

Lower Kootenay Band
Consolidated Financial Statements
For the year ended March 31, 2023

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Management's Responsibility for Financial Reporting

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

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

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

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

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

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

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Director of Operations



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Independent Auditor's Report

To the Members of the Lower Kootenay Band

Qualified Opinion

We have audited the consolidated financial statements of the Lower Kootenay Band and its controlled entities (the "First Nation" or "Band"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the 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 financial position of the Lower Kootenay Band as at March 31, 2023 and its operations, cash flows and changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Effective April 1, 2022, the Band was required to adopt PS 3280 Asset Retirement Obligations which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. Under the modified retroactive application method, the asset retirement obligation on transition is to be recorded using the assumptions as of April 1, 2022. The corresponding asset retirement cost is added to the carrying value of the related tangible capital assets adjusted for amortization since the time the legal obligation was incurred. The net adjustment is charged to accumulated surplus. Comparative figures are to be restated to reflect this change in accounting policy. Management has not completed its assessment of the tangible capital assets for potential asset retirement obligations. As a result, it is not possible to quantify the impact of this departure from Canadian public sector accounting standards on expenses and annual surplus for the years ended March 31, 2023 and 2022, tangible capital assets and the asset retirement obligation as at March 31, 2023 and 2022, and accumulated surplus as at April 1 and March 31 for both the 2023 and 2022 years.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the 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 qualified opinion.



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 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 First 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.

BDO Canada LLP

Chartered Professional Accountants

Kelowna, British Columbia
December 14, 2023

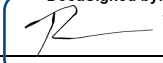
Lower Kootenay Band Consolidated Statement of Financial Position

March 31	2023	2022
Financial Assets		
Cash (Note 2)	\$ 23,757,104	\$ 15,923,662
Restricted cash (Note 3)	137,204	133,280
Temporary investments (Note 4)	371,606	364,953
Accounts receivable (Note 5)	6,179,542	1,817,732
Due from related entities (Note 6)	3,515,522	3,284,178
Long-term investments (Note 7)	99,143	99,143
Investment in business enterprises (Note 8)	11,590,288	9,910,111
Ottawa Trust Funds (Note 15)	81,696	78,714
	45,732,105	31,611,773
Financial Liabilities		
Accounts payable and accrued liabilities	576,125	328,591
Due to related entities (Note 6)	953,138	935,534
Deferred revenue (Note 9)	3,337,409	3,299,795
Long-term debt (Note 10)	8,376,758	5,477,627
	13,243,430	10,041,547
Net Financial Assets	32,488,675	21,570,226
Non-Financial Assets		
Tangible capital assets (Note 11)	20,735,924	16,474,143
Prepaid expenses	326,420	360,974
	21,062,344	16,835,117
Accumulated Surplus (Note 12)	\$ 53,551,019	\$ 38,405,343

Approved on behalf of the Band Council

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 M. Jason Louie _____ Chief
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Lower Kootenay Band Consolidated Statement of Operations

For the year ended March 31	Budget	2023	2022
Revenue			
Indigenous Services Canada	\$ 1,659,787	\$ 2,158,516	\$ 2,068,584
First Nations Education Steering Committee	171,345	389,100	335,133
First Nations Health Authority	538,685	633,983	866,478
Province of British Columbia	1,829,672	3,766,861	1,976,998
Rental income	150,000	165,990	161,433
Other income	1,852,477	14,611,508	2,940,877
Income from business enterprises	-	1,690,177	754,986
Canada Mortgage Housing Corporation	7,060	14,289	17,259
	<u>6,209,026</u>	<u>23,430,424</u>	<u>9,121,748</u>
Expenses (Note 19)			
Administration	978,091	1,347,257	961,880
Social development	497,129	633,746	489,136
Health	481,476	421,496	337,211
Education	1,776,702	1,889,988	1,705,103
Social housing	210,986	494,088	404,772
Infrastructure and land management	753,656	1,933,779	1,117,185
Economic development	36,225	2,076	900
Operations and maintenance	529,639	552,822	487,562
Capital fund	807,500	1,009,496	813,157
	<u>6,071,404</u>	<u>8,284,748</u>	<u>6,316,906</u>
Annual surplus	137,622	15,145,676	2,804,842
Accumulated surplus, beginning of year	<u>38,405,343</u>	<u>38,405,343</u>	<u>35,600,501</u>
Accumulated surplus, end of year	<u>\$ 38,542,965</u>	<u>\$ 53,551,019</u>	<u>\$ 38,405,343</u>

Lower Kootenay Band
Consolidated Statement of Change in Net Financial Assets

For the year ended March 31	Budget	2023	2022
Annual surplus	\$ 137,622	\$ 15,145,676	\$ 2,804,842
Acquisition of tangible capital assets (Note 11)	-	(5,288,933)	(3,837,347)
Amortization of tangible capital assets (Note 11)	807,500	1,027,152	848,267
Change in prepaid expenses	-	34,554	(46,747)
Net change in net financial assets	945,122	10,918,449	(230,985)
Net financial assets, beginning of year	21,570,226	21,570,226	21,801,211
Net financial assets, end of year	\$ 22,515,348	\$ 32,488,675	\$ 21,570,226

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

Lower Kootenay Band Consolidated Statement of Cash Flows

For the year ended March 31	2023	2022
Cash flows provided by (used in) operating activities		
Cash receipts customers	\$ 17,422,126	\$ 9,225,068
Cash paid to employees and suppliers	(6,549,295)	(5,397,127)
Interest paid	(422,288)	(175,662)
	<u>10,450,543</u>	<u>3,652,279</u>
Cash flows used in capital activities		
Purchase of tangible capital assets	<u>(5,288,933)</u>	<u>(3,837,347)</u>
Cash flows used in investing activities		
Purchase of short term temporary investments	(6,653)	(8,213)
Advances from (to) related entities	(213,739)	115,293
	<u>(220,392)</u>	<u>107,080</u>
Cash flows provided by (used in) financing activities		
Proceeds from issuance of long-term debt	3,251,000	53,895
Repayment of long-term debt	(351,870)	(528,819)
	<u>2,899,130</u>	<u>(474,924)</u>
Net increase (decrease) in cash	7,840,348	(552,912)
Cash, beginning of year	<u>16,135,656</u>	<u>16,688,568</u>
Cash, end of year	<u>\$ 23,976,004</u>	<u>\$ 16,135,656</u>
Represented by		
Cash	\$ 23,757,104	\$ 15,923,662
Restricted cash	137,204	133,280
Ottawa Trust Funds	81,696	78,714
	<u>\$ 23,976,004</u>	<u>\$ 16,135,656</u>

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

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2023

1. Significant Accounting Policies

Nature of Operations	Lower Kootenay Band (the "First Nation") is a community of over 200 members located in the Creston Valley in south eastern British Columbia. The First Nation provides services such as band government, public works, social development, community health, economic development, land and resources, housing and a community school. The First Nation is exempt from income taxes under the Income Tax Act.
Basis of Accounting	These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.
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.
Budget Figures	The budget figures are approved annually by Chief and Council. They have been reallocated to conform to PSAB financial statement presentation. Subsequent amendments have been made by the Chief and Council to reflect changes in the budget as required.
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.
Purchase Price Premium	Premiums paid on the acquisition of government business enterprises are amortized on a straight line basis over the lesser of the life of the purchase price premium and 20 years.

Lower Kootenay Band Notes to the Consolidated Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Reporting Entity The Lower Kootenay 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 All governmental units are fully consolidated by the government reporting entity. Other business enterprises and partnerships which meet the definition of a government business enterprise or partnership are accounted for on the modified equity basis of accounting. Entities that fall under the consolidated basis of accounting are fully consolidated on a line-by-line basis with inter-organizational balances and transactions eliminated. The following entities are accounted for under the consolidation basis

Lower Kootenay Guide Outfitters Ltd.

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:

Ainsworth Hot Springs Ltd.
Ainsworth Hot Springs Limited Partnership
Ka'amaknala Development Corporation
Lower Kootenay Development Limited Partnership
Lower Kootenay Development Corporation
Morris Flowers Inc.
Nupika wu'u GP Ltd.
yaqan nukiy Farms LP

Investments that are accounted for using the cost basis of accounting include:

All Nations Trust Company
Nupqu Development Corporation
SEM Holdings Ltd.
SEM Resort Ltd.
BC First Nations Gaming Revenue Sharing Limited Partnership
SunLife
Ktunaxa Holdings LP

Lower Kootenay Band Notes to the Consolidated Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Tangible Capital Assets Tangible capital assets are recorded at cost. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded using the declining balance method commencing once the asset is available for productive use as follows. The following rates are used to amortize each category of tangible capital asset:

Buildings	1% - 4% declining balance
Community infrastructure	4% declining balance
Equipment	20% - 30% declining balance

Tangible capital assets under construction, development or that have been removed from service are not amortized until they are available to be put into service.

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

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

Revenue Recognition

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Revenue received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the statement of financial position.

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

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

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Financial Instruments Cash, guaranteed investment certificates, accounts receivable, accounts payable, and long-term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the consolidated statement of financial position.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

Measurement Uncertainty The preparation of consolidated 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 consolidated 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.

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.

Lower Kootenay Band Notes to the Consolidated Financial Statements

March 31, 2023

2. Cash

The First Nation maintains all of its cash and investment balances with two financial institutions in British Columbia. The Canada Deposit Insurance Corporation (CDIC) insures each of these accounts up to \$100,000. The aggregate funds held in each institution may exceed the CDIC insured limit from time to time and specific funds held by the institution may not be covered by CDIC insurance. Management does not anticipate any material effect on the financial position of the First Nation as a result of this concentration.

The First Nation has been granted an overdraft authorization of \$500,000 for its operating bank account by BMO. This authorization allows the First Nation to temporarily exceed the balance in its cash account up to the specified limit. As at March 31, 2023 this overdraft was not drawn upon.

3. Restricted Cash

	2023	2022
Social Housing Operations - Replacement reserve (Note 13)	\$ 137,204	\$ 133,280

4. Temporary Investments

The First Nation's investments are comprised of guaranteed investment certificates ("GIC's") and a money market fund.

	2023	2022
Money market fund, Municipal Finance Authority	\$ 312,539	\$ 303,336
GIC, interest paid annually at blended rate of 1.65%, maturing August 2023	49,067	51,617
GIC's, interest paid on maturity at 1.20% maturing August 2026	10,000	10,000
	\$ 371,606	\$ 364,953

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2023

5. Accounts Receivable

	2023	2022
Trade accounts receivable	\$ 6,306,421	\$ 1,367,427
Due from ISC	101,038	676,834
Band member receivables	76,103	83,447
Allowance for doubtful accounts	(304,020)	(309,976)
	\$ 6,179,542	\$ 1,817,732

6. Due To/From Related Entities

Due from related entities

	2023	2022
Lower Kootenay Development Corporation	\$ 42,594	\$ 42,549
Ainsworth Hot Springs Ltd.	1,466,436	1,466,112
Morris Flowers Inc.	1,630	1,630
Nupika wu'u GP Ltd.	6,088	2,066
Ka'amaknala Development Corporation	268	223
yaqan nukiy Farms LLP	1,997,391	1,770,483
kaniskoonok MP Ltd.	1,115	1,115
	\$ 3,515,522	\$ 3,284,178

Due to related entities

	2023	2022
Lower Kootenay Development Limited Partnership	497,390	479,786
Ainsworth Hot Springs Resort Limited Partnership	455,748	455,748
	\$ 953,138	\$ 935,534

The amounts due from related parties bear no interest and have no fixed terms of repayment. The transactions have occurred in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).

Lower Kootenay Band Notes to the Consolidated Financial Statements

March 31, 2023

7. Long-term Investments

	2023	2022
All Nations Trust Company, 90,000 Class A common shares, at cost	\$ 60,000	\$ 60,000
Ktunaxa Holdings Limited Partnership, 20% owned by the First Nation, at cost	39,010	39,010
Nupqu Development Corporation 20% beneficial interest in one common share, at cost	1	1
SEM Holdings Ltd. 20% beneficial interest in one common share, at cost	20	20
SEM Resort Ltd. 20% beneficial interest in common shares, at cost	1	1
Sunlife Financial Inc., at cost (fair market value - \$59,711)	1	1
BC FN Gaming Revenue Sharing Limited Partnership	100	100
BCFN GRS GP Ltd., common shares, at cost	10	10
	\$ 99,143	\$ 99,143

8. Investment in Business Enterprises

	2023	2022
Ainsworth Hot Springs Ltd., wholly-owned owned by the First Nation	\$ 3,355,307	\$ 3,604,988
Ainsworth Hot Springs Limited Partnership, 99.99% owned by the First Nation	3,259,887	2,486,417
Ka'amaknala Development Corporation, wholly-owned by the First Nation	1	1
Lower Kootenay Development Limited Partnership, 99.99% owned by the First Nation	4,111,375	2,912,482
Lower Kootenay Development Corporation, wholly-owned by the First Nation	1	1
Morris Flowers Inc, wholly-owned by the First Nation	863,716	906,221
Nupika wu'u GP Ltd., wholly-owned by the First Nation	1	1
	\$ 11,590,288	\$ 9,910,111

The above investments include \$1,821,339 (2022 - \$1,986,572) of unamortized purchase price premium. Amortization of \$165,233 (2022 - \$165,233) has been recorded as a reduction of the income from government business enterprises for the year.

Lower Kootenay Band Notes to the Consolidated Financial Statements

March 31, 2023

8. Investment in Business Enterprises (continued)

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

(a) Summary of Financial Position	2023	2022
Assets		
Cash and short term investments	\$ 4,342,860	\$ 2,627,640
Accounts receivable	299,745	251,354
Inventory	612,790	513,879
Prepays and other assets	101,282	35,992
Long-term investments	449,398	449,278
Due from related parties	1,340,703	1,033,222
Tangible capital assets	9,157,314	9,192,361
Total Assets	16,304,092	14,103,726
Liabilities		
Accounts payable and accrued liabilities	914,243	563,164
Due to related parties	2,804,309	2,976,360
Long-term debt	3,565,433	3,320,887
Total Liabilities	7,283,985	6,860,411
Equity	\$ 9,020,107	\$ 7,243,315
 (b) Summary of Financial Activities		
	2023	2022
Total Revenues	\$ 8,020,446	\$ 6,338,368
Total Expenses	6,438,866	5,274,618
Amortization of purchase price	165,233	165,233
Income for the year	\$ 1,416,347	\$ 898,517

Included in income from the year as shown above is net loss of \$259,551 (2022 - net income of \$193,089) relating to investments in business enterprises which are already recorded at a nominal value of \$1 each. These losses are not included in the income from business enterprises that is reported on the Consolidated Statement of Operations.

Lower Kootenay Band
Notes to the Consolidated Financial Statements

March 31, 2023

9. Deferred Revenue

	2023	2022
Deferred revenue is comprised of the following:		
Land preservation	\$ 901,301	\$ 928,676
Deferred land leases	48,411	62,081
First Nations Education grants	108,871	155,256
Cultural	15,003	19,003
ISC Special Needs Emergency Supplement	6,256	6,256
ISC capital funding	340,724	306,701
Columbia Basin Trust	521,210	363,282
ISC - COVID Funding	533,615	842,850
Province of BC Grant	170,817	145,690
ISC Social Development Funding	112,192	-
ISC New Approach for Housing Support	300,000	300,000
First Nation Health Authority	130,605	40,000
Other donations	148,404	130,000
	\$ 3,337,409	\$ 3,299,795

Lower Kootenay Band Notes to the Consolidated Financial Statements

March 31, 2023

10. Long-term Debt

	2023	2022
Bank of Montreal - demand loan to finance purchase of investment, repayable in monthly installments of \$43,400, including interest at prime plus 0.5%, secured by general security agreement, maturing April 2026	\$ 5,075,650	\$ 5,355,626
Indigenous Services Canada - no repayment terms, interest free, unsecured, maturing March 2026	53,895	53,895
John Deere - repayable in semi-annual installments of \$7,709, interest free, secured by tractors, maturing June 2023	7,709	23,127
Brandt - repaid in the year	-	17,712
All Nations Trust Company - Phase 11 mortgage repaid in the year	-	5,081
All Nations Trust Company - Phase 12 mortgage repayable in monthly installments of \$1,076 including interest at 2.22% per annum, maturing December 2023	9,611	22,186
Indigenous Services Canada - no repayment terms, interest free, unsecured, maturing March 2027	15,000	-
Bank of Montreal - demand loan, repayable in monthly installments of \$23,312 including interest at prime plus 0.5%, secured by general security agreement, maturing October 2027	3,214,893	-
	\$ 8,376,758	\$ 5,477,627

Principal repayments on long-term debt for the next five years and thereafter are as follows, assuming mortgages are renewed on similar terms:

2024	\$ 340,293
2025	347,010
2026	426,731
2027	415,584
2028	430,397
Thereafter	6,416,743
	\$ 8,376,758

Lower Kootenay Band
Notes to the Consolidated Financial Statements

March 31, 2023

11. Tangible Capital Assets

	2023					
	Land	Buildings	Community infrastructure	Equipment	Assets under construction	Total
Cost, beginning of year	\$ 496,754	\$ 9,030,673	\$ 7,638,746	\$ 2,097,734	\$ 7,932,251	\$ 27,196,158
Additions	4,650,597	163,209	-	188,208	286,919	5,288,933
Disposals	-	-	-	(21,167)	-	(21,167)
Asset transfers	-	6,950,068	19,200	179,442	(7,148,710)	-
Cost, end of year	5,147,351	16,143,950	7,657,946	2,444,217	1,070,460	32,463,924
Accumulated amortization, beginning of year	-	5,433,865	3,879,272	1,408,878	-	10,722,015
Amortization	-	441,232	277,144	308,776	-	1,027,152
Disposals	-	-	-	(21,167)	-	(21,167)
Accumulated amortization, end of year	-	5,875,097	4,156,416	1,696,487	-	11,728,000
Net carrying amount, end of year	\$ 5,147,351	\$ 10,268,853	\$ 3,501,530	\$ 747,730	\$ 1,070,460	\$ 20,735,924

Lower Kootenay Band
Notes to the Consolidated Financial Statements

March 31, 2023

11. Tangible Capital Assets (continued)

	2022					
	Land	Buildings	Community infrastructure	Equipment	Assets under construction	Total
Cost, beginning of year	\$ 363,842	\$ 8,530,796	\$ 7,352,300	\$ 1,805,322	\$ 5,311,991	\$ 23,364,251
Additions	162,912	58,264	105,282	284,334	3,228,548	3,839,340
Disposals	-	-	-	(5,440)	-	(5,440)
Asset reclassified	(30,000)	24,260	-	3,747	-	(1,993)
Asset transfers	-	417,353	181,164	9,771	(608,288)	-
Cost, end of year	496,754	9,030,673	7,638,746	2,097,734	7,932,251	27,196,158
Accumulated amortization, beginning of year	-	5,095,062	3,639,227	1,144,899	-	9,879,188
Amortization	-	297,604	277,904	274,745	-	850,253
Disposals	-	-	-	(5,440)	-	(5,440)
Accumulated amortization, reclassified	-	41,199	(37,859)	(5,326)	-	(1,986)
Accumulated amortization, end of year	-	5,433,865	3,879,272	1,408,878	-	10,722,015
Net carrying amount, end of year	\$ 496,754	\$ 3,596,808	\$ 3,759,474	\$ 688,856	\$ 7,932,251	\$ 16,474,143

Lower Kootenay Band Notes to the Consolidated Financial Statements

March 31, 2023

12. Accumulated Surplus

The First Nation segregates its accumulated surplus into the following categories:

	<u>2023</u>	<u>2022</u>
Equity in investments (Note 7)	\$ 99,143	\$ 99,143
Equity in business enterprises (Note 8)	11,590,288	9,910,111
Replacement reserve balance (Note 13)	18,112	115,315
Equity in tangible capital assets (Note 14)	17,503,709	16,406,034
Equity in Ottawa Trust Funds (Note 15)	81,696	78,714
Internally restricted	2,492,500	2,649,761
Unrestricted operating equity	<u>21,765,571</u>	<u>9,146,265</u>
	<u>\$ 53,551,019</u>	<u>\$ 38,405,343</u>

Internally restricted reserves are primarily related the the Impact Management and Benefits Agreement funding received and are required to be spent on community development and economic development.

13. Replacement Reserve

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 115,315	\$ 142,782
Add:		
Current year allocation	5,740	12,479
Interest	3,924	704
Less:		
Approved expenditures	<u>106,867</u>	40,650
Balance, end of year	18,112	115,315
Funded balance (Note 3)	<u>137,204</u>	133,280
Under (over) funded balance	<u>\$ (119,092)</u>	<u>\$ (17,965)</u>

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited annually in the amount of \$5,740 for the Pre-1997 Program. These funds, along with accumulated interest, must be held in separate bank accounts and/or invested only in accounts or instruments insured by Canada Deposit Insurance Corporation, or as may otherwise be approved by Canada Mortgage and Housing Corporation. Withdrawals are credited to interest first and then principal.

Lower Kootenay Band Notes to the Consolidated Financial Statements

March 31, 2023

14. Equity in Tangible Capital Assets

	2023	2022
Balance, beginning of year	\$ 16,406,034	\$ 13,282,203
Add:		
Purchases of tangible capital assets	5,288,933	3,837,347
Debt repayment	71,894	134,751
	5,360,827	3,972,098
Less:		
Amortization of tangible capital assets	1,027,152	848,267
Proceeds from new debt issuance	3,236,000	-
	4,263,152	848,267
	\$ 17,503,709	\$ 16,406,034

15. Equity in Ottawa Trust Funds

Trust funds on deposit with the Indigenous Services Canada consist of the following:

	Revenue	Capital	2023 Total	2022 Total
Balance, beginning of year	\$ 39,426	\$ 39,288	\$ 78,714	\$ 76,691
Add:				
Interest on trust balances	2,982	-	2,982	2,023
Balance, end of year	\$ 42,408	\$ 39,288	\$ 81,696	\$ 78,714

The Ottawa Trust Funds relate to capital or revenue sources outlined in Section 62 of the Indian Act. These funds are held in trust in the consolidated revenue fund of the Government of Canada and are subject to audit by the office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

Lower Kootenay Band

Notes to the Consolidated Financial Statements

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16. Funds Held in Trust

Funds held in trust and administered by the First Nation are as follows:

	2023	2022
Band members - land settlement	\$ 482,866	\$ 506,462

The First Nation holds and administers the above amounts in trust relating to deposits and other cash amounts on hand relating to other parties.

17. Financial Instruments

The Band is exposed to risks of varying degrees of significance from its use of financial instruments which could affect its ability to achieve its strategic objectives. The Chief and Council ensures that the Band has identified its major risks and ensures that management monitors and mitigates these risks.

Liquidity risk

Liquidity risk is the risk that the band will not be able to meet its financial obligations as they become due.

The Band manages this risk by monitoring cash activities and expected outflows through budgeting and forecasting cash flows from operations and anticipating investing and capital activities. It is management's opinion that the Band is not exposed to significant liquidity risk arising from its financial instruments.

There have not been any changes from the prior year in the Band's exposure to liquidity risk or the policies, procedures and methods it uses to manage and measure the risk.

Market and interest rate risk

Market risk is the risk that changes in market price, such as interest rates, will affect the Band's income. The objective of market risk management is to control market risk exposed within acceptable parameters while optimizing the return on investments. The investment balance comprises of a GIC's and trust. The GIC and trust are deemed to be low risk and are not subject to changes in market prices or interest rates.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. It is management's opinion that the Band is not exposed to significant interest rate risk arising from its financial instruments.

There have not been any changes from the prior year in the Band's exposure to market and interest rate risk or the policies, procedures and methods it uses to manage and measure the risk.

Lower Kootenay Band Notes to the Consolidated Financial Statements

March 31, 2023

17. Financial Instruments (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Band is exposed to credit risk from its operating activities, which are primarily accounts receivables, and its investing activities, which includes deposits with financial institutions. Accounts receivables includes grant receivables from Federal and Provincial government, trade receivables, and local area receivables.

The credit risk on accounts receivables is mitigated by the agreement approval and monitoring processes. A majority of the accounts receivable balances are compliant with signed funding agreements and signed general agreements for recovery work. The Band undergoes continuous monitoring of amounts that are not collectible or realizable and accounts for specific bad debt provision when management considers that the expected recovery is less than the amount receivable. The Band considers all accounts receivable that are past due to be impaired, with the exception of funding from Federal or Provincial agreements. The Band's management has determined that accounts receivable are impaired as illustrated in Note 5. Management's assessment was based on considering the likelihood of payment given the credit history with each vendor, and considering which items have been received subsequent to the financial statement date up to the report date.

The Band had deposited cash and investments held with reputable financial institutions. Management believes the risk of loss is unlikely.

There have not been any changes from the prior year in the Band's exposure to credit risk or the policies, procedures and methods it uses to manage and measure the risk.

Lower Kootenay Band Notes to the Consolidated Financial Statements

March 31, 2023

18. Budget

The Band Council Budget Resolution adopted by Council was not prepared on a basis consistent with that used to report actual results (public sector accounting standards). The budget was prepared on a modified accrual basis while public sector accounting standards require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years. 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:

	2023
Budget Bylaw surplus for the year	\$ 292,850
Add:	
Capital expenditures	-
Budgeted transfers to accumulated surplus	15,139
Admin expenses	199,000
Less:	
Budgeted transfers from accumulated surplus	(88,576)
Admin revenue	(280,791)
Budget surplus per Consolidated Statement of Operations	\$ 137,622

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2023

19. Expenses By Object

	Budget	2023	2022
Advertising	\$ 10,000	\$ 4,838	\$ 7,627
Amortization	807,500	1,027,152	850,253
Bad debts (recovery)	-	(5,957)	(43)
CMHC approved expenditures	-	106,867	40,650
Consulting	106,000	102,629	104,967
Insurance	123,000	118,645	110,176
Interest on long-term debt	177,000	396,534	166,216
Interest and bank charges	11,100	25,754	9,446
Miscellaneous	70,495	25,776	67,418
Office	86,550	178,918	104,404
Professional fees	97,656	187,639	93,358
Program expenses	1,039,712	2,355,347	1,517,558
Rent	63,060	65,362	62,950
Repairs and maintenance	269,209	427,382	299,156
Supplies	59,316	81,604	115,133
Training and workshops	20,000	9,281	11,458
Travel	42,000	28,781	20,393
Vehicle	89,000	125,187	83,678
Wages and benefits	2,999,806	3,023,009	2,652,108
Total expenses for the year	\$ 6,071,404	\$ 8,284,748	\$ 6,316,906

20. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

21. Subsequent Events

Subsequent to the year end, the Band received \$11,866,645 in cash from Ktunaxa Nation Council Society as part of the Internal revenue sharing agreement - Mineral Tax payment.

Subsequent to the year end, the Band transferred \$5,055,000 to Bank of Montreal to settle a demand loan.

Lower Kootenay Band Notes to the Consolidated Financial Statements

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22. Segmented Information

The First Nation provides a variety of services to community members, and receives funding from various federal and provincial government agencies to support the delivery of these services. Segmented reporting by program is used to account for the scope and significance of each service.

Administration

This program includes revenues and expenses relating to governance activities undertaken by Chief and Council, band membership activities, administrative services of the First Nation, and finance and accounting activities for the band and its business ventures. The operation of the economic development, operations and maintenance and infrastructure and land management activities are also facilitated by this program.

Social Development

This program includes the revenue and expenses relating to the delivery of social assistance programs to Lower Kootenay Band members, and the delivery of cultural activities in the community. Certain social development activities are funded through agreements with Indigenous Services Canada and have specific eligibility criteria.

Health

The Health program provides a variety of health services to the community pursuant to a funding agreement with First Nations Health Authority and other external funders. The Health program also includes revenues and expenses relating to recreation activities for community members.

Education

The Education program includes the revenues and expenses relating to the operation and maintenance of the community school located on the reserve lands of the First Nation.

Social Housing

This program includes the revenues and expenses relating to the operation of the First Nation housing rental units and the provision of various housing services to Lower Kootenay Band members. This program also includes the revenues and expenses relating to the operation of the First Nation's CMHC Social Housing Units, including individual houses and multi family units.

Capital

This program includes the revenue and expenses relating to the construction, maintenance and operation of community infrastructure and buildings, and the provision of community services to Lower Kootenay Band members.

Lower Kootenay Band
Notes to the Consolidated Financial Statements

March 31, 2023

22. Segmented Information (continued)

Certain functional areas have been combined and separately disclosed in the segmented information. The segments and the services they provide are as follows:

	Administration	Social Development	Health	Education	Social Housing	Capital	Total 2023 Actual	Total 2023 Budget
Revenues								
Indigenous Services Canada	\$ 676,291	\$ 602,818	\$ -	\$ 879,407	\$ -	\$ -	\$ 2,158,516	\$ 1,659,787
Rental Income	-	-	-	-	165,990	-	165,990	150,000
Province of British Columbia	1,558,753	36,949	-	2,171,159	-	-	3,766,861	1,829,672
First Nations Education Steering Committee	-	-	-	389,100	-	-	389,100	171,345
First Nations Health Authority	-	-	633,983	-	-	-	633,983	538,685
Income from business enterprises	1,690,177	-	-	-	-	-	1,690,177	-
CMHC revenue	-	-	-	-	14,289	-	14,289	7,060
Other	14,374,075	7,000	55,444	51,107	123,882	-	14,611,508	1,852,477
	<u>18,299,296</u>	<u>646,767</u>	<u>689,427</u>	<u>3,490,773</u>	<u>304,161</u>	<u>-</u>	<u>23,430,424</u>	<u>6,209,026</u>
Expenses								
Purchases	2,552,563	557,044	213,541	521,495	389,944	-	4,234,587	2,264,098
Payroll	1,283,371	76,702	207,955	1,368,493	86,488	-	3,023,009	2,999,806
Amortization	-	-	-	-	17,656	1,009,496	1,027,152	807,500
	<u>3,835,934</u>	<u>633,746</u>	<u>421,496</u>	<u>1,889,988</u>	<u>494,088</u>	<u>1,009,496</u>	<u>8,284,748</u>	<u>6,071,404</u>
Surplus (deficit) for the year	<u>\$ 14,463,362</u>	<u>\$ 13,021</u>	<u>\$ 267,931</u>	<u>\$ 1,600,785</u>	<u>\$ (189,927)</u>	<u>\$ (1,009,496)</u>	<u>\$ 15,145,676</u>	<u>\$ 137,622</u>

Lower Kootenay Band
Notes to the Consolidated Financial Statements

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22. Segmented Information (continued)

	Administration	Social Development	Health	Education	Social Housing	Capital	Total 2022 Actual	Total 2022 Budget
Revenues								
Indigenous Services Canada	\$ 934,766	\$ 362,773	\$ -	\$ 771,045	\$ -	\$ -	\$ 2,068,584	\$ 1,465,354
Rental Income	-	-	-	-	161,433	-	161,433	160,000
Province of British Columbia	721,648	-	-	1,255,350	-	-	1,976,998	1,557,355
First Nations Education Steering Committee	-	-	-	335,133	-	-	335,133	120,000
First Nations Health Authority	-	-	866,478	-	-	-	866,478	305,701
Income from business enterprises	754,986	-	-	-	-	-	754,986	-
CMHC revenue	-	-	-	-	17,259	-	17,259	14,300
Other	2,147,919	7,657	731,264	7,388	46,649	-	2,940,877	3,584,499
	<u>4,559,319</u>	<u>370,430</u>	<u>1,597,742</u>	<u>2,368,916</u>	<u>225,341</u>	<u>-</u>	<u>9,121,748</u>	<u>7,207,209</u>
Expenses								
Purchases	1,455,860	413,991	147,924	520,291	278,087	(1,608)	2,814,545	3,343,701
Payroll	1,113,276	75,145	189,287	1,184,812	89,588	-	2,652,108	2,678,584
Amortization	-	-	-	-	37,097	813,156	850,253	850,000
	<u>2,569,136</u>	<u>489,136</u>	<u>337,211</u>	<u>1,705,103</u>	<u>404,772</u>	<u>811,548</u>	<u>6,316,906</u>	<u>6,872,285</u>
Surplus (deficit) for the year	<u>\$ 1,990,183</u>	<u>\$ (118,706)</u>	<u>\$ 1,260,531</u>	<u>\$ 663,813</u>	<u>\$ (179,431)</u>	<u>\$ (811,548)</u>	<u>\$ 2,804,842</u>	<u>\$ 334,924</u>