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Independent Auditor's Report

To the kʷúkʷpi? 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, 2021, 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, 2021, 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, 2021 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 kʷúkʷpi? and Council of Lower Nicola Indian Band and was dated July 20, 2021.



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 20, 2021

Lower Nicola Indian Band Consolidated Statement of Financial Position

<u>March 31</u>	<u>2021</u>	<u>2020</u>
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 21,359,389	\$ 19,757,103
Investments (Note 3)	3,004,821	-
Accounts receivable (Note 4)	3,795,755	4,021,192
Due from related parties (Note 10)	1,588,677	558,173
Investment in business enterprises (Note 11)	<u>9,395,782</u>	<u>5,979,966</u>
	<u>39,144,424</u>	<u>30,316,434</u>
Liabilities		
Accounts payable and accrued liabilities	2,316,091	1,485,600
Deferred revenue	181,364	42,068
Long-term debt (Note 6)	<u>2,640,990</u>	<u>2,887,322</u>
	<u>5,138,445</u>	<u>4,414,990</u>
Net Financial Assets	<u>34,005,979</u>	<u>25,901,444</u>
Non-Financial Assets		
Prepaid expenses	24,795	152,851
Tangible capital assets (Note 5)	<u>24,934,962</u>	<u>25,878,396</u>
Inventory	<u>250,541</u>	<u>250,541</u>
	<u>25,210,298</u>	<u>26,281,788</u>
Accumulated Surplus (Note 12)	<u>\$ 59,216,277</u>	<u>\$ 52,183,232</u>

Approved on behalf of Council

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Stuart Jackson

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Connie Joe

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Barry Torgerson

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Chair of the Finance & Audit Committee

Director of Finance

Lower Nicola Indian Band Consolidated Statement of Operations

<u>For the year ended March 31</u>	<u>(Note 14)</u> <u>Budget</u>	2021	2020
Revenues			
Federal Government			
Indigenous Services Canada	\$ 5,854,413	\$ 8,654,328	\$ 6,732,986
Canada Mortgage and Housing Corporation	218,715	214,480	215,076
First Nations Health Authority	1,309,275	1,433,876	1,303,305
Provincial Government			
First Nations Education Steering Committee	395,912	473,226	565,074
Province of British Columbia	565,772	703,334	696,188
BC First Nations Gaming	550,293	588,658	550,403
Other			
Housing charges and rental	819,620	740,767	842,527
Interest and investment income	307,000	232,012	408,004
Other contract revenue	7,586,589	7,847,304	7,497,807
Property taxes	1,412,927	1,543,699	1,498,768
Income from investment in band owned entities	-	4,403,623	2,365,179
Total revenues for the year	19,020,516	26,835,307	22,675,317
Expenditures (Note 16)			
Administration	2,618,024	5,047,891	4,753,756
Community health	1,040,086	1,000,185	1,021,699
Economic development	2,412,073	2,096,075	1,991,546
Education	5,429,673	4,565,688	4,625,789
Housing	618,076	838,172	935,301
Land, estate and membership	1,279,004	1,168,100	681,056
Lower Nicola Indian Band Development Corporation	-	583,703	448,101
Public works	2,580,910	2,340,154	1,427,726
Social development	1,591,290	2,162,294	1,636,269
Total expenditures for the year	17,569,136	19,802,262	17,521,243
Annual surplus	1,451,380	7,033,045	5,154,074
Accumulated surplus, beginning of year		52,183,232	47,029,158
Accumulated surplus, end of year		\$ 59,216,277	\$ 52,183,232

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

<u>For the year ended March 31</u>	<u>(Note 14)</u> <u>Budget</u>	<u>2021</u>	<u>2020</u>
Annual surplus	\$ 1,451,380	\$ 7,033,045	\$ 5,154,074
Acquisition of tangible capital assets (Note 5)	(4,626,705)	(1,389,607)	(1,269,951)
Amortization of tangible capital assets (Note 5)	-	2,279,051	2,410,066
Disposal of tangible capital assets (Note 5)	-	53,990	4,945
Use (acquisition) of prepaid expenses	-	128,056	(92,851)
	<hr/>	<hr/>	<hr/>
	-	1,071,490	1,052,209
Net change in net financial assets	(3,175,325)	8,104,535	6,206,283
Net financial assets, beginning of year		<u>25,901,444</u>	<u>19,695,161</u>
Net financial assets, end of year		<u>\$ 34,005,979</u>	<u>\$ 25,901,444</u>

**Lower Nicola Indian Band
Consolidated Statement of Cash Flows**

<u>March 31</u>	<u>2021</u>	<u>2020</u>
Operating Activities		
Annual surplus	\$ 7,033,045	\$ 5,154,074
Items not affecting cash		
Amortization	2,279,051	2,410,066
Share of income from First Nation controlled entities	<u>(4,403,623)</u>	<u>(2,365,179)</u>
	<u>(2,124,572)</u>	<u>44,887</u>
Changes in non-cash working capital		
Accounts receivable	225,437	(704,691)
Prepaid expenses	128,056	(92,851)
Accounts payable and accrued liabilities	830,491	(956,138)
Deferred revenue	<u>139,296</u>	<u>17,517</u>
	<u>1,323,280</u>	<u>(1,736,163)</u>
Capital activities		
Acquisition of tangible capital assets	(1,389,607)	(1,269,951)
Gain on disposal of tangible capital assets	<u>49,045</u>	-
	<u>(1,340,562)</u>	<u>(1,269,951)</u>
Financing activities		
Repayment of Social Housing long-term debt	<u>(246,332)</u>	<u>(242,284)</u>
Investing activities		
Investment in First Nation controlled entities	1,938	422,999
Receipts from First Nation controlled entities	(44,511)	459,831
Investment in partnerships	-	(110)
Investment in G.I.C.	<u>(3,000,000)</u>	-
	<u>(3,042,573)</u>	<u>882,720</u>
Net change in cash and cash equivalents	1,602,286	2,833,283
Cash and cash equivalents, beginning of year	<u>19,757,103</u>	<u>16,923,820</u>
Cash and cash equivalents, end of year	<u>\$ 21,359,389</u>	<u>\$ 19,757,103</u>

Lower Nicola Indian Band Notes to the Consolidated Financial Statements

March 31, 2021

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 either owned or controlled by the First Nation.
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 style="margin-left: 20px;">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 style="margin-left: 20px;">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, 2021

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 and cash equivalents as disclosed on the consolidated statement of financial position.
Investments	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. Investments consist of a guaranteed investment certificate that matures at a rate of one-fifth its value on each anniversary of purchase. Investments are recorded at cost plus accrued interest.
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, 2021

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition	<p>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.</p> <p>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, 2021 through December 31, 2021, accordingly, the first three months of this assessment period is recognized as revenue in the fiscal year ended March 31, 2021. 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.</p> <p>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.</p> <p>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.</p> <p>Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when the transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.</p>
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Lower Nicola Indian Band Notes to the Consolidated Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies (continued)

Tangible Capital Assets	<p>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.</p> <p>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.</p> <p>Amortization is charged against tangible capital assets based on the estimated useful life of the asset as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> - Automotive equipment - Buildings - Equipment - Infrastructure </td><td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> - 5-10 years straight line - 25-50 years straight line - 5 years straight line - 25 years straight line </td></tr> </table> <p>Tangible capital assets under construction, development or that have been removed from service are not amortized until they are available to be put into service.</p> <p>Tangible capital assets are written down when associated output 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 consolidated statement of operations.</p> <p>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.</p>	<ul style="list-style-type: none"> - Automotive equipment - Buildings - Equipment - Infrastructure 	<ul style="list-style-type: none"> - 5-10 years straight line - 25-50 years straight line - 5 years straight line - 25 years straight line
<ul style="list-style-type: none"> - Automotive equipment - Buildings - Equipment - Infrastructure 	<ul style="list-style-type: none"> - 5-10 years straight line - 25-50 years straight line - 5 years straight line - 25 years straight line 		
Measurement Uncertainty	<p>The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>		

Lower Nicola Indian Band
Notes to the Consolidated Financial Statements

March 31, 2021

2. Cash and Cash Equivalents

	2021	2020
Consists of:		
Cash	\$ 21,057,091	\$ 19,456,022
Term deposits	<u>302,298</u>	<u>301,081</u>
	\$ 21,359,389	\$ 19,757,103
Restricted		
Ottawa Trust Funds	\$ 302,298	\$ 301,081
Social housing replacement reserve restricted cash (Note 7)	<u>621,489</u>	<u>614,145</u>
Social housing operating reserve restricted cash (Note 7)	<u>571,919</u>	<u>565,161</u>
	1,495,706	1,480,387
Unrestricted	19,863,683	18,276,716
	\$ 21,359,389	\$ 19,757,103

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

3. Investments

Investments consist of a five-year laddered Guaranteed Investment Certificate (G.I.C.) purchased during the year that matures on February 8, 2026. The G.I.C. is non-redeemable and allows the purchaser access to one-fifth of the invested amount each year of the anniversary of the purchase. The purchaser has the option to reinvest the one-fifth portion in a new non-laddered five-year G.I.C., invest in a different investment or cash out the investment. The G.I.C. earns interest at a rate of 1.15% per annum.

4. Accounts Receivable

	2021	2020
Trade	\$ 3,306,325	\$ 3,747,146
First Nation Health Authority	-	200
Indigenous Services Canada	<u>292,437</u>	<u>143,337</u>
Local Area Revenue	<u>383,450</u>	<u>377,060</u>
Rent	<u>420,616</u>	<u>429,989</u>
Canada Mortgage and Housing Corporation	<u>17,835</u>	<u>17,881</u>
Allowance for doubtful accounts	<u>(624,908)</u>	<u>(694,421)</u>
	\$ 3,795,755	\$ 4,021,192

Lower Nicola Indian Band
Notes to the Consolidated Financial Statements

March 31, 2021

5. Tangible Capital Assets

	Automotive Equipment	Buildings	Equipment	Infrastructure	Social Housing	2021
Cost, beginning of year	\$ 2,460,882	\$ 23,767,841	\$ 2,955,195	\$ 11,482,407	\$ 7,460,177	\$ 48,126,502
Additions	603,099		271,466	515,042		1,389,607
Disposals		(67,991)				(67,991)
Cost, end of year	<u>3,063,981</u>	<u>23,699,850</u>	<u>3,226,661</u>	<u>11,997,449</u>	<u>7,460,177</u>	<u>49,448,118</u>
Accumulated amortization, beginning of year	1,337,558	13,291,910	1,756,767	3,762,488	2,099,383	22,248,106
Amortization	210,310	1,303,163	458,930	160,164	246,332	2,378,899
Disposals		(14,001)				(14,001)
Write-downs/transfers					(99,848)	(99,848)
Accumulated amortization, end of year	<u>1,547,868</u>	<u>14,581,072</u>	<u>2,215,697</u>	<u>3,922,652</u>	<u>2,245,867</u>	<u>24,513,156</u>
Net carrying amount, end of year	<u>\$ 1,516,113</u>	<u>\$ 9,118,778</u>	<u>\$ 1,010,964</u>	<u>\$ 8,074,797</u>	<u>\$ 5,214,310</u>	<u>\$ 24,934,962</u>
	Automotive Equipment	Buildings	Equipment	Infrastructure	Social Housing	2020
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	<u>2,460,882</u>	<u>23,767,841</u>	<u>2,955,195</u>	<u>11,482,407</u>	<u>7,460,177</u>	<u>48,126,502</u>
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	<u>1,337,558</u>	<u>13,291,910</u>	<u>1,756,767</u>	<u>3,762,488</u>	<u>2,099,383</u>	<u>22,248,106</u>
Net carrying amount, end of year	<u>\$ 1,123,324</u>	<u>\$ 10,475,931</u>	<u>\$ 1,198,428</u>	<u>\$ 7,719,919</u>	<u>\$ 5,360,794</u>	<u>\$ 25,878,396</u>

Lower Nicola Indian Band
Notes to the Consolidated Financial Statements

March 31, 2021

6. Long-term Debt

Social Housing Fund

All Nations Trust Company loan repayable in monthly installments of \$2,120 including interest at 0.74% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due October 1, 2025

\$ 114,602 \$ 138,928

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

51,594 70,177

All Nations Trust Company loan repayable in monthly installments of \$1,317 including interest at 0.74% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due February 1, 2026

76,308 91,382

All Nations Trust Company loan repayable in monthly installments of \$762 including interest at 0.74% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due November 1, 2025

41,951 50,693

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

75,830 85,933

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

149,516 168,592

All Nations Trust Company loan repayable in monthly installments of \$2,633 including interest at 0.74% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due February 1, 2026

152,483 182,606

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

332,401 358,567

All Nations Trust Company loan repayable in monthly installments of \$2,641 including interest at 1.73% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due August 1, 2024

375,226 400,236

Subtotal

1,369,911 1,547,114

Lower Nicola Indian Band
Notes to the Consolidated Financial Statements

March 31, 2021

6. Long-term Debt (continued)

Balance brought forward	1,369,911	1,547,114
All Nations Trust Company loan repayable in monthly installments of \$1,789 including interest at 1.87% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; term due May 1, 2024	330,467	345,634
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	884,444	916,787
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	56,168	77,787
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	2,640,990	2,887,322
Less current portion	(254,519)	(649,379)
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	\$ 2,386,471	\$ 2,237,943

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

2022	\$ 254,519
2023	1,404,386
2024	257,028
2025	661,127
2026	63,930
	<hr/>
	\$ 2,640,990

Lower Nicola Indian Band
Notes to the Consolidated Financial Statements

March 31, 2021

7. Housing Reserves

	2021	2020
Replacement reserve	\$ 713,234	\$ 649,244
Operating reserve	<u>660,081</u>	<u>614,394</u>
	<u>\$ 1,373,315</u>	<u>\$ 1,263,638</u>

Under the terms of the agreement with CMHC, the Replacement Reserve account is to be credited in the amount of \$64,725 (2020 - \$64,725) 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.

Replacement reserve, end of year	\$ 713,234	\$ 649,244
Funded restricted cash (Note 2)	<u>621,489</u>	<u>614,145</u>
Underfunded balance	<u>\$ 91,745</u>	<u>\$ 35,099</u>
Operating reserve, end of year	\$ 660,081	\$ 614,394
Funded restricted cash (Note 2)	<u>571,919</u>	<u>565,161</u>
Underfunded balance	<u>\$ 88,162</u>	<u>\$ 49,233</u>

8. 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, 2021 was \$214,480 (2020 - \$215,076), and this amount is included in CMHC revenue on the consolidated statement of operations.

9. 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.

Lower Nicola Indian Band
Notes to the Consolidated Financial Statements

March 31, 2021

10. Due from Related Parties

	2021	2020
Due from NAIK Development Corporation Ltd.	\$ 13,388	\$ 10,894
Due from LNIB Aggregates LP (Note 17)	987,844	-
LNIB Development Corporation	<u>587,445</u>	<u>547,279</u>
	<u><u>\$ 1,588,677</u></u>	<u><u>\$ 558,173</u></u>

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

11. Investment in Business Enterprises

	2021	2020
LNIB Holdings LP	\$ 404,145	\$ 405,630
NAIK Development LP	632,602	498,259
LNIB Aggregates LP	<u>4,209,363</u>	<u>3,235,961</u>
Shulus Forest Enterprises LP	1,578,587	443,482
LNIB Ventures LP	1,474,504	300,090
All Nations Trust Company	8,710	8,710
BC First Nations Gaming Revenue Sharing LP	110	110
Nicola Valley Indian Services Association	795,900	795,900
LNIB Development Corporation	<u>291,861</u>	<u>291,824</u>
	<u><u>\$ 9,395,782</u></u>	<u><u>\$ 5,979,966</u></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. The Consolidated Entity has a 100% 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. The Consolidated Entity has a 100% interest in the Partnership.

Lower Nicola Indian Band Notes to the Consolidated Financial Statements

March 31, 2021

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. The Consolidated Entity has a 100% 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. Included in the total equity of \$17,181,535 is \$6,303,255 that is the non-controlling interest portion (2020 - \$4,285,138).

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. The Consolidated Entity has a 100% 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 Consolidated Entity has a 100% interest in the Partnership.

Shulus Electricity Transmission Line LP

This line of business is a Partnership that is established under the laws of Alberta and is engaged in designing, operating and maintaining a transmission line and facilities for interconnection to BC Hydro. The Consolidated Entity has a 100% interest in the Partnership. There was no activity for the current year end.

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 Consolidated Entity has a 100% 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, 2021

11. Investment in Business Enterprises (continued)

	LNIB Holdings LP	NAIK Development LP	LNIB Aggregates LP	Shulus Forest Enterprises LP	LNIB Ventures LP	2021	2020
Financial Position							
Cash	\$ -	\$ -	\$ 2,185,686	\$ 1,253,743	\$ 1,428,489	\$ 4,867,918	\$ 1,976,365
Accounts receivable	- -	- -	1,409,610	792,432	164,211	2,366,253	5,519,172
Inventory	- -	- -	- -	11,419	- -	11,419	12,253
Tangible capital assets	407,000	- -	6,807,802	1,047,131	- -	8,261,933	8,741,019
Other assets	101	646,468	15,737,097	49,368	1,029	16,434,063	11,816,631
Total Assets	407,101	646,468	26,140,195	3,154,093	1,593,729	31,941,586	28,065,440
Accounts payable	- -	- -	1,577,506	144,823	66,863	1,789,192	3,309,551
Capital lease	- -	- -	3,316,494	249,865	- -	3,566,359	4,227,290
Other liabilities	2,855	13,388	4,064,660	1,180,673	52,232	5,313,808	6,843,855
Total Liabilities	2,855	13,388	8,958,660	1,575,361	119,095	10,669,359	14,380,696
Equity	404,246	632,635	17,181,535	1,578,732	1,474,634	21,271,782	13,684,744
Total Liabilities and Equity	407,101	646,023	26,140,195	3,154,093	1,593,729	31,941,141	28,065,440
Results of Operations							
Revenues	- -	137,241	13,025,773	4,403,139	1,292,723	18,858,876	15,291,396
Expenses	1,485	2,898	11,064,527	3,268,034	118,309	14,455,253	12,925,981
Net income (loss)	(1,485)	134,343	1,961,246	1,135,105	1,174,414	4,403,623	2,365,415
Allocation	\$ (1,485)	\$ 134,343	\$ 1,961,246	\$ 1,135,105	\$ 1,174,414	\$ 4,403,623	\$ 2,365,179

Lower Nicola Indian Band
Notes to the Consolidated Financial Statements

March 31, 2021

12. Accumulated Surplus

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

	2021	2020
Equity in Operating Fund	\$ 26,436,460	\$ 22,252,804
Equity in Capital Fund (Note 13)	19,720,658	20,517,608
Equity in Social Housing	3,919,226	3,718,734
Equity in Enterprise Fund	9,103,809	5,688,030
Equity in Ottawa Trust Funds	302,298	301,081
Equity (deficit) in LNIBDC	<u>(266,174)</u>	<u>(295,025)</u>
	\$ 59,216,277	\$ 52,183,232

13. Equity in Capital Fund

	2021	2020
Balance, beginning of year	\$ 20,517,608	\$ 21,420,381
Acquisition of tangible capital assets	1,389,607	1,269,951
Disposal of tangible capital assets	(53,990)	(4,945)
Amortization of tangible capital assets	<u>(2,132,567)</u>	<u>(2,167,779)</u>
Balance, end of year	\$ 19,720,658	\$ 20,517,608

Lower Nicola Indian Band
Notes to the Consolidated Financial Statements

March 31, 2021

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:

	2021
Budget Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	4,626,705
Administration expenses	60,000
Repayments of long-term debt	232,175
Replacement reserve allowance	60,500
Less:	
Net budgeted transfers to/from taxation investment account	(8,000)
Administration revenue	(60,000)
Loan proceeds	<u>(3,460,000)</u>
Budget surplus per consolidated statement of operations	<u>\$ 1,451,380</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, 2021

16. Expenditures by Object

	2021	2020
Administration	\$ 101,146	\$ 77,576
Advertising and promotion	18,111	22,119
Amortization	2,279,051	2,410,066
Bad debts	5,563	29,475
Bank charges	16,088	12,251
Contract services	555,632	388,471
Cost recoveries	(683,977)	(435,032)
COVID community support	708,688	-
Direct social assistance	1,453,950	1,163,917
Honoraria	262,865	312,923
Insurance	333,285	244,091
Interest on long-term debt	49,549	54,174
Local education agreement	1,015,640	982,939
Materials, supplies and services	1,135,375	1,237,375
Office	307,850	398,313
Professional fees	1,727,955	1,745,826
Rental of facilities and equipment	81,695	117,393
Repairs and maintenance	1,348,317	1,252,864
Salaries and benefits	7,308,764	5,719,631
Student allowances	542,371	427,590
Telephone	112,099	146,352
Travel and meetings	123,823	269,096
Tuition	277,871	269,717
Utilities	340,584	303,139
Vehicle	89,984	72,902
Workshops, seminars and training	289,983	298,075
	\$ 19,802,262	\$ 17,521,243

Lower Nicola Indian Band Notes to the Consolidated Financial Statements

March 31, 2021

17. Cash Distribution

In April 2021, the Lower Nicola Indian Band received a cash distribution in the amount of \$987,844 from LNIB Aggregates LP. The distribution relates to profits from Ogilvie Mountain Holdings LP and Lower Nicola Site Services LP that flowed into LNIB Aggregates LP. This cash distribution related to the March 31, 2021 fiscal year, and is therefore included on the consolidated statement of financial position in the due from related parties balance.

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 kʷúkʷpi? 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, 2021

18. Segmented Information (continued)

Public Works

The Public 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, 2021

18. Segmented Information (continued)

	Administration	Social Development	Education	Community Health	Housing	Public Works	Land, Estates and Memberships	Economic Development	LNIB Development Corporation	2021 Total
Revenue										
ISC	\$ 704,415	\$ 2,250,167	\$ 3,266,807	\$ -	\$ 16,000	\$ 1,421,895	\$ 307,148	\$ 687,896	\$ -	\$ 8,654,328
CMHC	-	-	-	-	\$ 214,480	-	-	-	-	214,480
FNESC	-	-	473,226	-	-	-	-	-	-	473,226
FNHA	-	822	156,549	1,276,505	-	-	-	-	-	1,433,876
Property taxes	1,543,699	-	-	-	-	-	-	-	-	1,543,699
Province of B.C.	-	-	505,672	-	-	-	-	197,662	-	703,334
Miscellaneous	4,630,508	-	515,139	-	744,442	732,981	445,795	6,130,603	612,896	13,812,364
	6,878,622	2,250,989	4,917,393	1,276,505	974,922	2,154,876	752,943	7,016,161	612,896	26,835,307
Expenditures										
Administrative	878,084	11,458	83,456	14,523	156,871	295,382	167,848	635,323	8,752	2,251,697
Amortization	2,132,567	-	-	-	146,484	-	-	-	-	2,279,051
Direct assistance	-	1,453,950	-	-	-	-	-	-	-	1,453,950
Materials, supplies, utilities	235,863	377,033	640,481	57,232	19,056	1,060,025	43,317	40,463	131,128	2,604,598
Operations and maintenance	339,413	32,239	203,829	157,607	269,989	(270,801)	465,853	82,300	21,237	1,301,666
Student costs	-	-	1,835,882	-	-	-	-	-	-	1,835,882
Transportation costs	60,964	534	40,605	50,867	9,412	70,359	6,212	252,309	12,527	503,789
Wages and benefits	1,401,000	287,080	1,761,435	719,956	236,360	1,185,189	484,870	1,085,680	410,059	7,571,629
	5,047,891	2,162,294	4,565,688	1,000,185	838,172	2,340,154	1,168,100	2,096,075	583,703	19,802,262
Excess (deficiency) of revenue for the year										
	\$ 1,830,731	\$ 88,695	\$ 351,705	\$ 276,320	\$ 136,750	\$ (185,278)	\$ (415,157)	\$ 4,920,086	\$ 29,193	\$ 7,033,045

Lower Nicola Indian Band
Notes to the Consolidated Financial Statements

March 31, 2021

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	\$ -	\$ 215,076	\$ 1,182,420	\$ 286,386	\$ 127,597	\$ -	\$ 6,732,986
CMHC	-	-	-	-	-	-	-	-	-	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	2,842,613	-	61,154	-	764,633	778,154	270,128	6,947,238	-	11,663,920
	5,010,363	1,385,118	4,530,085	1,178,119	979,709	1,960,574	556,514	7,074,835	-	22,675,317
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	241,855	149,559	884,336	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	64,281	18,173	136,283	42,017	640,077
Wages and benefits	1,303,665	251,439	1,616,765	627,284	215,600	940,265	294,575	769,377	13,585	6,032,555
	4,753,756	1,636,269	4,625,789	1,021,699	935,301	1,427,726	681,056	1,991,546	448,101	17,521,243
Excess (deficiency) of revenue for the year	\$ 256,607	\$ (251,151)	\$ (95,704)	\$ 156,420	\$ 44,408	\$ 532,848	\$ (124,542)	\$ 5,083,289	\$ (448,101)	\$ 5,154,074