

Lower Nicola Indian Band
Consolidated Financial Statements
For the year ended March 31, 2020

Lower Nicola Indian Band
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For the year ended March 31, 2020

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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 and Audit Committee.

The Finance and Audit Committee (the 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



Band Councilor

Independent Auditor's Report

To the 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, 2020, and the consolidated statement of operations, change in net financial assets, and cash flows for the year 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, 2020, 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

In the prior 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 which is expected to be completed within the next fiscal year. The effects of this departure from Canadian public sector accounting standards on the consolidated financial position, results of operations and changes in net financial assets 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 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 - Supplementary Information

Lower Nicola Indian Band has also prepared another set of consolidated financial statements for the year ended March 31, 2020 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 July 21, 2020.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Responsibility 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 Lower Nicola Indian Band's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause 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 Lower Nicola Indian Band 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

**Kelowna, British Columbia
July 21, 2020**

Lower Nicola Indian Band Consolidated Statement of Financial Position

March 31	2020	2019
Financial Assets		
Cash and cash equivalents (Note 2)	\$19,757,103	\$ 16,923,820
Accounts receivable (Note 3)	4,021,192	3,316,501
Due from related parties (Note 10)	558,173	1,429,858
Investment in business enterprises (Note 11)	5,979,966	3,621,047
	<u>30,316,434</u>	<u>25,291,226</u>
Liabilities		
Accounts payable and accrued liabilities	1,485,600	2,441,909
Deferred revenue	42,068	24,551
Long-term debt (Note 5)	2,887,322	3,129,605
	<u>4,414,990</u>	<u>5,596,065</u>
Net Financial Assets	<u>25,901,444</u>	<u>19,695,161</u>
Non-Financial Assets		
Prepaid expenses	152,851	60,000
Tangible capital assets (Note 4)	25,878,396	27,023,456
Inventory	250,541	250,541
	<u>26,281,788</u>	<u>27,333,997</u>
Accumulated Surplus (Note 12)	<u>\$52,183,232</u>	<u>\$ 47,029,158</u>

Approved on behalf of Council



Chief



Band Councilor

Lower Nicola Indian Band Consolidated Statement of Operations

For the year ended March 31	(Note 14) Budget	2020	2019
Revenues			
Federal Government			
Indigenous Services Canada	\$ 5,751,253	\$ 6,732,986	\$ 6,441,105
Canada Mortgage and Housing Corporation	258,757	215,076	242,817
First Nations Health Authority	1,368,180	1,303,305	1,328,380
Provincial Government			
First Nations Education Steering Committee	543,132	565,074	618,137
Province of British Columbia	639,939	696,188	566,301
BC First Nations Gaming	-	550,403	-
Other			
Housing charges and rental	874,816	842,527	842,699
Interest and investment income	120,283	408,004	865,860
Other contracts and miscellaneous	8,628,506	7,497,807	7,546,836
Property taxes	1,456,420	1,498,768	1,464,607
Income from investment in band owned entities	-	2,365,179	1,406,838
Total revenues for the year	19,641,286	22,675,317	21,323,580
Expenditures (Note 16)			
Administration	3,009,838	4,753,779	5,462,944
Community health	1,021,151	1,021,699	1,139,656
Economic development	2,158,350	1,991,546	1,445,686
Education	4,629,705	4,625,766	3,787,958
Housing	578,172	935,301	398,791
Land, estate and membership	825,288	684,140	810,922
Lower Nicola Indian Band Development Corporation	-	448,101	372,726
Public works	1,807,905	1,424,642	345,125
Social development	1,475,620	1,636,269	1,431,299
Total expenditures for the year	15,506,029	17,521,243	15,195,107
Annual surplus	4,135,257	5,154,074	6,128,473
Accumulated surplus, beginning of year		47,029,158	40,900,685
Accumulated surplus, end of year		\$52,183,232	\$ 47,029,158

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

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

For the year ended March 31	(Note 14) Budget	2020	2019
Annual surplus	\$ 4,135,257	\$ 5,154,074	\$ 6,128,473
Acquisition of tangible capital assets (Note 4)	(4,334,014)	(1,269,951)	(2,792,432)
Amortization of tangible capital assets (Note 4)	-	2,410,066	2,654,860
Disposal of tangible capital assets (Note 4)	-	4,945	30,950
Purchase of inventory	-	-	(250,541)
Use of prepaid expenses	-	(92,851)	250
	-	1,052,209	(356,913)
Net change in net financial assets	(198,757)	6,206,283	5,771,560
Net financial assets, beginning of year		19,695,161	13,923,601
Net financial assets, end of year		\$25,901,444	\$ 19,695,161

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

Lower Nicola Indian Band Consolidated Statement of Cash Flows

For the year ended March 31	2020	2019
Operating Activities		
Annual surplus	\$ 5,154,074	\$ 6,128,473
Items not affecting cash		
Amortization	2,410,066	2,654,860
Share of income from FN controlled entities	(2,365,179)	(1,406,838)
	<u>44,887</u>	<u>1,248,022</u>
Changes in non-cash working capital		
Accounts receivable	(704,691)	(1,027,786)
Inventory	-	(250,541)
Prepaid expenses	(92,851)	250
Accounts payable and accrued liabilities	(956,138)	422,159
Deferred revenue	17,517	44
	<u>(1,736,163)</u>	<u>(855,874)</u>
Investing Activities		
Acquisition of tangible capital assets	(1,269,951)	(2,792,432)
Investment in First Nation controlled entities	422,999	(346,303)
Receipts from First Nation controlled entities	459,831	245,000
Proceeds from disposition of tangible capital assets	-	30,950
Investment in partnerships	(110)	-
Investment in Entity under shared control	-	(621,461)
	<u>(387,231)</u>	<u>(3,484,246)</u>
Financing Activities		
Repayment of Social Housing long-term debt	(242,284)	(240,284)
Net change in cash and cash equivalents	2,833,283	2,796,091
Cash and cash equivalents, beginning of year	<u>16,923,820</u>	<u>14,127,729</u>
Cash and cash equivalents, end of year	<u>\$19,757,103</u>	<u>\$16,923,820</u>

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

Lower Nicola Indian Band Notes to the Consolidated Financial Statements

March 31, 2020

1. Summary of Significant Accounting Policies

Nature of Business	<p>Lower Nicola Indian Band provides services and support to its band members.</p> <p>Lower Nicola Indian Band is an Indian Band and, as such, is exempt from income tax under section 87 of the Indian Act.</p>
Basis of Accounting	<p>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.</p>
Reporting Entity	<p>The Lower Nicola Indian Band reporting entity includes the Lower Nicola Indian Band government and all related entities that are either owned or controlled by the First Nation.</p>
Principles of Consolidation	<p>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.</p> <p>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 only entity that is accounted for under the consolidation basis is Lower Nicola Indian Band Development Corporation.</p> <p>Entities that are accounted for using 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:</p> <p>LNIB Holdings LP NAIK Development LP LNIB Aggregates LP Shulus Forest Enterprises LP LNIB Ventures LP Shulus Farms LP</p> <p>Investments that are accounted for using the cost basis of accounting include:</p> <p>Spayum Holdings Limited Partnership All Nations Trust Corporation BC First Nations Gaming Revenue Sharing Limited Partnership</p>

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2020

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.
Financial Instruments	The Band recognizes and measures financial assets and financial liabilities on the balance sheet when it becomes a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a trade date or settlement date basis. All financial instruments are measured at cost on initial recognition. Financial instruments are subsequently measured at amortized cost.

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2020

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, 2020 through December 31, 2020, accordingly, the first three months of this assessment period is recognized as revenue in the fiscal year ended March 31, 2020. 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.

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2020

1. Summary of Significant Accounting Policies (continued)

Tangible Capital Assets 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.

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.

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 asset are written down when associated output indicate that they no longer contribute to the Band's ability to provide good 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 consolidated 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.

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, 2020

2. Cash and Cash Equivalents

	2020	2019
Consists of:		
Cash	\$ 19,456,022	\$ 16,625,143
Term deposits	<u>301,081</u>	<u>298,677</u>
	<u>\$ 19,757,103</u>	<u>\$ 16,923,820</u>
Restricted		
Ottawa Trust Funds	\$ 301,081	\$ 298,677
Social housing reserves (Note 6)	<u>1,179,305</u>	<u>1,269,320</u>
	1,480,386	1,567,997
Unrestricted	<u>18,276,717</u>	<u>15,355,823</u>
	<u>\$ 19,757,103</u>	<u>\$ 16,923,820</u>

The Social housing reserve funds are externally restricted by CMHC and the Ottawa Trust Fund is externally restricted by Indigenous Services Canada.

3. Accounts Receivable

	2020	2019
Trade	\$ 3,747,146	\$ 2,962,818
First Nation Health Authority	200	950
Indigenous Services Canada	143,337	146,462
Local Area Revenue	377,060	369,678
Rent	429,989	435,173
Canada Mortgage and Housing Corporation	17,881	18,152
Member loan	-	67,991
Allowance for doubtful accounts	<u>(694,421)</u>	<u>(684,723)</u>
	<u>\$ 4,021,192</u>	<u>\$ 3,316,501</u>

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2020

4. Tangible Capital Assets

	2020					
	Automotive Equipment	Buildings	Equipment	Infrastructure	Social Housing	Total
Cost, beginning of year	\$ 2,205,802	\$ 23,699,850	\$ 2,391,835	\$ 11,148,337	\$ 7,460,177	\$ 46,906,001
Additions	255,080	67,991	612,810	334,070	-	1,269,951
Disposals	-	-	(49,450)	-	-	(49,450)
Cost, end of year	2,460,882	23,767,841	2,955,195	11,482,407	7,460,177	48,126,502
Accumulated amortization, beginning of year	1,134,208	11,987,387	1,308,208	3,595,643	1,857,099	19,882,545
Amortization	203,350	1,304,523	493,064	166,845	242,284	2,410,066
Disposals	-	-	(44,505)	-	-	(44,505)
Accumulated amortization, end of year	1,337,558	13,291,910	1,756,767	3,762,488	2,099,383	22,248,106
Net carrying amount, end of year	\$ 1,123,324	\$ 10,475,931	\$ 1,198,428	\$ 7,719,919	\$ 5,360,794	\$ 25,878,396

	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, 2020

5. Long-term Debt

	2020	2019
Social Housing Fund		
All Nations Trust Company loan repayable in monthly installments of \$2,133 including interest at 1.01% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due February 1, 2021	\$ 138,928	\$ 162,994
All Nations Trust Company loan repayable in monthly installments of \$1,662 including interest at 2.22% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due November 1, 2023	70,177	88,347
All Nations Trust Company loan repayable in monthly installments of \$1,326 including interest at 1.01% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due February 1, 2021	91,382	106,295
All Nations Trust Company loan repayable in monthly installments of \$767 including interest at 1.01% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due February 1, 2021	50,693	59,341
All Nations Trust Company loan repayable in monthly installments of \$1,003 including interest at 2.39% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due March 1, 2023	85,933	95,790
All Nations Trust Company loan repayable in monthly installments of \$1,920 including interest at 2.50% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due June 1, 2023	168,592	187,181
All Nations Trust Company loan repayable in monthly installments of \$2,651 including interest at 1.01% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due February 1, 2021	182,606	212,405
All Nations Trust Company loan repayable in monthly installments of \$2,709 including interest at 1.84% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due September 1, 2022	358,567	384,228
All Nations Trust Company loan repayable in monthly installments of \$2,664 including interest at 1.85% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due August 1, 2024	400,236	424,690
Subtotal	\$ 1,547,114	\$ 1,721,271

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2020

5. Long-term Debt (continued)

Balance brought forward	\$ 1,547,114	\$ 1,721,271
All Nations Trust Company loan repayable in monthly installments of \$2,121 including interest at 1.98% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due May 1, 2024	345,634	360,986
All Nations Trust Company loan repayable in monthly installments of \$4,167 including interest at 1.97% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due December 1, 2022	916,787	948,422
All Nations Trust Company loan repayable in monthly installments of \$1,926 including interest at 2.22% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due September 1, 2023	77,787	98,926
	<u>2,887,322</u>	<u>3,129,605</u>
Less current portion	<u>(649,379)</u>	<u>(988,078)</u>
	<u>\$ 2,237,943</u>	<u>\$ 2,141,527</u>

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

2021	\$ 649,379
2022	188,633
2023	1,343,406
2024	193,145
2025	512,759
	<u>\$ 2,887,322</u>

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2020

6. Housing Reserves

	2020	2019
Replacement reserve	\$ 649,244	\$ 601,328
Operating reserve	614,394	554,435
	<u>\$ 1,263,638</u>	<u>\$ 1,155,763</u>

Under the terms of the agreement with CMHC, the Replacement Reserve account is to be credited in the amount of \$64,725 (2019 - \$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, 2020 the housing operating reserves was underfunded by \$49,233 and underfunded in the prior year by \$30,359 and the replacement reserve was underfunded by \$35,099 in the current year and overfunded by \$143,929 in the prior year.

7. 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, 2020 was \$215,076 (2019 - \$242,817), and this amount is included in CMHC revenue on the consolidated statement of operations.

8. Commitments and Contingencies

The Band has guaranteed a line of credit for Ogilvie Mountain Holdings LP for up to \$5,450,000.

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.

9. Economic Dependence

Lower Nicola Indian Band receives approximately 30% (2019 - 30%) 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, 2020

10. Due from Related Parties

	2020	2019
Due from NAIK Development Corporation Ltd.	\$ 10,894	\$ 3,091
LNIB Development Corporation due from related parties	547,279	1,426,767
	<u>\$ 558,173</u>	<u>\$ 1,429,858</u>

The above balances are the result of normal operations, bear no interest, and have no set repayment terms.

11. Investment in Business Enterprises

	2020	2019
LNIB Holdings LP	\$ 405,630	\$ 407,000
NAIK Development LP	498,259	517,951
LNIB Aggregates LP	3,235,961	1,253,406
Shulus Forest Enterprises LP	443,482	252,586
LNIB Ventures LP	300,090	87,300
All Nations Trust Corporation	8,710	8,710
BC First Nations Gaming Revenue Sharing LP	110	-
Nicola Valley Indian Services Association	795,900	795,900
LNIB Development Corporation investments in related parties	291,824	298,194
	<u>\$ 5,979,966</u>	<u>\$ 3,621,047</u>

The following summary discloses the nature of business and condensed financial information of the business enterprises:

Nature of Business LNIB Holdings LP

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

NAIK Development LP

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. Lower Nicola Indian Band has a 99.999% interest in the Partnership.

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2020

11. Investment in Business Enterprises (continued)

LNIB Aggregates LP

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. Lower Nicola Indian Band has a 99.999% interest in the Partnership.

A significant component of income in LNIB Aggregates LP is a result of its investments in Ogilvie Mountain Holdings LP and Lower Nicola Site Services LP who are engaged in pipeline maintenance and construction services. LNIB Aggregates LP has a 50.99% interest in both Partnerships.

Shulus Forest Enterprises LP

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

LNIB Ventures LP

This line of business is a Partnership that is established under the laws of British Columbia and is engaged in revenue sharing through joint venture and strategic alliance agreements. The Band has a 99.999% interest in the Partnership.

Shulus Farms LP

This line of business is a Partnership that is established under the laws of British Columbia and is engaged in leasing land for hay cultivation. The Band has a 99.999% interest in the Partnership. There was no activity for the current year end.

Lower Nicola Indian Band
Notes to the Consolidated Financial Statements

March 31, 2020

11. Investment in Business Enterprises (continued)

	LNIB Holdings LP	NAIK Development LP	LNIB Aggregates LP	Shulus Forest Enterprises LP	LNIB Ventures LP	2020	2019
Financial Position							
Cash	\$ -	\$ -	\$ 698,501	\$ 513,714	\$ 92,773	\$ 1,304,988	\$ 2,287,996
Accounts receivable	-	-	2,427,699	561,040	197,004	3,185,743	2,460,079
Inventory	-	-	-	12,253	-	12,253	49,297
Tangible capital assets	407,000	-	3,873,836	736,773	-	5,017,609	8,343,504
Other assets	101	509,227	7,331,953	75,000	20,424	7,936,705	7,504,201
Total Assets	407,101	509,227	14,331,989	1,898,780	310,201	17,457,298	20,645,077
Accounts payable	-	-	1,565,632	230,831	9,981	1,806,444	1,626,290
Capital lease	-	-	2,050,761	205,401	-	2,256,162	4,558,114
Other liabilities	1,370	10,935	2,963,860	1,018,921	-	3,995,086	10,818,813
Total Liabilities	1,370	10,935	6,580,253	1,455,153	9,981	8,057,692	17,003,217
Equity	405,731	498,292	7,751,736	443,627	300,220	9,399,606	3,641,860
Total Liabilities and Equity	407,101	509,227	14,331,989	1,898,780	310,201	17,457,298	20,645,077
Results of Operations							
Revenues	-	(11,550)	12,031,066	3,042,195	229,685	15,291,396	6,947,076
Expenses	1,370	8,144	10,048,313	2,851,280	16,874	12,925,981	5,538,578
Net income (loss)	(1,370)	(19,694)	1,982,753	190,915	212,811	2,365,415	1,408,498
Allocation	\$ (1,370)	\$ (19,692)	\$ 1,982,555	\$ 190,896	\$ 212,790	\$ 2,365,179	\$ 1,406,838

Lower Nicola Indian Band
Notes to the Consolidated Financial Statements

March 31, 2020

12. Accumulated Surplus

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

	<u>2020</u>	<u>2019</u>
Equity in Operating Fund	\$22,252,803	\$ 18,228,626
Equity in Capital Fund (Note 13)	20,517,608	21,420,381
Equity in Social Housing	3,718,734	3,612,583
Equity in Enterprise Fund	5,688,030	3,322,851
Equity in Ottawa Trust Funds	301,081	298,677
Equity (deficit) in LNIBDC	<u>(295,024)</u>	<u>146,040</u>
	<u>\$52,183,232</u>	<u>\$ 47,029,158</u>

13. Equity in Capital Fund

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$21,420,381	\$ 21,550,601
Acquisition of tangible capital assets	1,269,951	1,998,845
Disposal of tangible capital assets	(4,945)	(30,949)
Increase in building cost	-	793,587
Amortization of tangible capital assets	<u>(2,167,779)</u>	<u>(2,891,703)</u>
Balance, end of year	<u>\$20,517,608</u>	<u>\$ 21,420,381</u>

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2020

14. 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 consolidated statements of operations and change in net financial assets represent the Budget adopted by Council with adjustments as follows:

	<u>2020</u>
Budget Bylaw surplus (deficit) for the year	\$ 5,756
Add:	
Capital expenditures	4,334,014
Administration expenses	92,650
Repayments of long-term debt	285,318
Transfers from surplus	361,547
Less:	
Administration revenue	60,000
Loan proceeds	<u>884,028</u>
Budget surplus per consolidated statement of operations	<u>\$ 4,135,257</u>

15. Contaminated Sites

As of April 2008, Indigenous Services Canada identified four land parcels under Band control that had been contaminated, mostly relating to abandoned dumps and fuel spills. Two of the four land parcels have been identified as areas of potential concern. Management has engaged a qualified professional to conduct groundwater sampling in order to assess the damage and potential remediation of these two sites. The Band is in discussions with Indigenous Services Canada regarding remediation of the remaining contaminated sites. The outcome of this testing and potential liability is still unknown.

Lower Nicola Indian Band
Notes to the Consolidated Financial Statements

March 31, 2020

16. Expenditures by Object

	<u>2020</u>	<u>2019</u>
Administration	\$ 77,576	\$ 73,479
Advertising and promotion	22,119	34,389
Amortization	2,410,066	2,654,860
Bad debts	29,475	26,766
Bank charges	12,251	13,672
Contract services	388,471	194,638
Cost recoveries	(435,032)	(1,389,439)
Direct social assistance	1,163,917	975,040
Honoraria	312,923	306,884
Insurance	244,091	207,682
Interest on long-term debt	54,174	61,485
Local education agreement	982,939	927,859
Materials, supplies and services	1,237,375	1,210,819
Office	398,313	321,159
Professional fees	1,745,826	1,815,578
Rental of facilities and equipment	117,393	128,179
Repairs and maintenance	1,252,864	1,106,891
Salaries and benefits	5,719,631	5,006,281
Student allowances and tuition	427,590	303,547
Telephone	146,352	163,332
Travel and meetings	269,096	337,732
Tuition	269,717	212,130
Utilities	303,139	324,257
Vehicle	72,902	64,510
Workshops, seminars and training	298,075	113,377
	<u>\$17,521,243</u>	<u>\$ 15,195,107</u>

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2020

17. Impact of COVID-19

Subsequent to year-end, the impact of COVID-19 in Canada and on the global economy increased significantly. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time.

At year end, the Band has authorized to pay \$300 to each of its members to provide interim financial support and relief to those impacted by the COVID-19 pandemic. Funding from Indigenous Services Canada and the Province of British Columbia was received subsequent to year end to assist with the member payout. At year end, a receivable of \$200,000 and a liability of \$360,000 has been recorded in the financial statements. The Band is not exposed to a potential liability in excess of this amount as the amount accrued is based on the number of members at year end.

If the impacts of COVID-19 continue, there could be an impact on the Band and its members, suppliers and other third party business associates. Such events could impact the timing of, and amounts realized on the Band's assets. At this time, the future potential impact of COVID-19 on the Band is not known.

18. Segmented Information

The Band provides a wide range of services to its members such as education, health and housing. For management reporting purposes, operations and activities are organized and reported by department. The nature of the departments and the activities they encompass are as follows:

Administration

Administration provides support to Chief and Council for meetings, events, schedules, Band member visits, and Band general meetings. Administration also coordinates human resources and professional development to ensure a professional team delivering services to the Band members.

Social Development

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

Education

The Education department provides a number of 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

Housing is responsible for managing the housing program. This comprises of property management functions, planning and construction of new houses, and maintenance and upkeep of the housing stock, as well as the relationship with Canada Mortgage Housing Corporation and Indigenous Services Canada.

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2020

18. Segmented Information (continued)

Public Works

The Public and Capital Works department manages the infrastructure and servicing requirements such as water, sewage, roads and member facilities for the Band.

Land, Estates and Memberships

Land, Estates and Memberships is responsible for the management of all reserve lands and responsibility for building out and implementing the Band's Land Code.

Economic Development

This department provides a number of services including providing guidance to Band Council and Administration around natural resource matters and managing and monitoring the land. The department is responsible for managing referrals, as well as project funding related to natural resources and the environment.

LNIB Development Corporation

The Development Corporation promotes ongoing wealth creation for the Band, prioritizes community development and provides employment opportunities while committing to the stewardship of resources.

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2020

18. Segmented Information (continued)

	Administration	Social Development	Education	Community Health	Housing	Public Works	Land, Estates and Memberships	Economic Development	LNIB Development Corporation	2020 Total
Revenue										
ISC	\$ 668,982	\$ 1,385,118	\$ 3,082,483	\$ -	\$ -	\$ 1,182,420	\$ 286,386	\$ 127,597	\$ -	\$ 6,732,986
CMHC	-	-	-	-	215,076	-	-	-	-	215,076
FNESC	-	-	565,074	-	-	-	-	-	-	565,074
FNHA	-	-	125,186	1,178,119	-	-	-	-	-	1,303,305
Property taxes	1,498,768	-	-	-	-	-	-	-	-	1,498,768
Province of B.C.	-	-	696,188	-	-	-	-	-	-	696,188
Miscellaneous	2,842,614	-	61,154	-	764,633	778,154	270,128	6,947,238	-	11,663,921
	<u>5,010,364</u>	<u>1,385,118</u>	<u>4,530,085</u>	<u>1,178,119</u>	<u>979,709</u>	<u>1,960,574</u>	<u>556,514</u>	<u>7,074,835</u>	<u>-</u>	<u>22,675,317</u>
Expenditures										
Administrative	365,404	15,761	113,988	14,902	114,364	67,290	293,969	769,126	24,400	1,779,204
Amortization	2,167,782	-	-	-	242,284	-	-	-	-	2,410,066
Direct assistance	-	1,163,917	-	-	-	-	-	-	-	1,163,917
Materials, supplies, utilities	241,878	149,559	884,313	43,977	9,887	425,461	7,247	37,469	252,108	2,051,899
Operations and maintenance	552,601	40,938	234,175	199,707	343,056	(69,571)	67,092	279,291	115,991	1,763,280
Student costs	-	-	1,680,245	-	-	-	-	-	-	1,680,245
Transportation costs	122,449	14,655	96,280	135,829	10,110	61,715	20,738	136,283	42,017	640,076
Wages and benefits	1,303,665	251,439	1,616,765	627,284	215,600	939,747	295,094	769,377	13,585	6,032,556
	<u>4,753,779</u>	<u>1,636,269</u>	<u>4,625,766</u>	<u>1,021,699</u>	<u>935,301</u>	<u>1,424,642</u>	<u>684,140</u>	<u>1,991,546</u>	<u>448,101</u>	<u>17,521,243</u>
Excess (deficiency) of revenue for the year	\$ 256,585	\$ (251,151)	\$ (95,681)	\$ 156,420	\$ 44,408	\$ 535,932	\$ (127,626)	\$ 5,083,289	\$ (448,101)	\$ 5,154,074

Lower Nicola Indian Band

Notes to the Consolidated Financial Statements

March 31, 2020

18. Segmented Information (continued)

	Administration	Social Development	Education	Community Health	Housing	Public Works	Land, Estates and Memberships	Economic Development	LNIB Development Corporation	2019 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	-	-	122,731	1,205,649	-	-	-	-	-	1,328,380
Property taxes	1,464,607	-	-	-	-	-	-	-	-	1,464,607
Province of B.C.	-	-	566,301	-	-	-	-	-	-	566,301
Miscellaneous	2,405,127	-	22,626	16,500	762,818	316,237	537,373	5,926,284	675,268	10,662,233
	<u>4,611,670</u>	<u>1,366,155</u>	<u>4,034,321</u>	<u>1,222,149</u>	<u>981,354</u>	<u>1,187,972</u>	<u>1,159,705</u>	<u>6,084,986</u>	<u>675,268</u>	<u>21,323,580</u>
Expenditures										
Administrative	527,941	12,563	113,518	17,733	139,647	463,444	465,489	484,645	8,575	2,233,555
Amortization	2,891,703	-	-	-	(236,843)	-	-	-	-	2,654,860
Direct assistance	-	975,040	-	-	-	-	-	-	-	975,040
Lease payments	-	-	-	-	-	-	-	(2,137)	-	(2,137)
Materials, supplies, utilities	287,351	130,233	561,481	71,153	12,909	673,460	5,175	45,861	231,941	2,019,564
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	-	-	1,434,756	-	-	-	-	8,780	-	1,443,536
Transportation costs	98,256	9,193	81,462	126,833	19,031	48,221	7,199	116,553	8,873	515,621
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
	<u>5,462,944</u>	<u>1,431,299</u>	<u>3,787,958</u>	<u>1,139,656</u>	<u>398,791</u>	<u>345,125</u>	<u>810,922</u>	<u>1,445,686</u>	<u>372,726</u>	<u>15,195,107</u>
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