

Lower Nicola Indian Band
Consolidated Financial Statements
For the year ended March 31, 2019



Lower Nicola Indian Band
TABLE OF CONTENTS
For the year ended March 31, 2019

Management's Responsibility for Financial Reporting	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 - 28



Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Lower Nicola Indian Band are the responsibility of management and have been approved by the Chief and Council.

These consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

Lower Nicola Indian Band maintains systems of internal accounting and administrative controls, consistent with reasonable costs. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Band's assets are appropriately accounted for and adequately safeguarded.

Lower Nicola Indian Band is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. Council carries out this responsibility principally through its Finance Committee.

The Finance Committee (Committee) reviews the Band's consolidated financial statements and recommends their approval to Council. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, consolidated financial statements and external auditor's report. The Committee reports its findings to the Council for consideration when approving the consolidated financial statements for issuance to the members. The Committee also considers, for review by the Council, the engagement of the external auditors.

The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP has full and free access to the Band Council.



Chief



Executive Director



Tel: 250 492 6020
Fax: 250 492 8110
www.bdo.ca

BDO Canada LLP
100 Front Street, Unit 102
Penticton, BC V2A 1H1
Canada

Independent Auditor's Report

To Chief and Council of Lower Nicola Indian Band

Qualified Opinion

We have audited the consolidated financial statements of Lower Nicola Indian Band and its consolidated entities (the Consolidated Entity), which comprise the consolidated statement of financial position as at March 31, 2019, and 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 possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

During the year, management commenced a project to create a database of tangible capital assets. As part of this project, management determined that certain assets acquired in the past were missing from the reported tangible capital assets. As such, the tangible capital asset amounts and related amortization expense reported are not complete. Management is in the process of updating its tangible capital asset listing for the missing assets; however, it is not expected to be completed in a timely manner. The effects of this departure from Canadian public sector accounting standards on the consolidated financial position, results of operations and changes in net debt have not been determined because it is impracticable to do so.

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 Lower Nicola Indian Band 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.

Other Matters - Comparative Information

We draw attention to Note 2 to the financial statements, which explains that certain comparative information for the year ended March 31, 2018 has been restated. The financial statements of Lower Nicola Indian Band for the year ended March 31, 2018 (prior to the restatement of the comparative information) were audited by another auditor who expressed an unqualified opinion on those financial statements July 27, 2018.

Other Matters - Supplementary Information

Lower Nicola Indian Band has also prepared another set of consolidated financial statements for the year ended March 31, 2019 in accordance with Canadian public sector accounting standards. However, those consolidated financial statements include unaudited supplementary schedules, which present



detailed program revenues and expenditures prepared to assist management of Lower Nicola Indian Band to meet the reporting requirements of various funding agencies. Our audit report on the other set of financial statements was issued to Chief and Council of Lower Nicola Indian Band and was dated August 20, 2019.

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

Those charged with governance are responsible for overseeing Lower Nicola Indian 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 Lower Nicola Indian 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 Consolidated Entity'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 Lower Nicola Indian 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 Consolidated Entity 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

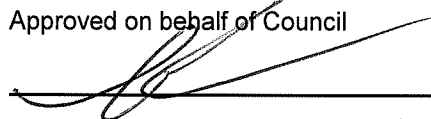
Chartered Professional Accountants

Penticton, British Columbia
August 20, 2019

Lower Nicola Indian Band Consolidated Statement of Financial Position

March 31	2019	(Restated) 2018
Financial assets		
Cash and cash equivalents (Note 3)	\$ 16,625,143	\$ 13,828,380
Short term investments (Note 3)	298,677	299,349
Accounts receivable (Note 4)	3,248,510	2,220,724
Investment in Band owned entities	5,050,905	2,921,302
Loans receivable from band members (Note 5)	67,991	67,991
	<u>25,291,226</u>	<u>19,337,746</u>
Liabilities		
Accounts payable and accrued liabilities (Note 6)	2,441,904	2,019,743
Deferred revenue (Note 7)	24,551	24,507
Long-term debt (Note 11)	3,129,605	3,369,889
	<u>5,596,060</u>	<u>5,414,139</u>
Net financial assets	<u>19,695,166</u>	<u>13,923,607</u>
Non-financial assets		
Prepaid expenses	60,000	60,250
Tangible capital assets (Note 10)	27,023,456	26,916,834
Inventory	250,542	-
	<u>27,333,998</u>	<u>26,977,084</u>
Accumulated surplus	<u>\$ 47,029,164</u>	<u>\$ 40,900,691</u>
Contingencies (Note 14)		

Approved on behalf of Council



Chief



Band Councilor

Lower Nicola Indian Band Consolidated Statement of Operations

March 31	(Note 18) Budget	2019	(Restated) 2018
Revenues			
Federal Government			
Indigenous Services Canada	\$ 5,150,901	\$ 6,441,105	\$ 7,421,125
Canada Mortgage and Housing Corporation	217,244	242,817	207,570
First Nations Health Authority	1,205,950	1,334,205	1,231,046
Provincial Government			
First Nations Education Steering Committee	222,174	618,137	251,496
Province of British Columbia	604,200	566,301	539,512
Other			
Housing charges and rental	901,144	842,699	801,360
Interest and investment income	84,166	865,860	242,802
Other contracts and miscellaneous	4,161,590	7,541,011	9,169,045
Property taxes	1,456,420	1,464,607	1,439,652
Income from investment in band owned entities	-	1,406,838	612,576
Total revenues for the year	14,003,789	21,323,580	21,916,184
Expenditures			
Administration	2,304,078	5,462,943	3,692,792
Community health	1,040,924	1,139,657	1,118,352
Economic development	2,566,939	1,445,686	2,526,002
Education	3,684,340	3,787,958	3,633,493
Housing	620,088	398,791	897,538
Land, estate and membership	363,723	810,922	536,264
LNIBDC	-	372,726	347,348
Public works	1,527,242	345,125	1,520,489
Social development	1,363,480	1,431,299	1,415,631
Total expenditures for the year	13,470,814	15,195,107	15,687,909
Annual surplus	532,975	6,128,473	6,228,275
Accumulated surplus , beginning of year as previously stated		41,661,045	34,721,191
Prior period adjustment (Note 2)		(760,354)	(48,775)
Accumulated surplus , beginning of year		40,900,691	34,672,416
Accumulated surplus , end of year		\$ 47,029,164	\$ 40,900,691

Lower Nicola Indian Band Consolidated Statement of Change in Net Financial Assets

March 31	(Note 18) Budget	2019	(Restated) 2018
Annual surplus	\$ 532,975	\$ 6,128,473	\$ 6,228,275
Acquisition of tangible capital assets	(1,158,355)	(2,792,432)	(6,586,550)
Amortization of tangible capital assets	-	2,654,860	1,783,192
Purchase of inventory	-	(250,542)	-
Use of prepaid expenses	-	250	49,814
Disposal of tangible capital assets	-	30,950	-
	<u>(1,158,355)</u>	<u>(356,914)</u>	<u>(4,753,544)</u>
Net change in net financial assets	(625,380)	5,771,559	1,474,731
Net financial assets , beginning of year previously stated		13,965,624	12,497,651
Prior period adjustment (Note 2)		<u>(42,017)</u>	<u>(48,775)</u>
Net financial assets , beginning of year restated		<u>13,923,607</u>	12,448,876
Net financial assets , end of year		\$ 19,695,166	\$ 13,923,607

Lower Nicola Indian Band Consolidated Statement of Cash Flows

	2019	(Restated) 2018
Cash provided by (used in)		
Operating Activities		
Annual surplus	\$ 6,128,473	\$ 6,228,275
Items not affecting cash		
Amortization	2,654,860	1,783,189
Share of income from FN controlled entities	(1,406,838)	(659,612)
	<u>1,248,022</u>	<u>1,123,577</u>
Changes in non-cash working capital		
Accounts receivable	(1,027,786)	(538,144)
Inventory	(250,541)	-
Prepaid expenses	250	-
Accounts payable and accrued liabilities	422,159	-
Deferred revenue	44	-
	<u>(855,874)</u>	<u>(538,144)</u>
Investing Activities		
Acquisition of property, plant and equipment	(2,792,432)	(6,586,550)
Investment in First Nation controlled entities	(346,303)	(502,184)
Receipts from First Nation controlled entities	245,000	192,000
Proceeds from disposition	30,950	-
Decrease in Ottawa Trust Fund	672	308,078
Investment in Entity under shared control	(621,461)	-
	<u>(3,483,574)</u>	<u>(6,588,656)</u>
Financing Activities		
Repayment of Social Housing long-term debt	(240,284)	(215,716)
Repayment of Capital Fund long-term debt	-	(56,755)
Proceeds from long-term debt	-	984,579
	<u>(240,284)</u>	<u>712,108</u>
Net change in cash and cash equivalents	2,796,763	937,160
Cash and cash equivalents, beginning of year	13,828,380	12,891,220
Cash and cash equivalents, end of year	\$ 16,625,143	\$13,828,380

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies

Nature of Business Lower Nicola Indian Band provides services and support to its band members.

Lower Nicola Indian Band 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 Lower Nicola Indian Band reporting entity includes the Lower Nicola Indian Band government and all related entities that are controlled by the First Nation.

Principles of Consolidation All governmental units are fully consolidated by the government reporting entity. Other business enterprises and partnerships which meet the definition of a government business enterprise or partnership are accounted for on the modified equity basis of accounting.

Entities that fall under the consolidated basis of accounting are fully consolidated on a line-by-line basis with inter-organizational balances and transactions eliminated. The following entities are accounted for on a consolidation basis:

Lower Nicola Indian Band Development Corporation

Entities that are accounted for on the modified equity basis of accounting includes the cost of the Lower Nicola Indian Band's investment in the entities including the proportionate share of earnings. Under the modified equity basis of accounting inter-organizational balances are not eliminated. The following entities are accounted for on a modified equity basis:

NAIK Development Limited Partnership

Shulus Forest Enterprises Limited Partnership

Shulus Farms Limited Partnership

LNIB Holdings Limited Partnership

LNIB Ventures Limited Partnership

Lower Nicola Indian Band Aggregates Limited Partnership

The following entity is accounted for on the cost basis:

Spayum Holdings Limited Partnership

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies (continued)

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, prepaid expenses, and inventory.
Cash and Cash Equivalents	Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less. Cash and cash equivalents on the Consolidated Statement of Cash Flows is represented by cash, short term investments as disclosed on the Consolidated Statement of Financial Position.
Temporary Investments	Temporary investments are recorded at cost, unless the market value of temporary investments has declined below cost, in which case they are written down to market value.
Post Employment Benefits	Band employees are eligible to accumulate sick leave until termination of employment. Unused sick leave is not eligible for payment upon retirement or termination and may not be used as vacation. Employees may accumulate a maximum of 50% of the maximum days to be accrued.
Liability for Contaminated Sites	A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the band is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Revenue received under the funding arrangements 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.

Taxation is recognized as revenue based on the approval of the tax assessment subsequent to the financial statement date. The approved annual tax assessment reflects the taxation revenue for the period between January 1, 2019 through December 31, 2019, accordingly, the first three months of this assessment period is recognized as revenue in the fiscal year ended March 31, 2019. Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. Taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

Taxation arrears and interest revenue are recognized at the time of issuing overdue property tax notices to the rate payers for the fiscal year based on the time overdue.

Rental revenue is recognized when the services are provided to tenants, and collection is reasonably assured. When rental payments are received in advance of contracted services, the Band records this as deferred revenue.

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 the transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Measurement Uncertainty

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.

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies (continued)

Segmented Information

Lower Nicola Indian Band 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, and are detailed in the Schedule of Segmented Operations.

Administration Services

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

Social Development

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

Education

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

Community Health

The Band provides health programs and services under an agreement with First Nations Health Authority, and the Province of British Columbia.

Housing

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

Land, Estates and Memberships Program

The Land, Estates and Memberships program implements land code and supports both estate and membership administration activities on behalf of the Band.

Public Works

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

Economic Development

The Economic Development program provides planning and capacity development initiatives under agreements with the Province of British Columbia.

Lower Nicola Indian Band Development Corporation

Lower Nicola Indian Band Development Corporation is a Band-run organization that invests in development opportunities.

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies (continued)

Tangible Capital Assets and Amortization

Tangible capital assets are not available to discharge existing liabilities and are held for use in the provision of goods and services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible capital assets are valued at acquisition 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.

Amortization is charged against tangible capital assets based on the estimated useful life of the asset as follows.

- | | |
|------------------------|-----------------------------|
| - Automotive equipment | - 5-10 years straight line |
| - Buildings | - 25-50 years straight line |
| - Equipment | - 5 years straight line |
| - Infrastructure | - 25 years straight line |

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.

Tangible capital assets are written down when contributions indicate that they no longer contribute to the Band's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Contributed tangible capital assets are recorded at their fair value on the date of contribution, except in unusual circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

2. Prior Period Adjustment

During the course of the audit, it was identified that the local area revenue was being recorded as received. Local area revenue is charged on a calendar year basis, and the band operates on an April to March fiscal year and therefore the local area revenue is required to be recognized for the fiscal period. This would result in an accrual of 3 months of local area revenue for the period of January to March each year. As a result, the opening accumulated surplus was increased by \$358,225, accounts receivable as at March 31, 2018 was increased by \$364,976 and revenue for the year ended March 31, 2018 was increased by \$6,751.

During the course of the audit, it was further identified that construction in process from 2017 relating to the construction of Phase 23 of the Social Housing Program was removed from expenditures in fiscal year 2018 rather than from construction in process. This resulted in an overstatement of accumulated surplus and tangible capital assets at March 31, 2018. As a result, expenditures for the year ended March 31, 2018 were increased and tangible capital assets at March 31, 2018 were decreased by \$718,337.

In addition, it was identified that the Lower Nicola Indian Band Development Corporation had been recognized as a Government Business Enterprise in the prior year. It was determined that due to all of the revenue being received by a Government Reporting entity the LNIBDC did not qualify as a GBE and would therefore be recorded as an Other Government Entity and recorded under the consolidation method. As a result, the investment in LNIBDC was removed and the entity was picked up on a line by line consolidation basis. In addition to this, it was identified that the equity in LNIBDC in the PY was overstated by \$407,000, this was corrected in the current year by reducing the PY investment in LNIBDC and opening equity in 2018 by \$407,000 prior to recording the consolidation of LNIBDC.

	March 31, 2018 Before restatement	Adjustment	March 31, 2018 After restatement
Statement of Financial Position			
Increase in cash	\$13,800,616	\$27,764	\$13,828,380
Increase in accounts receivable	\$1,853,700	\$367,024	\$2,220,724
Decrease in tangible capital assets	27,635,171	(718,337)	26,916,834
Increase in accounts payable	1,987,936	31,811	2,019,747
Decrease in investment	250,490	(250,490)	-
Increase in Related Party Balances	-	(1,196,882)	(1,196,882)
Statement of Operations and Accumulated Surplus			
Increase in expenditures	14,622,221	1,065,685	15,687,906
Increase in revenue	21,562,075	418,086	21,980,161
Decrease in annual surplus	6,939,854	(711,586)	6,228,268
Decrease in accumulated surplus	41,661,045	(353,361)	41,307,684
Statement of Changes in Net Financial Assets			
Increase in net financial assets (debt)	13,965,624	364,976	14,330,600

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

3. Cash and Short-term Investments

	2019	(Restated) 2018
Consists of:		
Cash	\$ 16,625,143	\$ 13,828,380
Term deposits	<u>298,677</u>	<u>299,349</u>
	<u>\$ 16,923,820</u>	<u>\$ 14,127,729</u>
Restricted		
Social housing reserves (Note 11)	1,269,320	1,200,546
Ottawa Trust Funds	<u>298,677</u>	<u>299,349</u>
	<u>1,567,997</u>	<u>1,499,895</u>
Unrestricted	<u>15,355,823</u>	<u>12,627,834</u>
	<u>\$ 16,923,820</u>	<u>\$ 14,127,729</u>

The above restricted funds are comprised of external restrictions. The Social housing reserve funds are externally restricted by CMHC and the Ottawa Trust fund is externally restricted by Indigenous Services Canada.

4. Accounts Receivable

	2019	(Restated) 2018
Trade	\$ 3,089,503	\$ 1,868,643
First Nation Health Authority	950	200
Indigenous Services Canada	19,777	71,000
Local Area Revenue Receivable	369,678	364,976
Rent receivable	435,173	457,236
Canada Mortgage and Housing Corporation	18,152	121,486
Allowance for Doubtful Accounts	<u>(684,723)</u>	<u>(662,817)</u>
Net accounts receivable	<u>\$ 3,248,510</u>	<u>\$ 2,220,724</u>

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

5. Loan Receivable from Band Member

	2019	2018
Member loan receivable	\$ 67,991	\$ 67,991

Loan receivable from Band Member is repayable, interest bearing and due on demand.

6. Accounts Payable and Accrued Liabilities

	2019	(Restated) 2018
Trade payables	\$ 2,095,982	\$ 1,628,673
Indigenous Services Canada	89,649	157,849
Accrued salaries and employee benefits payable	256,273	233,221
	\$ 2,441,904	\$ 2,019,743

7. Deferred Revenue

	2019	2018
Rent Damage Deposits	\$ 24,551	\$ 24,507

8. Loan Guarantee

OMH Acquisition Limited Partnership has a non-revolving line of credit for up to \$5,450,000 which has been guaranteed by the Band.

9. Contaminated Sites

The Band has not recognized a liability for remediation of asbestos located in an abandoned home located within its jurisdiction. The contamination results from asbestos used in various building materials used in construction prior to 1990. A liability has not been recorded because the Band has not accepted responsibility or any legal obligations for remediation. The Band is currently seeking resolution to determine responsibility for remediation and as a result, no reasonable estimate can be determined at this time.

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

10. Tangible Capital Assets

	2019					
	Automotive Equipment	Buildings	Equipment	Infrastructure	Social Housing	Total
Cost, beginning of year	\$ 2,152,060	\$ 18,891,274	\$ 1,781,151	\$ 14,501,352	\$ 7,460,177	\$ 44,786,014
Additions	420,794	511,092	610,684	456,275	-	1,998,845
Disposals	(672,445)	-	-	-	-	(672,445)
Transfers	305,393	4,297,484	-	(3,809,290)	-	793,587
Cost, end of year	2,205,802	23,699,850	2,391,835	11,148,337	7,460,177	46,906,001
Accumulated amortization, beginning of year	1,577,455	9,885,879	876,425	3,435,479	2,093,942	17,869,180
Amortization	198,248	1,553,628	431,783	160,164	240,284	2,584,107
Disposals	(641,495)					(641,495)
Write-downs/transfers		547,880			(477,127)	70,753
Accumulated amortization, end of year	1,134,208	11,987,387	1,308,208	3,595,643	1,857,099	19,882,545
Net carrying amount, end of year	\$ 1,071,594	\$ 11,712,463	\$ 1,083,627	\$ 7,552,694	\$ 5,603,078	\$ 27,023,456

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

10. Tangible Capital Assets (continued)

	(Restated) 2018					
	Automotive Equipment	Buildings	Equipment	Infrastructure	Social Housing	Total
Cost, beginning of year	\$ 2,152,060	\$ 17,891,935	\$ 1,311,675	\$ 9,948,860	\$ 6,894,934	\$ 38,199,464
Additions	-	999,339	469,476	5,270,829	757,909	7,497,553
Disposals	-	-	-	-	(911,003)	(911,003)
Prior period adjustment	-	-	-	(718,337)	718,337	-
Cost, end of year	2,152,060	18,891,274	1,781,151	14,501,352	7,460,177	44,786,014
Accumulated amortization, beginning of year	1,392,370	8,475,928	580,567	3,064,516	2,572,607	16,085,988
Amortization	185,085	715,570	295,858	370,963	215,716	1,783,192
Disposals	-	694,381	-	-	(694,381)	-
Accumulated amortization, end of year	1,577,455	9,885,879	876,425	3,435,479	2,093,942	17,869,180
Net carrying amount, end of year	\$ 574,605	\$ 9,005,395	\$ 904,726	\$ 11,065,873	\$ 5,366,235	\$ 26,916,834

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

11. Long-term Debt

	2019	2018
Social Housing Fund		
All Nations Trust Company loan repayable in monthly installments of \$2,133 including interest at 1.01% per annum; term due February 1, 2021	162,994	186,822
All Nations Trust Company loan repayable in monthly installments of \$1,662 including interest at 2.22% per annum; term due November 1, 2023	88,347	106,170
All Nations Trust Company loan repayable in monthly installments of \$1,326 including interest at 1.01% per annum; term due February 1, 2021	106,295	121,060
All Nations Trust Company loan repayable in monthly installments of \$767 including interest at 1.01% per annum; term due February 1, 2021	59,341	67,904
All Nations Trust Company loan repayable in monthly installments of \$1,003 including interest at 2.39% per annum; term due March 1, 2023	95,790	105,421
All Nations Trust Company loan repayable in monthly installments of \$1,920 including interest at 2.50% per annum; term due June 1, 2023	187,181	205,524
All Nations Trust Company loan repayable in monthly installments of \$2,651 including interest at 1.01% per annum; term due February 1, 2021	212,405	241,910
All Nations Trust Company loan repayable in monthly installments of \$2,709 including interest at 1.84% per annum; term due September 1, 2022	384,228	409,439
All Nations Trust Company loan repayable in monthly installments of \$2,664 including interest at 1.85% per annum; term due August 1, 2019	424,690	448,590
Subtotal	1,721,271	1,892,840

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

11. Long-term Debt (continued)

Balance brought forward	1,721,271	1,892,840
All Nations Trust Company loan repayable in monthly installments of \$2,121 including interest at 1.98% per annum; term due May 1, 2019	360,986	377,908
All Nations Trust Company loan repayable in monthly installments of \$4,167 including interest at 1.97% per annum; term due December 1, 2022	948,422	979,481
All Nations Trust Company loan repayable in monthly installments of \$1,926 including interest at 2.22% per annum; term due September 1, 2023	98,926	119,660
	3,129,605	3,369,889
Less current portion	(988,078)	(241,187)
	\$ 2,141,527	\$ 3,128,702

All Social Housing mortgages are secured by a ministerial guarantee from ISC.

Principal repayments on long-term debt for the next five years and thereafter are estimated as follows:

2020	\$ 988,078
2021	591,278
2022	130,422
2023	1,285,120
2024	134,707
Thereafter	-
	\$ 3,129,605

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

12. Housing Reserves

	2019	2018
Replacement reserve	\$ 601,328	\$ 558,739
Operating reserve	554,422	495,102
	\$ 1,155,750	\$ 1,053,841

Under the terms of the agreement with CMHC, the Replacement Reserve account is to be credited in the amount of \$47,987 annually. 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 CDIC or as may otherwise be approved by CMHC. Withdrawals are credited to interest first and then principal.

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Operating Reserve account is to be credited with any surplus amount in phase 13 to 23, based on the minimum rent calculation.

As at March 31, 2019 the housing operating reserves was underfunded by \$30,359 and overfunded in the prior year by \$7,693 and the replacement reserve was overfunded by \$143,929 in the current year and \$139,012 in the prior year.

13. Federal Assistance Payments

The Social Housing Fund 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 \$218,536 (2018 - \$191,405), and this amount is included in CMHC revenue on the statement of operations.

14. Contingencies

Various lawsuits have been filed against the Band for incidents which arose in the ordinary course of business. In the opinion of management and legal counsel, the outcome of the lawsuits, now pending, is not determinable. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

15. Economic Dependence

Lower Nicola Indian Band receives approximately 35% (2018 - 34%) of its revenues pursuant to a funding arrangement with Indigenous Services Canada (ISC).

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

16. Band Owned Entities

						2019	(Restated) 2018
	LNIB Holdings	NAIK Development LLP	LNIB Aggregates LLP	Forest Enterprises LLP	LNIB Ventures LLP	Total	Total
Financial Position							
Cash	\$ -	\$ 299	\$ 1,170,473	\$ 1,117,224	\$ 75,619	\$ 2,363,615	\$ 1,964
Accounts Receivable	\$ -	\$ -	\$ 2,250,665	\$ 209,414	\$ -	\$ 2,460,079	\$ -
Inventory	\$ -	\$ -	\$ -	\$ 49,297	\$ -	\$ 49,297	\$ -
Tangible capital assets	\$ 407,000	\$ -	\$ 7,319,668	\$ 616,836	\$ -	\$ 8,343,504	\$ -
Other assets	\$ 101	\$ 520,777	\$ 6,969,155	\$ 14,168	\$ 11,790	\$ 7,515,991	\$ 1,332,612
Total Assets	\$ 407,101	\$ 521,076	\$ 17,709,961	\$ 2,006,939	\$ 87,409	\$ 20,732,486	\$ 1,334,576
Liabilities							
Accounts payable	\$ -	\$ -	\$ 1,543,596	\$ 82,694	\$ -	\$ 1,626,290	\$ 1,800
Capital Lease	\$ -	\$ -	\$ 4,241,111	\$ 317,003	\$ -	\$ 4,558,114	\$ -
Other liabilities	\$ -	\$ 3,091	\$ 9,461,091	\$ 1,354,631	\$ -	\$ 10,818,813	\$ 205,885
Total liabilities	\$ -	\$ 3,091	\$ 15,245,798	\$ 1,754,328	\$ -	\$ 17,003,217	\$ 207,685
Equity	\$ 407,101	\$ 517,985	\$ 2,464,163	\$ 252,611	\$ 87,409	\$ 3,729,269	\$ 1,126,891
Total liabilities and equity	\$ 407,101	\$ 521,076	\$ 17,709,961	\$ 2,006,939	\$ 87,409	\$ 20,732,486	\$ 1,334,576
Results of Operations							
Revenues	\$ 407,000	\$ 122,545	\$ 5,462,140	\$ 866,522	\$ 88,869	\$ 6,947,076	\$ 618,219
Expenses	\$ -	\$ 2,968	\$ 4,921,699	\$ 613,911	\$ 1,560	\$ 5,540,138	\$ 5,581
Net Income	\$ 407,000	\$ 119,577	\$ 540,441	\$ 252,611	\$ 87,309	\$ 1,406,938	\$ 612,638
Allocation	\$ 407,000	\$ 119,565	\$ 540,387	\$ 252,586	\$ 87,300	\$ 1,406,838	\$ 612,576

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

16. Band Owned Entities (continued)

Nature of Business Lower Nicola Indian Band Holdings Limited Partnership

This line of business is a Partnership that is established under the laws of British Columbia. The Band has a 99.999% interest in the Partnership.

NAIK Development Limited Partnership

This line of business is a Partnership that is established under the laws of British Columbia and is engaged in the business of economic development activities. The Band has a 99.999% interest in the Partnership

Lower Nicola Indian Band Aggregates Limited Partnership

This line of business is a Partnership that is established under the laws of British Columbia and is engaged in the business of aggregate activities. The Band has a 99.999% interest in the Partnership. Included in the operations of this partnership is Lower Nicola Site Services Limited Partnership, of which this partnership owns 51%, and which includes 100% of the operations of Ogilvie Mountain Holdings Acquisitions Limited Partnership.

Shulus Forest Enterprises Limited Partnership

This line of business is a Partnership that is established under the laws of British Columbia and is engaged in the business of forestry operations. The Band has a 99.999% interest in the Partnership.

LNIB Ventures Limited Partnership

This line of business is a Partnership that is established under the laws of British Columbia. The Band has a 99.999% interest in the Partnership

17. Accumulated Surplus

The Lower Nicola Indian Band segregates its accumulated surplus into the following categories:

	2019	(Restated) 2018
Equity in Operating Fund	\$ 18,228,632	\$ 14,625,174
Equity in Capital Fund	21,420,381	21,550,601
Equity in Social Housing	3,612,583	3,042,516
Equity in Enterprise Fund	3,322,851	1,539,553
Equity in Ottawa Trust Funds	298,677	299,349
Equity (deficit) in LNIBDC	146,040	(156,502)
	\$ 47,029,164	\$ 40,900,691

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

18. Budget

The Band Council Budget Resolution adopted by Council was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. Further the budget was approved on a quarterly basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Budget adopted by Council with adjustments as follows:

	<u>2019</u>
Budget Bylaw deficit (surplus) for the year	\$ (879,215)
Add:	
Capital expenditures	1,158,355
Admin Expenses	69,161
Repayments of long-term debt	252,174
Transfers from surplus	52,500
Less:	
Admin revenue	<u>(120,000)</u>
Budget deficit (surplus) per statement of operations	<u>\$ 532,975</u>

19. Comparative Figures

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

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2019

20. Statement of Expenditures by Object

	2019	(Restated) 2018
Administration	\$ 73,479	\$ 88,011
Advertising and promotion	34,389	38,654
Amortization	2,655,360	1,787,548
Bad debts (recovery)	26,766	84,660
Bank charges	13,672	13,435
Contract services	194,138	1,124,428
Cost recoveries	(1,389,439)	(1,367,054)
Direct social assistance	975,040	906,357
Honoraria	306,884	328,056
Insurance	207,682	165,495
Interest on long-term debt	61,485	49,444
Loan and lease payments	-	16,840
Local education agreement	927,859	967,757
Materials, supplies and services	1,210,819	1,684,818
Office	321,159	218,252
Professional fees	1,815,578	2,188,503
Rental of facilities and equipment	128,179	112,383
Repairs and maintenance	1,106,891	846,224
Salaries and benefits	5,006,281	4,880,320
Student allowances and tuition	303,547	374,451
Telephone	163,332	201,550
Travel and meetings	337,732	263,865
Tuition	212,130	196,371
Utilities	324,257	334,321
Vehicle	64,510	59,250
Workshops, seminars and training	113,377	123,970
Total expenditure for the year	\$ 15,195,107	\$ 15,687,909

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

Schedule of Segmented Operations

**March 31
2019**

	Administration	Social Development	Education	Community Health	Housing	Public Works	Land, Estates and Memberships	Economic Development	LNIB Development Corporation	Total
Revenue										
ISC	\$741,936	\$1,366,155	\$2,704,526	\$-	\$-	\$847,454	\$622,332	158,702	-	\$6,441,105
CMHC	-	-	-	-	218,536	24,281	-	-	-	242,817
FNESC	-	-	618,137	-	-	-	-	-	-	618,137
FNHA	-	-	128,556	1,205,649	-	-	-	-	-	1,334,205
Taxation	1,464,607	-	-	-	-	-	-	-	-	1,464,607
Province of B.C.	-	-	566,301	-	-	-	-	-	-	566,301
Miscellaneous	2,405,126	-	16,801	16,501	762,818	316,237	537,373	5,926,284	675,268	10,656,408
	4,611,669	1,366,155	4,034,321	1,222,150	981,354	1,187,972	1,159,705	6,084,986	675,268	21,323,580
Expenditure										
Administrative	527,941	12,563	113,518	17,733	139,647	463,444	465,489	484,645	8,075	2,233,055
Amortization	2,891,703	-	-	-	(236,843)	-	-	-	500	2,655,360
Direct Assistance	-	975,040	-	-	-	-	-	-	-	975,040
Lease payments	-	-	-	-	-	-	-	(2,137)	-	(2,137)
Materials, supplies, utilities	287,350	130,233	561,481	71,153	12,909	673,460	5,175	45,861	231,941	2,019,563
Operations and maintenance	473,443	48,908	206,541	299,279	244,441	(1,535,839)	108,576	92,409	104,148	41,906
Student costs	-	-	1,434,755	-	-	-	-	8,780	-	1,443,535
Transportation costs	98,256	9,193	81,463	126,834	19,031	48,221	7,199	116,553	8,873	515,623
Wages and benefits	1,184,250	255,362	1,390,200	624,658	219,606	695,839	224,483	699,575	19,189	5,313,162
	5,462,943	1,431,299	3,787,958	1,139,657	398,791	345,125	810,922	1,445,686	372,726	15,195,107
Excess (deficiency) of revenue for the year	\$ (851,274)\$	(65,144)\$	246,363 \$	82,493 \$	582,563 \$	842,847 \$	348,783 \$	4,639,300 \$	302,542 \$	6,128,473

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

Schedule of Segmented Operations

March 31
2018

										(Restated)
	Administration	Social Development	Education	Community Health	Housing	Public Works	Land, Estates and Memberships	Economic Development	LNIB Development Corporation	Total
Revenue										
ISC	662,679	1,325,360	2,606,790	2,250	-	1,878,598	288,823	656,625	-	7,421,125
CMHC	-	-	-	-	191,405	16,165	-	-	-	207,570
FNESC	-	-	251,496	-	-	-	-	-	-	251,496
FNHA	-	-	124,351	1,106,695	-	-	-	-	-	1,231,046
Taxation	1,439,652	-	-	-	-	-	-	-	-	1,439,652
Province of B.C.	-	-	514,462	-	-	25,050	-	-	-	539,512
Miscellaneous	1,062,020	-	48,151	-	812,164	1,452,275	201,517	6,838,321	411,335	10,825,783
	3,164,351	1,325,360	3,545,250	1,108,945	1,003,569	3,372,088	490,340	7,494,946	411,335	21,916,184
Expenditure										
Administrative	392,653	10,823	128,589	18,015	119,490	51,804	280,587	1,602,244	24,000	2,628,205
Amortization	1,567,476	-	-	-	215,716	-	-	-	4,356	1,787,548
Direct Assistance	-	906,357	-	-	-	-	-	-	-	906,357
Lease payments	-	-	-	-	-	16,840	-	-	-	16,840
Materials, supplies, utilities	206,485	149,643	371,262	93,594	20,837	1,387,406	22,457	63,322	123,929	2,438,935
Operations and maintenance	329,656	45,249	198,944	221,460	307,139	(737,761)	34,761	165,414	151,119	715,981
Student costs	-	-	1,538,577	-	-	-	-	-	-	1,538,577
Transportation costs	76,391	15,562	97,030	100,254	20,009	49,293	8,699	68,248	11,602	447,088
Wages and benefits	1,120,131	287,997	1,299,091	685,029	214,347	752,907	189,760	626,774	32,342	5,208,378
	3,692,792	1,415,631	3,633,493	1,118,352	897,538	1,520,489	536,264	2,526,002	347,348	15,687,909
Excess (deficiency) of revenue for the year	\$ (528,441)\$	(90,271)\$	(88,243)\$	(9,407)\$	106,031 \$	1,851,599 \$	(45,924)\$	4,968,944 \$	63,987 \$	6,228,275

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.