

KANAKA BAR INDIAN BAND

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

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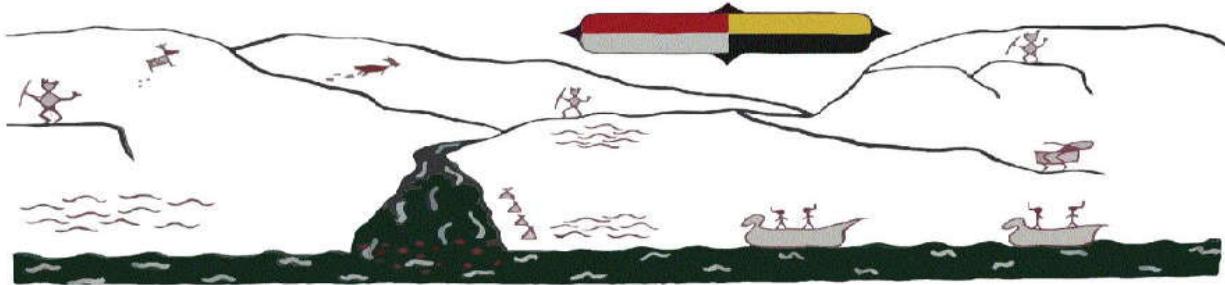
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

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Kanaka Bar Indian Band



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING March 31, 2020

The accompanying consolidated financial statements of Kanaka Bar Indian Band and all the information in this annual report for the year ended March 31, 2020 are the responsibility of management and have been approved by the Chief and Council.

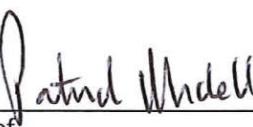
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgement. When alternative accounting methods exist, management has chosen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

The Kanaka Bar Indian Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Nation's assets are appropriately accounted for and adequately safeguarded.

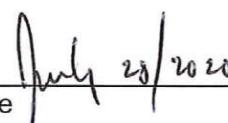
The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council review the Nation's financial statements and recommend their approval. The Chief and Council meet 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, the consolidated financial statements and the external auditor's report. The Chief and Council take this information into consideration when approving the consolidated financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

The consolidated financial statements have been audited by Reid Hurst Nagy Inc. in accordance with Canadian generally accepted auditing standards on behalf of their members. Reid Hurst Nagy Inc. has full access to the books and records of the Nation. Reid Hurst Nagy Inc. have full and free access to the Council for information purposes.



Patrick Mitchell
Chief



Pauline Mitchell
Date July 28/2020
Date July 28, 2020

Independent Auditors' Report

To the Members of
Kanaka Bar Indian Band

Opinion

We have audited the consolidated financial statements of Kanaka Bar Indian Band, which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2020, and the results of its consolidated operations, its changes in its consolidated net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAS, 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 First Nation'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 First Nation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Nation 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.



REID HURST NAGY INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

RICHMOND, B.C.
JULY 28, 2020

KANAKA BAR INDIAN BAND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31	2020	2019
FINANCIAL ASSETS		
Cash	\$ 983,484	\$ 442,721
Restricted cash (Note 2)	77,165	105,029
Accounts receivable (Note 3)	672,410	1,044,131
Rents receivable	2,025	3,475
Due from related parties (Note 8)	276,519	11,486
Long-term investments (Note 5)	1,780,784	1,448,101
	<hr/> 3,792,387	<hr/> 3,054,943
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	286,130	344,184
Deferred revenue (Note 9)	551,360	306,053
CMHC Mortgage (Note 10)	32,578	43,559
Replacement Reserve (Note 11)	73,378	68,419
	<hr/> 943,446	<hr/> 762,215
NET FINANCIAL ASSETS	2,848,941	2,292,728
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	4,874,821	5,150,331
Prepaid expenses	2,716	5,695
	<hr/> 4,877,537	<hr/> 5,156,026
ACCUMULATED SURPLUS	\$ 7,726,478	\$ 7,448,754

APPROVED ON BEHALF OF THE KANAKA BAR INDIAN BAND

Patricia Mitchell, Chief

Pauline Smith, Councillor

KANAKA BAR INDIAN BAND

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended March 31	2020 Budget	2020 Actual	2019
ANNUAL SURPLUS (DEFICIT)	\$ 589,663	\$ 277,724	\$ (314,784)
Acquisition of tangible capital assets	-	(162,451)	(27,345)
Amortization of tangible capital assets	-	381,226	514,777
Disposition of tangible capital assets	-	56,735	-
	-	275,510	487,432
Acquisition of prepaid asset	2,979	(2,716)	(5,695)
Use of prepaid asset	-	5,695	17,457
	2,979	2,979	11,762
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	592,642	556,213	184,410
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	-	2,292,728	2,108,318
NET FINANCIAL ASSETS AT END OF YEAR	\$ -	\$ 2,848,941	\$ 2,292,728

KANAKA BAR INDIAN BAND

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31	2020 Budget	2020 Actual	2019 Actual
REVENUE			
Indigenous Services Canada	\$ 519,854	\$ 927,909	\$ 663,970
Province of British Columbia	530,843	643,560	201,617
Taxation	333,781	340,336	333,401
First Nations Health Authority	303,404	322,851	326,116
Government of Canada	-	136,547	-
Teck HVC Partnership	622,000	148,733	500,000
Share of income (loss) from First Nation controlled entities	-	265,070	60,367
First Nations Emergency Services Society	90,573	90,573	71,535
Union of B.C Municipalities	39,165	39,165	96,493
Management fee	60,974	42,000	64,831
Interest income	3,020	14,755	34,594
BC Hydro	14,184	14,184	14,184
Fraser Basin Council	-	10,992	25,000
Canadian Environmental Assessment Agency	-	-	34,972
New Relationship Trust	-	-	59,500
Rental	2,400	14,250	13,200
Donation	13,767	6,900	13,162
First Nations Education Steering Committee	1,250	526	7,892
Other revenue (Note 17)	16,494	33,232	3,749
	2,551,709	3,051,583	2,524,583
EXPENSES			
Membership	10,786	28,837	21,972
Lands and Governance	474,267	806,257	755,659
Social Development	170,683	130,691	132,307
Education and Training	125,797	64,441	87,065
Health and Culture	561,590	319,092	216,810
Economic Development	217,600	202,599	223,169
Band Administration	302,775	324,073	311,733
Infrastructure and Maintenance	98,548	255,255	410,869
Capital Fund	-	381,226	390,274
Social Housing Fund	-	16,080	13,456
	1,962,046	2,528,551	2,563,314
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER	589,663	523,032	(38,731)
OTHER			
Transfer to deferred revenue	-	(280,541)	(306,053)
Deferred revenue recognized	-	35,233	30,000
	-	(245,308)	(276,053)
ANNUAL SURPLUS (DEFICIT)	589,663	277,724	(314,784)
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	-	7,448,754	7,763,538
ACCUMULATED SURPLUS AT END OF YEAR	\$ 589,663	\$ 7,726,478	\$ 7,448,754

KANAKA BAR INDIAN BAND

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2020	2020	2019
OPERATING ACTIVITIES		
ANNUAL SURPLUS (DEFICIT)	\$ 277,724	\$ (314,784)
Items not affecting cash		
Amortization	381,226	514,777
Share of (income) loss of First Nation controlled entities	(265,070)	(60,367)
	393,880	139,626
Change in non-cash operating working capital	292,561	(1,023,239)
	686,441	(883,613)
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(162,451)	(27,345)
FINANCING ACTIVITIES		
Repayment of CMHC mortgage	(10,981)	(10,725)
INVESTING ACTIVITIES		
Contribution to BCFN Gaming Revenue Sharing Limited Partnership	(110)	-
(DECREASE) IN CASH AND CASH EQUIVALENTS	512,899	(921,683)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	547,750	1,469,433
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,060,649	\$ 547,750
CASH AND CASH EQUIVALENTS ARE REPRESENTED BY:		
Cash	\$ 983,484	\$ 442,721
Restricted cash	77,165	105,029
	\$ 1,060,649	\$ 547,750

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of CPA Canada.

(a) Reporting Entity

The Kanaka Bar Indian Band reporting entity includes the Kanaka Bar Indian Band government and all related entities that are controlled by the First Nation.

(b) Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of a government business, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Kanaka Bar Indian Nation's investment in the government business and the business' net income and other changes in equity are recognized. No adjustment is made for accounting policies of the enterprises that are different from those of Kanaka Bar Indian Nation.

Segments consolidated in Kanaka Bar Indian Band's financial statements include:

1. Kanaka Bar Indian Band Operating Fund
2. Kanaka Bar Indian Band Capital Fund
3. Kanaka Bar Indian Band Social Housing Fund
4. Kanaka Bar Indian Band Trust Fund
5. Kanaka Bar Indian Band Enterprise Fund

Government business enterprises and government business partnerships accounted for on a modified equity basis include:

6. Kanaka Bar Land and Resources Inc.
7. Kanaka Bar Land and Resources Limited Partnership
8. KBES Services LLP

(c) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Taxation revenues are recognized when authorized by Council, and the taxable event has occurred.

(d) Cash

Cash and cash equivalents include cash on hand and short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the tangible capital assets, including installing the asset at the location and in the condition necessary for its intended use. The cost of a tangible capital asset includes the purchase price of the asset and other acquisition costs. The cost of a constructed asset include direct construction or development costs and overhead costs directly attributable to the construction or development activity.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the lease, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contract and First Nation's incremental cost of borrowing.

Amortization is provided from the point of time that the asset is put into use, for on a straight-line basis over their estimated useful lives as follows:

Automobile	5 years Straight line
Buildings	25 years Straight line
Computer equipment	5 years Straight line
Domestic water systems	15 years Straight line
Equipment and furniture	5 years Straight line
Software	5 years Straight line

The amortization method and estimate of the useful life of the remaining unamortized portion of tangible capital assets are reviewed on a regular basis and revised when the appropriateness of a change can be clearly demonstrated. Assets under construction is not amortized until the asset is available to be put into services.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation'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 expense in the statement of operations.

Contributed tangible capital assets are recorded into revenue at their fair value on the date of contribution, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

The difference between the net proceeds on disposal of a tangible capital asset and the net book value of the asset is accounted for as a revenue or expense in the statement of operations.

(f) Segments

The First Nation conducts its business through reportable segments. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives, aid in resource allocation decisions, and to assess operational performance. For each reported segment, revenues and expenses represent both amounts that are directly attributed to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

(g) Budget

The budget figures presented in the consolidated statement of operations present the budget of the First Nation which was approved by the Chief and Council of Kanaka Bar Indian Band.

(h) Replacement Reserve

The replacement reserve is funded by an annual charge against earnings as opposed to an appropriation of surplus.

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or to finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets and prepaid expenses.

(j) Measurement Uncertainty

In preparing the consolidated financial statements for the First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include the collectability of accounts receivable, useful life of tangible capital assets, accounts payable and accrued liabilities. Actual results could differ from these estimates.

(k) Surplus Recoveries and Deficit Funding

Under the terms of funding arrangements, remaining surpluses of certain programs may be recovered by the funding agency, and remaining deficits may be funded by the funding agency.

(l) Liability for contaminated sites

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) First Nation is directly responsible or accepts responsibility;
- (iv) it is expected that future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made;

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

As at March 31, 2019 and March 31, 2020, no liability for contaminated sites has been recorded.

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

2. RESTRICTED CASH

Replacement Reserve Fund:

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage & Housing Corporation, the Housing Program must set aside funds annually for the non-annual expenditures of the Program for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account with any interest earned to be credited as revenue to the Replacement Reserve Fund.

Ottawa Trust Fund:

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

	2020	2019
Replacement Reserve Fund - restricted cash	\$ 76,177	\$ 76,740
Ottawa Trust Fund - restricted cash	988	28,289
	\$ 77,165	\$ 105,029

3. ACCOUNTS RECEIVABLE

	2020	2019
Indigenous Services Canada	\$ 136,193	\$ -
Canadian Environmental Assessment Agency	5,000	21,272
Canada Mortgage and Housing Corporation	347	1,756
First Nations' Emergency Services Society	90,573	35,768
GST recoverable	10,718	10,718
Kanaka Bar Employment Services Ltd.	11,067	7,460
Kanaka Bar Land and Holdings Ltd.	8,562	8,298
Kwoiek Creek Resources LP	310,436	303,348
New Relationship Trust	59,900	59,900
Others	21,953	46,038
Teck HVC Partnership	-	500,000
Union of B.C. Municipalities	16,708	48,873
	\$ 672,410	\$ 1,044,131

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2020

4. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization		
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Amortization of year	Balance, end of year
Land	\$ 163,516	\$ -	\$ -	\$ 163,516	\$ -	\$ -
Buildings	3,280,573	86,217	(240,102)	3,366,790	315,984	131,223
Automotive equipment	439,763	-	(199,661)	377,275	22,083	(200,280)
Computer equipment	33,010	2,290	-	35,300	22,113	6,511
Equipment	253,097	48,664	(59,661)	242,100	157,956	37,688
Social Housing	357,832	-	-	357,832	304,265	14,313
Roads	398,041	-	-	398,041	144,331	3,980
Domestic Water System	2,472,539	25,280	-	2,497,819	926,116	165,428
Software	17,500	-	-	17,500	-	-
Ice Rink	7,518	-	-	7,518	-	-
	\$ 7,423,389	\$ 162,451	\$ (299,763)	\$ 7,286,077	\$ 2,273,058	\$ 381,226
						\$ (243,028)
						\$ 2,411,256
						\$ 4,874,821
	Cost			Accumulated amortization		
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Amortization of year	Balance, end of year
Land	\$ 163,516	\$ -	\$ -	\$ 163,516	\$ -	\$ -
Buildings	3,280,573	-	\$ (10,000)	3,280,573	181,586	134,398
Automotive equipment	449,763	-	(24,465)	439,763	347,131	40,144
Computer equipment	54,443	3,032	-	33,010	40,775	5,803
Equipment	253,097	-	-	253,097	122,095	35,861
Social Housing	357,832	-	-	357,832	175,450	128,815
Roads	398,041	-	-	398,041	140,350	3,981
Domestic Water System	2,448,231	24,308	(5,000)	2,472,539	762,091	164,025
Software	22,500	-	-	20,750	1,750	(5,000)
Ice Rink	7,518	-	-	7,518	-	-
	\$ 7,435,514	\$ 27,340	\$ (39,465)	\$ 7,423,389	\$ 1,797,746	\$ 514,777
						\$ (39,465)
						\$ 2,273,058
						\$ 5,150,331

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

5. LONG-TERM INVESTMENTS

	2020	2019
INVESTMENT IN NON-CONTROLLED ENTITIES		
All Nations Trust Company - shares at cost	\$ 11,220	\$ 11,220
Investment in BC First Nations Gaming Revenue Limited Partnership	110	-
	11,330	11,220
KANAKA BAR LAND AND RESOURCES LIMITED PARTNERSHIP (99%)		
Units, at cost	100	100
Accumulated equity in earnings	1,703,576	1,436,694
	1,703,676	1,436,794
KANAKA BAR LAND AND RESOURCES INC. (100%)		
Units, at cost	1	1
Accumulated equity in earnings	115	86
	116	87
KBES SERVICES LLP (99%)		
Units, at cost	67,503	-
Accumulated partner's deficit	(1,841)	-
	65,662	-
	\$ 1,780,784	\$ 1,448,101

6. INVESTMENTS IN FIRST NATION CONTROLLED ENTITIES

Commercial enterprises are those organizations that meet the definition of government business enterprises as described by the Public Sector Accounting Board of the CPA Canada. Government business enterprises have the power to contract in their own name, have the financial and operating authority to carry on a business, sell goods and services to customers outside the First Nation government as their principal activity, and that can, in the normal course of their operations, maintain operations and meet liabilities from revenues received from outside the First Nation government.

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2020

6. INVESTMENTS IN FIRST NATION CONTROLLED ENTITIES, continued

	Kanaka Bar Land and Resources Limited Partnership	Kanaka Bar Land and Resources Inc.	KBES Services LLP	2020 Total	2019 Total
Cash	\$ 37,623	\$ -	\$ -	\$ 37,623	\$ 67,519
Accounts receivable	\$ 13,495	\$ -	\$ -	\$ 13,495	\$ -
GST/HST receivable	141	-	-	141	111
Due from related parties	963	-	1	964	303
Due from shareholder	-	1	-	1	1
Capital assets	-	-	65,661	65,661	-
Investments in subsidiaries	<u>1,660,473</u>	<u>117</u>	<u>-</u>	<u>1,660,590</u>	<u>1,403,714</u>
Total assets	\$ 1,712,695	\$ 118	\$ 65,662	\$ 1,778,475	\$ 1,471,648

Accounts payable and accrued liabilities	\$ 8,661	\$ -	\$ -	\$ 8,661	\$ 34,434
Due to related parties	250	2	-	252	252
Total liabilities	8,911	2	-	8,913	34,686
Share capital	100	1	67,503	67,604	1
Equity	<u>1,703,684</u>	<u>115</u>	<u>(1,841)</u>	<u>1,701,958</u>	<u>1,436,961</u>
Total equity	1,703,784	116	65,662	1,769,562	1,436,962
Total liabilities and equity	\$ 1,712,695	\$ 118	\$ 65,662	\$ 1,778,475	\$ 1,471,648

	Kanaka Bar Land and Resources Limited Partnership	Kanaka Bar Land and Resources Inc.	KBES Services LLP	2020 Total	2019 Total
Revenue	\$ 302,335	\$ -	\$ -	\$ 302,335	\$ 200,000
Net income (loss) from subsidiaries	256,848	28	-	256,876	275,079
Interest income	784	-	-	784	2,671
	<u>559,967</u>	<u>28</u>	<u>-</u>	<u>559,995</u>	<u>477,750</u>
Expenses	\$ 293,058	\$ -	\$ 1,841	\$ 294,899	\$ 417,377

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2020

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Accounts payable - general	\$ 238,976	\$ 234,436
Kanaka Bar Employment Services Ltd.	25,386	70,474
Kanaka Land and Holdings Ltd.	886	25,413
Wages and benefits payable	20,882	13,861
	<hr/>	<hr/>
	\$ 286,130	\$ 344,184

8. DUE FROM (TO) RELATED PARTIES

	2020	2019
Kanaka Bar Employment Services Ltd.	\$ 25,000	\$ 3,562
Kanaka Bar Land and Resources Limited Partnership	(962)	(302)
Kanaka Land and Holdings Ltd.	214	8,126
Siwash Watershed Resources Inc.	100	100
The Crossing Place Housing Society	252,167	-
	<hr/>	<hr/>
	\$ 276,519	\$ 11,486

The balances due from related parties are unsecured, non-interest bearing with no specific terms of repayment and are due on demand

9. DEFERRED REVENUE

	March 31, 2019	Funding received, 2020	Revenue recognized, 2020	March 31, 2020
Federal Government				
Indigenous Services Canada	\$ 95,240	\$ 204,013	\$ -	\$ 299,253
First Nation Health Authority	193,163	67,171	(35,234)	225,100
	<hr/>	<hr/>	<hr/>	<hr/>
	288,403	271,184	(35,234)	524,353
Provincial Government				
Province of British Columbia	17,650	9,357	-	27,007
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 306,053	\$ 280,541	\$ (35,234)	\$ 551,360

10. CMHC MORTGAGE

	2020	2019
<hr/>		
All Nations Trust Company loan repayable in a blended monthly payments of of \$991.68 including interest at 2.39% per annum; secured by a Ministerial Guarantee from Indigenous Services Canada; maturing January 1, 2023.	\$ 32,578	\$ 43,559

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

10. CMHC MORTGAGE, continued

The estimated principal payments for the next five years are as follows:

2021	\$ 11,244
2022	11,516
2023	9,818
	<hr/>
	\$ 32,578
	<hr/>

11. REPLACEMENT RESERVE

The Replacement Reserve is established in accordance with the Operating Agreements with CMHC for on-reserve housing. Funds are required to be set aside annually and held for future replacements of capital items related to the homes.

	2020	2019
Balance, beginning of year	\$ 68,419	\$ 71,362
CMHC contribution	4,095	4,095
Interest	1,511	1,356
Expenditures	(647)	(7,833)
CMHC adjustment	-	(561)
<hr/>		
Balance, end of year	<hr/> \$ 73,378	<hr/> \$ 68,419

12. RELATED PARTY TRANSACTIONS

During the year, the First Nation entered into the following transactions with related parties:

- (a) Received \$42,000 in management fees from Kanaka Bar Land and Resources Limited Partnership;
- (b) Included in accounts receivable is \$20,221 due from band members;
- (c) Paid the Kanaka Bar Employment Services Ltd. \$464,346 in contracted services;
- (d) Paid the Kanaka Land and Holdings Limited Partnership \$14,400 in office rent;
- (e) Paid the Kanaka Bar Land and Resources Limited Partnership \$120,000 in administration fee.

13. ECONOMIC DEPENDENCE

Kanaka Bar Indian Band receives a significant portion of its revenue (2020 - 30% and 2019 - 25%) pursuant to an agreement referred to as "The Comprehensive Funding Arrangement". This agreement has been entered into by the Kanaka Bar Indian Band and Indigenous Services Canada. It is expected that the agreement will be renewed on an annual basis.

The Band also receives major funding pursuant to an arrangement with the First Nations Health Authority and under which certain surpluses and deficits may be offset, but with the net balance repayable or refundable as the case may be.

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

14. PRIOR PERIOD RESTATEMENT

During the year, Kanaka Bar Indian Band determined that adjustments are required to correct the tangible capital assets, accounts payable, deferred revenue, replacement reserve, revenue and expenses related to programs administrated by the First Nation in its comparative information.

- i) In previous years, the Housing Program has adopted a policy of amortization in compliance with the CMHC Operating Agreement, the Housing Program had recorded amortization at a rate equivalent to the annual principal reduction in the related CMHC mortgage. The net book value of the tangible capital assets under Housing Program has been restated to comply with section PS3150 of Canadian public sector accounting standards ("PSAS").
- ii) In previous years, the Housing Program reported the replacement reserve fund as accumulated surplus. The replacement reserve has been restated to be presented as a liability in accordance with PS3100 of Canada public sector accounting standards ("PSAS").
- iii) In previous years, government transfer stipulations give rise to liabilities were recognized as revenue in the period the transfer were authorized. The deferred revenue and revenue have been restated to present the transfer stipulations give rise to an obligation that meet the definition of a liability, in accordance with section PS3410 of Canada public sector accounting standards ("PSAS").
- iv) As at March 31, 2019, Kanaka Bar Indian Band recognized unspent funding from Province of British Columbia as a funding repayment, the unspent fund has been approved by the Province of British Columbia to be carried forward to be used for the 2020/2021 fiscal year. The accounts payable and revenue have been restated to reflect the amount carried forward to the next fiscal year.

The consolidated financial statements as at March 31, 2019 have been restated as follows:

For the year ended March 31	Adjustments		
	As previously stated	Increase (Decrease)	As restated
Consolidated Statement of Financial Position			
Liabilities			
Accounts payable and accrued liabilities iv)	\$ (374,184)	\$ 30,000	\$ (344,184)
Deferred revenue ii)	-	(306,053)	(306,053)
Replacement reserve iii)	-	(68,419)	(68,419)
Non-financial assets			
Tangible capital assets i)	5,268,421	(118,090)	5,150,331
Accumulated surplus iii)	7,911,316	(462,562)	7,448,754
Consolidated Statement of Operations			
Revenue			
Transfer to deferred revenue ii)	-	306,043	306,043
Deferred revenue recognized ii)	-	(30,000)	(30,000)
Province of British Columbia - MCFD iv)	30,000	(30,000)	-
Interest income - RRF iii)	(1,356)	1,356	-
Expenses			
Amortization i)	375,960	14,313	390,273
Loan payment i)	10,725	(10,725)	-
Repair and maintenance - RRF iii)	8,394	(8,394)	-
Replacement reserve - RRF iii)	-	4,095	4,095
Annual surplus (deficit)	\$ (68,096)	\$ (246,688)	\$ (314,784)

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

15. CONTINGENT LIABILITIES

The First Nation is contingently liable (with Kwoiek Creek Resources Ltd.) as the Covenantor of a term loan for Kwoiek Creek Resources Limited Partnership. The First Nation will be required to perform under the guarantee in the event that Kwoiek Creek Resources Limited Partnership is not able to make scheduled payments of interest and principal as they become due. The First Nation's maximum potential liability under the guarantee is \$3,100,000.

On April 25, 2015, Kanaka Bar Indian Band was named as a defendant in the Supreme Court of B.C. and filed a response and counterclaim on June 22, 2017. The merits of the claims or the potential financial outcomes is not determinable at the year-end date. No provision has been recorded in the 2019-2020 financial statements.

16. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the organization's environment and in the global markets due to the possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the First Nation's operations.

The extent of the impact of the pandemic and related impact on the First Nation's operations cannot be reliably estimated at this time.

In accordance with the provincial safety measures, the First Nation has developed a COVID-19 safety plan and the First Nation plans to continue operating under the new protocols beginning on March 11, 2020.

17. OTHER REVENUE

	2020	2019
Canada Mortgage and Housing Corporation	\$ 10,160	\$ -
Dividend income	1,721	1,330
Fee recoverable	1,500	-
Product sales	2,282	1,577
Travel reimbursements	7,569	842
University of Victoria	<u>10,000</u>	-
	<hr/>	<hr/>
	\$ 33,232	\$ 3,749

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2020

18. EXPENSES BY OBJECT

For the year ended March 31	2020 Budget	2020 Actual	2019 Actual
Administration fees	\$ 28,974	\$ 120,196	\$ 14,739
Advertising and marketing	-	454	277
Amortization	-	381,226	390,274
Audit fees	33,948	52,003	43,130
Bank charges	2,006	1,335	2,414
Basic needs	54,124	45,150	44,868
Community support	124,725	50,294	55,056
Computer	-	1,176	-
Consulting fees	124,500	407,800	299,075
Contracted services	439,076	361,876	743,635
Contribution to social housing	-	-	7,455
Donations	400	-	300
Education living allowance	28,445	17,840	36,684
Equipment - small purchases	31,767	3,133	51,083
Honoraria	123,666	132,049	123,750
Insurance	4,750	11,301	13,837
Legal fees	89,277	277,453	40,409
Licenses, fees and dues	11,286	8,898	9,393
Materials and supplies	17,115	12,144	8,277
Mortgage interest payments	-	897	1,154
Office and miscellaneous	39,018	32,840	29,464
Other expense	2,066	7,158	28,858
Professional fees	-	-	75,792
Program costs	2,210	6,199	3,198
Repairs and maintenance	2,992	7,749	45,417
Replacement reserve	-	4,095	4,095
Shelter	44,395	40,252	39,294
Special Needs	5,317	711	2,426
Supplies	11,395	2,735	5,447
Training	21,600	26,140	9,200
Travel	31,590	29,986	27,363
Tuition	59,845	16,876	12,340
Utilities	31,338	42,510	55,995
Vehicle	500	1,364	459
Wages and benefits	573,668	412,784	334,889
Workshops	22,053	11,927	3,267
	\$ 1,962,046	\$ 2,528,551	\$ 2,563,314

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2020

19. SEGMENTED INFORMATION

The Kankaka Indian Band is a government institution that provides a range of programs and services to its members, including band programs, capital projects, social development, health, education and economic development. For management reporting purposes the First Nation's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

First Nation services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, as follows:

	2020 Budget	2020 Actual	2019 Actual	2020 Budget	2020 Actual	2019 Actual	2020 Budget	2020 Actual	2019 Actual
Revenues									
Indigenous Services Canada	\$ -	\$ -	\$ 17,387	\$ 5,000	\$ 14,184	\$ 400,104	\$ 93,500	\$ 154,216	\$ 152,630
BC Hydro									\$ 148,105
Teck HVC Partnership	-	-	-	622,000	148,733	500,000	-	-	-
Other revenue	10,285	6,764	88,048	873,020	1,097,598	1,103,156	-	-	-
Total revenue	10,285	24,151	93,048	1,509,204	1,660,619	1,710,840	154,216	182,630	148,105
Expenses									
Administration fees	-	-	(36)	10,000	120,000	14,565	-	-	5
Basic needs	-	-	-	-	-	-	54,124	45,150	44,868
Shelter	-	-	-	-	-	-	44,395	40,252	39,294
Utilities	-	-	-	3,140	5,339	7,581	-	-	-
Contracted services	13,255	15,802	72,125	(26,274)	238,605	-	-	-	-
Honoraria	500	-	114,216	132,049	123,750	-	-	-	-
Professional fees	-	-	-	12,150	12,150	-	-	-	-
Wages and benefits	10,286	15,582	6,206	215,163	517,316	349,008	10,000	30,455	27,378
Other expenses	-	-	-	-	-	-	41,709	10,946	17,948
Total expenses	10,786	28,837	21,972	474,267	806,257	755,659	170,683	130,691	132,307
Other	(501)	(4,686)	71,076	1,034,937	854,362	955,181	(16,467)	51,939	15,798
Annual surplus (deficit)	\$ (501)	\$ (4,686)	\$ 71,076	\$ 1,034,937	\$ 727,951	\$ 955,181	\$ (16,467)	(33,800)	(11,729)
									\$ 4,069

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2020

19. SEGMENTED INFORMATION, continued

	Education and Training		Health and Culture		Economic Development	
	2020 Budget	2020 Actual	2019 Actual	2020 Budget	2019 Actual	2020 Budget
Revenues						
Indigenous Services Canada	\$ 96,885	\$ 96,713	\$ 130,087	\$ 303,404	\$ 317,144	\$ 326,116
First Nations Health Authority	-	-	-	18,974	-	-
Administration fee	1,250	18,303	7,892	6,408	25,925	4,916
Other revenue						
Total revenue	98,135	115,016	137,979	328,786	343,069	331,032
Expenses						
Administration fees	-	-	-	18,974	-	-
Utilities	1,693	484	1,270	2,425	10,064	9,745
Contracted services	-	-	-	54,885	45,889	63,695
Honoraria	-	-	8,950	-	-	187,600
Professional fees	27,192	26,006	31,288	292,168	162,985	69,334
Wages and benefits	96,912	37,951	54,507	184,188	95,154	74,036
Other expenses						
Total expenses	125,797	64,441	87,065	561,590	319,092	216,810
Other	(27,662)	50,575 (53,159)	50,914 (71,161)	(232,804)	23,977 (31,938)	114,222 (193,163)
Annual surplus (deficit)	\$ (27,662)	\$ (2,584)	\$ (20,247)	\$ (232,804)	\$ (7,961)	\$ (47,862)
					\$ (78,941)	\$ (57,861)
						\$ (43,082)

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2020

19. SEGMENTED INFORMATION, continued

	Band Administration			Infrastructure and Maintenance			Capital Fund	
	2020 Budget	2020 Actual	2019 Actual	2020 Budget	2020 Actual	2019 Actual	2020 Budget	2019 Actual
Revenues								
Indigenous Services Canada	\$ 140,205	\$ 135,220	\$ 140,205	\$ 98,548	\$ 110,855	\$ 104,692	\$ -	\$ -
Administration fee	42,000	42,000	57,376	-	-	-	-	-
Other revenue	592	498	690	-	10,992	25,000	-	-
Total revenue	182,797	177,718	198,271	98,548	121,847	129,692	-	-
Expenses								
Utilities	10,723	6,638	10,528	15,050	17,864	25,536	-	-
Contracted services	44,784	72,065	44,037	77,989	97,415	298,557	-	-
Professional fees	33,948	31,628	27,905	-	-	-	-	-
Wages and benefits	164,230	150,738	194,078	-	-	-	-	-
Other expenses	49,090	63,004	35,185	5,509	139,976	86,776	381,226	390,274
Total expenses	302,775	324,073	311,733	98,548	255,255	410,869	-	381,226
Other	(119,978)	(146,355)	(113,462)	-	(133,408)	(281,177)	-	(381,226)
Annual surplus (deficit)	\$ (119,978)	\$ (146,355)	\$ (113,462)	\$ (133,408)	\$ (281,177)	\$ (381,226)	\$ (381,226)	\$ (390,274)

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2020

19. SEGMENTED INFORMATION, continued

	Social Housing Fund			Trust Fund			Enterprise Fund		
	2020 Budget	2020 Actual	2019 Actual	2020 Budget	2020 Actual	2019 Actual	2020 Budget	2020 Actual	2019 Actual
Revenues									
Administration fee	\$ -	\$ -	\$ 15,734	\$ 7,455	\$ -	\$ -	\$ 991	\$ 8,751	\$ -
Other revenue				18,956					
Total revenue	-	15,734	26,411			991	8,751		265,070
Expenses									
Administration fees			196	215					
Utilities			2,605	2,605					
Professional fees			3,225	3,075					
Other expenses			10,054	7,561					
Total expenses	-	16,080	13,456						
Other			(346)	12,955			991	8,751	
Annual surplus (deficit)	\$ -	\$ -	\$ (346)	\$ 12,955	\$ -	\$ 991	\$ 8,751	\$ -	\$ 265,070
									(439,633)

KANAKA BAR INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2020

19. SEGMENTED INFORMATION, continued

	Consolidated totals		
	2020 Budget	2020 Actual	2019 Actual
Revenues			
Indigenous Services Canada	\$ 519,854	\$ 927,909	\$ 633,648
BC Hydro	14,184	14,184	14,184
Teck HVC Partnership	622,000	148,733	500,000
First Nations Health Authority	303,404	317,144	326,116
Administration fee	60,974	42,000	64,831
Other revenue	1,031,293	1,601,673	985,804
Total revenue	2,551,709	3,051,583	2,524,583
Expenses			
Administration fees	28,974	120,196	14,749
Basic needs	54,124	45,150	44,868
Shelter	44,395	40,252	39,294
Utilities	31,338	42,510	55,995
Contracted services	439,076	361,876	743,635
Honoraria	123,666	132,049	123,750
Professional fees	33,948	52,003	43,130
Wages and benefits	573,668	412,784	334,892
Other expenses	632,857	1,321,731	1,163,001
Total expenses	1,962,046	2,528,551	2,563,314
Other	589,663	523,032 (245,308)	(38,731) (276,053)
Annual surplus (deficit)	\$ 589,663	\$ 277,724	\$ (314,784)