing either June 2020, September 2020 or October 2020.

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, 2020

4. Accounts Receivable

	2020	2019
Trade accounts receivable	\$ 446,798	\$ 241,870
Indigenous Services Canada	176,747	177,423
Canada Mortgage and Housing Corporation	10,831	9,031
Band member rent	1,007,352	947,637
First Nations Education Steering Committee	6,712	3,620
Department of Fisheries and Oceans Canada	27,010	191,718
GST	3,462	51,515
First Nations Health Authority	4,802	-
Province of British Columbia	30,156	10,000
Tahltan Central Government	627,054	588,775
Tahltan Nation Development Corporation	1,435	-
Miscellaneous	30,332	12,633
	2,372,691	2,234,222
Less: Housing allowance for doubtful accounts	(962,414)	(901,383)
Net accounts receivable	\$ 1,410,277	\$ 1,332,839

5. Trust Assets

	March 31, 2019	Additions	Decreases	March 31, 2020
Ottawa Trust Funds				
Revenue	\$ 193,801	\$ 4,886	\$ -	\$ 198,687
Capital	16	-	-	16
	193,817	4,886	-	198,703
Tahltan Heritage Trust (unaudited)	4,255,598	-	(4,255,598)	-
	\$ 4,449,415	\$ 4,886	\$ (4,255,598)	\$ 198,703

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.

Iskut Band Council

Notes to Consolidated Financial Statements

March 31, 2020

5. Trust Assets (continued)

The Tahltan Heritage Trust ("THT") is comprised of monies received from resource developers that undertake commercial activities, primarily using natural resources, in the Tahltan Nation's traditional territory, along with investments in marketable securities. The management of these funds are primarily governed by the Tahltan Nation leadership. Previously, the Band was considered a 33.3% beneficiary of THT and the Band recorded its allocation of THT's income. During the year, it was concluded, the Band was no longer a beneficiary of THT and as at March 31, 2020, the Band's investment in THT was accounted for at cost. This change in the method of accounting was applied prospectively and the Band's investment in THT was reduced to \$nil and a loss of \$4,255,598 was recorded in the consolidated statement of operations.

6. Long-term Investments

Iskut Band Development Corporation ("IBDC")

IBDC is a wholly-owned entity, which includes four operating divisions. The Kluachon Centre Store (operating a cafe and 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. The Band considers this entity to be a government business enterprise and has accounted for its investment in IBDC using the modified equity method. The Band has not received updated information with respect to this investment for 2019 and 2020. Therefore, no figures have been presented. Amounts advanced to IBDC bear no interest and have no fixed terms of repayment.

Tahltan Legacy Corporation ("TLC")

TLC owns 100% of the shares of 1045365 B.C. Ltd., a general partner that holds a 0.01% interest in the Volcano Creek Limited Partnership (VCLP); TLC is also the limited partner and it holds a 99.99% interest in VCLP. VCLP owns a 2.7% investment in Volcano Creek Hydroelectric Facility of Coast Mountain Hydro Limited Partnership, a partnership which operates run-of-river plant facilities initially constructed and developed by Altagas Ltd. in collaboration with BC Hydro (the "partnership"). During the year, the ownership of VCLP was transferred to THT for \$nil consideration and, as a result, TLC's investment in VCLP was reduced to \$nil and a loss of \$8,000,000 was recorded in the consolidated statement of operations.

TLC is a government business partnership (GBP) and the Band accounted for it using the modified equity method.

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2020

6. Long-term Investments (continued)

Tahltan Nation Development Corporation ("TNDC")

TNDC is a general partner that holds 0.01% of Tahltan Nation Development Limited Partnership. TNDC is a GBP and the Band accounted for it using the modified equity method.

Tahltan Nation Development Limited Partnership ("TNDLP")

TNDLP has entered into a number of joint venture agreements providing a wide range of support and construction services to various industries and the government. TNDLP meets the definition of a GBP and the Band accounted for it using the modified equity method.

Tahltan Nation Community Development Corporation ("TNCDC")

Prior to TNCDC's dissolution on January 18, 2016, the Band held a 33.33% investment in this entity. 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 financial statements, which at March 31, 2020 was \$nil (2019 - \$nil).

B.C. First Nations (BCFN) Gaming Revenue Sharing Limited Partnership ("BCFNGRS LP")

The Band has entered into the interim BCFN Gaming Revenue Sharing and Financial Agreement with the Province of British Columbia. The partnership is to provide a share of the Province's gaming revenue to First Nations for the fiscal years 2019/2020 and 2020/2021.

	<u>2020</u>	<u>2019</u>
Iskut Band Development Corporation	\$ 1,569,162	\$ 651,574
Tahltan Legacy Corporation	-	8,000,000
Tahltan Nation Development Corporation	251	251
Tahltan Nation Development Limited Partnership	5,919,400	4,585,860
BCFN Gaming Revenue Sharing Limited Partnership	<u>110</u>	<u>-</u>
	\$ 7,488,923	\$ 13,237,685

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2020

6. Long-term Investments (continued)

The following table summarizes the condensed financial information for the government business enterprises and government business partnerships that is available:

	<u>2020</u>	<u>2019</u>
	<u>TNDLP*</u>	<u>Total</u>
Assets		
Current	\$ 14,607,503	\$ 9,948,894
Non-current	14,031,024	8,891,890
	<u>\$ 28,638,527</u>	<u>\$18,840,784</u>
Liabilities		
Current	\$ 5,079,253	\$ 4,264,569
Non-current	5,799,889	817,718
	<u>10,879,142</u>	<u>5,082,287</u>
Surplus	<u>17,759,385</u>	<u>13,758,497</u>
	<u>\$ 28,638,527</u>	<u>\$18,840,784</u>
Revenue	\$ 22,721,302	\$11,179,210
Expenditures	<u>(18,720,414)</u>	<u>(11,503,483)</u>
Total net income (loss)	<u>\$ 4,000,888</u>	<u>\$ (324,273)</u>
Allocation	<u>\$ 1,333,540</u>	<u>\$ (108,084)</u>

*The 2020 figures of TNDLP are not available, and the 2019 figures have been presented based on the unaudited financial statements prepared by a public accountant.

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2020

7. Tangible Capital Assets

									2020
	Automotive Equipment	Band-Owned Housing	Buildings and Improvements	Community Equipment	Office Equipment	Infrastructure	Construction in Progress	Social Housing	Total
Cost, beginning 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
Additions	304,628	-	-	51,320	84,339	-	282,038	-	722,325
Disposals		-	-	(14,016)	(88,236)	-	-	-	(102,252)
Cost, end of year	2,076,842	5,861,969	8,045,136	1,219,474	626,417	4,874,109	993,036	4,787,922	28,484,905
Accumulated amortization, beginning of year	1,172,626	3,916,120	3,218,936	876,104	476,869	1,836,863	-	1,202,961	12,700,479
Amortization	170,513	142,329	298,152	140,018	64,234	97,484	-	118,662	1,031,392
Disposals	-	-	-	(8,409)	(88,237)	-	-	-	(96,646)
Accumulated amortization, end of year	1,343,139	4,058,449	3,517,088	1,007,713	452,866	1,934,347	-	1,321,623	13,635,225
Net book value, end of year	\$ 733,703	\$ 1,803,520	\$ 4,528,048	\$ 211,761	\$ 173,551	\$ 2,939,762	\$ 993,036	\$3,466,299	\$14,849,680

Included in automotive equipment is \$250,383 of tangible capital assets acquired during the year by way of capital lease.

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2020

7. Tangible Capital Assets (continued)

2019

	Automotive Equipment	Band- Owned Housing	Buildings and Improvements	Community Equipment	Office Equipment	Infrastructure	Constructio n 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
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
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 book value, 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, 2020

8. Line of Credit

The bank overdraft and line of credit are due on demand. The bank overdraft bears interest at the bank's prime rate plus 1.60% per annum, calculated and payable monthly. The line of credit bears interest at the bank's prime rate plus 1.60% 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, 2020, the line of credit had a balance of \$200,000 (2019 - \$nil). Subsequent to year end, the full balance outstanding on the line of credit was repaid on April 1, 2020.

9. Accounts Payable and Accrued Liabilities

	2020	2019
Trade payables	\$ 38,547	\$ 201,014
Accrued liabilities	384,493	362,844
Accrued salaries and employee benefits payable	67,428	79,004
	<u>\$ 490,468</u>	<u>\$ 642,862</u>

Included in accrued salaries and employee benefits payable are government remittances payable of \$28,788 (2019 - \$31,340).

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 \$132,401 (2019 - \$131,164) to the Plan on behalf of its employees.

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2020

11. Long-term Debt

Capital Loans

RBC - various loans, with monthly payments totaling \$8,976 including interest at varying interest rates between 0.00% - 5.99% per annum, secured by specific equipment with a carrying value of \$447,158

	<u>2020</u>	<u>2019</u>
	\$ 379,943	\$ 470,246

Social Housing Mortgages

CMHC mortgage payable, with monthly payments of \$6,907 including interest at 2.13% per annum, maturing September 2032

909,390 972,217

CMHC mortgage payable, with monthly payments of \$5,877 including interest at 1.30% per annum, maturing November 2035

999,370 1,056,502

\$ 1,908,760 **\$ 2,028,719**

\$ 2,288,703 **\$ 2,498,965**

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

2021	\$ 205,210
2022	211,181
2023	199,016
2024	194,500
2025	187,799
Thereafter	1,290,997
	\$ 2,288,703

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2020

12. Obligation Under Capital Lease

	<u>2020</u>	<u>2019</u>
Obligation under capital lease for a Peterbuilt hauler, blended monthly payments of \$4,627, with interest at 4.91% per annum, maturing September 2024, secured by specific equipment with a net book value of \$250,383	223,780	-

Interest expense for the year related to the obligation under capital lease is \$6,789 (2019 - \$nil).
Estimated lease payments for the next five years and thereafter are as follows:

2021	\$ 45,540
2022	47,849
2023	50,250
2024	52,771
2025	27,370
Thereafter	<u>-</u>
	\$ 223,780

Iskut Band Council

Notes to Consolidated Financial Statements

March 31, 2020

13. Accumulated Surplus

Accumulated surplus is comprised of the following:

	Balance Mar 31, 2019	Surplus (deficiency)	Transfers to (from)	Balance Mar 31, 2020
General	\$15,610,239	\$(8,882,476)	\$ (768,051)	\$ 5,959,712
Non-financial assets	15,209,896	(1,039,481)	716,719	14,887,134
	30,820,135	(9,921,957)	(51,332)	20,846,846
Internally Restricted Reserves				
Housing replacement reserve	502,564	(8,770)	25,306	519,100
Band-owned housing replacement reserve	39,015	-	(39,015)	-
Health replacement reserve	87,652	179	24,121	111,952
Education replacement reserve	146,829	-	-	146,829
Administration reserve	150,000	-	-	150,000
Elders' replacement reserve	-	20	40,920	40,940
	926,060	(8,571)	51,332	968,821
Externally Restricted Reserves				
Equity in Ottawa Trust Funds	193,801	4,886	-	198,687
	1,119,861	(3,685)	51,332	1,167,508
Total Accumulated Surplus	\$31,939,996	\$(9,925,642)	\$ -	\$22,014,354

Internally restricted reserves were underfunded \$339,401 at March 31, 2020 (2019 - underfunded \$358,451). Underfunded replacement reserves are covered by operating GIC's totaling \$408,738 in 2020 (2019 - \$406,704) that are included within term deposits.

14. Economic Dependence

The Band receives a major portion of its revenue from Indigenous Services 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 these sources of revenue. During the year, the Band received 33% (2019 - 37%) of its revenue from Indigenous Services Canada and 28% (2019 - 25%) from Health and Welfare Canada/First Nations Health Authority.

Iskut Band Council

Notes to Consolidated Financial Statements

March 31, 2020

15. Comparative Figures

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

16. 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 assistance received for the year was \$108,367 (2019 - \$108,367), and this amount is included in CMHC revenue on the consolidated statement of operations.

17. Contingencies

The Iskut Band, 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.

18. Subsequent Events

Subsequent to year end, the Band purchased a modular building for \$308,000 for a Youth Center, and the Band estimates that it will incur additional costs of \$200,000 - \$300,000 related to pouring the cement foundation, connecting utilities, and other costs to prepare the building for use. The Band will be using funds received from Tahltan Central Government and the BCFN Gaming Revenue Sharing Limited Partnership for the costs related to the construction of the Youth Center. The Band estimates that the Youth Center will be open by the end of September 2020.

Also subsequent to year end, the Band purchased two septic hauling trucks. The approximate cost for these trucks is \$169,000 and \$298,000. The trucks were purchased with funds from Indigenous Services Canada and from the Band through the economic development fund, respectively. The trucks will be used to offer septic services to the Band's community and neighbouring communities.

Also subsequent to year end, the fisheries program was transferred to Tahltan Central Government on April 1, 2020. At the transfer date, there was an accumulated surplus balance of \$48,615 for this program that was retained in the Band's financial statements.

Iskut Band Council

Notes to Consolidated Financial Statements

March 31, 2020

19. Uncertainty Due to COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus and the risks of the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve throughout the world including Canada. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the impact on the Band will not be known with certainty for months to come.

Although the Band cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Band's results of financial operations, financial position, and liquidity in fiscal 2021. The Band had undertaken efforts to combat the pandemic by initially assessing and estimating the potential impact COVID-19 could have on the community. As a result of the assessment, amongst other measures, services provided by certain of the non-essential programs were temporarily suspended, whereas certain new programs to address the needs of the community during this pandemic were initiated by the Band. Presently, management is engaged in evaluation of the economic relaunch plans suggested by the province of British Columbia and their applicability to the Band and its community.

Iskut Band Council
Notes to Consolidated Financial Statements

March 31, 2020

20. Statement of Expenditures by Object

	2020	2019
Expenditures		
Amortization	\$ 1,031,392	\$ 1,006,962
Bad debts	61,030	38,379
Bank charges	10,472	9,373
Contract services	357,237	438,667
Cultural services	22,963	24,787
Direct social assistance	241,267	270,653
Equipment rental	52,690	36,316
Guidance and counselling	38,200	29,792
Honoraria	62,420	34,925
Insurance	52,736	47,356
Interest on long-term debt and capital lease	61,578	58,330
Materials and supplies	235,594	237,880
Office and miscellaneous	2,744	19,251
Patient transport	681,924	665,489
Professional fees	508,821	571,906
Program resources	812,985	529,744
Repairs and maintenance	418,918	396,574
Salaries and benefits	4,358,405	3,864,083
Student allowance and transportation	186,200	145,912
Technology	127,574	87,245
Telephone	101,928	101,352
Travel and accommodation	730,815	613,587
Tuition fees	77,776	50,732
Utilities	171,722	166,067
Vehicles operations and maintenance	198,993	158,881
Workshops and training	94,456	118,451
Total expenditures for the year	\$ 10,700,840	\$ 9,722,694

Iskut Band Council Notes to Consolidated Financial Statements

March 31, 2020

21. Segmented Information

The Band 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, and are detailed in the schedule that follows.

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 Canada 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 Nations.

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, 2020

21. **Segmented Information (continued)**

2020

	Administration	Social Services	Education	Fisheries	Community Health	Housing	Public Works	Enterprise Fund	Total
Revenue									
ISC	\$ 792,676	\$ 385,330	\$ 2,023,064	\$ -	\$ -	\$ -	\$ 609,931	\$ -	\$ 3,811,001
CMHC	-	-	-	-	-	108,367	-	-	108,367
Fisheries and Oceans Canada	-	-	-	613,988	-	-	-	-	613,988
FNESC	-	-	331,999	-	-	-	-	-	331,999
Health and Welfare Canada	-	-	-	-	3,236,465	-	-	-	3,236,465
Housing charges	-	-	7,175	-	-	252,095	-	-	259,270
Investment income (loss)	7,223	-	-	-	-	-	-	(10,718,461)	(10,711,238)
Province of B.C.	-	272,605	-	-	28,201	-	-	-	300,806
BCFNRS LP	-	-	-	-	-	-	-	641,560	641,560
Other	752,862	397,700	57,915	29,755	166,549	9,763	48,881	719,555	2,182,980
	1,552,761	1,055,635	2,420,153	643,743	3,431,215	370,225	658,812	(9,357,346)	775,198
Expenditures									
Amortization	26,490	12,937	90,417	14,884	163,608	252,169	470,887	-	1,031,392
Direct assistance	-	241,267	-	-	-	-	-	-	241,267
Interest	6,789	172	-	-	4,213	33,265	146	16,993	61,578
Materials, supplies and utilities	115,461	16,180	130,211	12,019	117,686	9,977	50,541	57,169	509,244
Operations and maintenance	951,607	225,583	543,943	184,299	371,805	169,305	164,606	288,867	2,900,015
Salaries, wages and benefits	788,365	319,038	1,173,357	382,107	1,280,322	41,403	224,313	149,500	4,358,405
Student costs	-	-	186,200	-	-	-	-	-	186,200
Transportation costs	174,291	80,228	147,450	29,141	897,343	18,299	59,341	6,646	1,412,739
	2,063,003	895,405	2,271,578	622,450	2,834,977	524,418	969,834	519,175	10,700,840
Surplus (deficiency)									
of revenue for the year	\$ (510,242)	\$ 160,230	\$ 148,575	\$ 21,293	\$ 596,238	\$ (154,193)	\$ (311,022)	\$ (9,876,521)	\$ (9,925,642)

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

March 31, 2020

21. **Segmented Information (continued)**

2019

	Administration	Social Services	Education	Fisheries	Community Health	Housing	Public Works	Enterprise Fund	Total
Revenue									
ISC	\$ 665,344	\$ 432,663	\$ 1,744,007	\$ -	\$ -	\$ -	\$ 765,355	\$ -	\$ 3,607,369
CMHC	-	-	-	-	-	108,367	-	-	108,367
Fisheries and Oceans Canada	-	-	-	509,791	-	-	-	-	509,791
FNESC	-	-	326,961	-	-	-	-	-	326,961
Health and 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	311,010	206,833	24,622	186,598	196,658	5,781	52,685	639,687	1,623,874
	982,543	877,383	2,117,115	696,389	2,642,360	349,218	818,040	9,566,263	18,049,311
Expenditures									
Amortization	22,641	12,937	79,540	14,886	154,003	252,169	470,786	-	1,006,962
Direct assistance	-	270,653	-	-	-	-	-	-	270,653
Interest	-	688	-	-	3,561	35,255	411	18,415	58,330
Materials, supplies and utilities	112,577	14,882	123,359	7,352	114,024	25,162	53,721	54,222	505,299
Operations and maintenance	680,685	199,073	469,150	282,881	272,215	242,941	76,447	368,987	2,592,379
Salaries, wages and benefits	607,708	184,097	1,113,483	312,730	1,232,725	49,649	177,606	186,085	3,864,083
Student costs	-	-	145,912	-	-	-	-	-	145,912
Transportation costs	119,875	105,905	91,364	34,116	859,386	18,664	42,454	7,312	1,279,076
	1,543,486	788,235	2,022,808	651,965	2,635,914	623,840	821,425	635,021	9,722,694
Surplus (deficiency)									
of revenue for the year	\$ (560,943)	\$ 89,148	\$ 94,307	\$ 44,424	\$ 6,446	\$ (274,622)	\$ (3,385)	\$ 8,931,242	\$ 8,326,617