

Lower Kootenay Band
Consolidated Financial Statements
For the year ended March 31, 2024

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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.

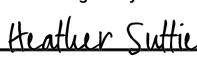
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management 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.

DocuSigned by:

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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, 2024, 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, 2024 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

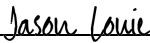
Chartered Professional Accountants

Kelowna, British Columbia
November 1, 2024

Lower Kootenay Band Consolidated Statement of Financial Position

March 31	2024	2023
Financial Assets		
Cash (Note 2)	\$45,464,745	\$ 23,894,308
Temporary investments (Note 3)	388,900	371,606
Accounts receivable (Note 4)	2,775,642	6,179,542
Due from related entities (Note 5)	3,519,386	3,515,522
Long-term investments (Note 6)	99,143	99,143
Investment in business enterprises (Note 7)	12,290,871	11,590,288
Ottawa Trust Funds (Note 13)	85,027	81,696
	<u>64,623,714</u>	<u>45,732,105</u>
Financial Liabilities		
Accounts payable and accrued liabilities	672,081	576,125
Due to related entities (Note 5)	952,752	953,138
Deferred revenue (Note 8)	3,428,972	3,337,409
Long-term debt (Note 9)	3,305,301	8,376,758
	<u>8,359,106</u>	<u>13,243,430</u>
Net Financial Assets	<u>56,264,608</u>	<u>32,488,675</u>
Non-Financial Assets		
Tangible capital assets (Note 10)	23,023,022	20,735,924
Prepaid expenses	308,752	326,420
	<u>23,331,774</u>	<u>21,062,344</u>
Accumulated Surplus (Note 11)	<u>\$79,596,382</u>	<u>\$ 53,551,019</u>

Approved on behalf of the Band Council

Signed by:

 _____ Chief
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Lower Kootenay Band
Consolidated Statement of Operations

For the year ended March 31	Budget	2024	2023
Revenue			
Indigenous Services Canada	\$ 2,036,156	\$ 2,629,521	\$ 2,158,516
First Nations Education Steering Committee	227,500	402,055	389,100
First Nations Health Authority	1,665,725	1,397,285	633,983
Province of British Columbia	2,295,490	4,199,156	3,766,861
Rental income	165,000	164,946	165,990
Other income	10,507,648	25,843,162	14,611,508
Income from business enterprises	775,000	710,583	1,690,177
Canada Mortgage Housing Corporation	2,583	8,301	14,289
	<u>17,675,102</u>	<u>35,355,009</u>	<u>23,430,424</u>
Expenses (Note 17)			
Administration	988,090	1,331,213	1,347,257
Social development	409,371	708,378	633,746
Health	702,578	595,892	421,496
Education	2,195,611	2,200,993	1,889,988
Social housing	321,541	396,339	494,088
Infrastructure and land management	1,973,648	1,986,241	1,933,779
Economic development	36,225	1,240	2,076
Operations and maintenance	929,428	860,603	552,822
Capital fund	805,000	1,228,747	1,009,496
	<u>8,361,492</u>	<u>9,309,646</u>	<u>8,284,748</u>
Annual surplus	9,313,610	26,045,363	15,145,676
Accumulated surplus, beginning of year	53,551,019	53,551,019	38,405,343
Accumulated surplus, end of year	<u>\$ 62,864,629</u>	<u>\$79,596,382</u>	<u>\$ 53,551,019</u>

Lower Kootenay Band
Consolidated Statement of Change in Net Financial Assets

For the year ended March 31	Budget	2024	2023
Annual surplus	\$ 9,313,610	\$26,045,363	\$ 15,145,676
Acquisition of tangible capital assets (Note 10)	(1,914,110)	(3,515,845)	(5,288,933)
Amortization of tangible capital assets (Note 10)	805,000	1,228,747	1,027,152
Change in prepaid expenses	-	17,668	34,554
Net change in net financial assets	8,204,500	23,775,933	10,918,449
Net financial assets, beginning of year	32,488,675	32,488,675	21,570,226
Net financial assets, end of year	\$ 40,693,175	\$56,264,608	\$ 32,488,675

Lower Kootenay Band
Consolidated Statement of Cash Flows

For the year ended March 31	2024	2023
Cash flows provided by (used in) operating activities		
Cash receipts customers	\$38,134,227	\$ 17,422,126
Cash paid to employees and suppliers	(7,540,023)	(6,549,295)
Interest paid	(411,976)	(422,288)
	<u>30,182,228</u>	<u>10,450,543</u>
Cash flows used in capital activities		
Purchase of tangible capital assets	(3,515,845)	(5,288,933)
Cash flows used in investing activities		
Purchase of short term temporary investments	(17,294)	(6,653)
Advances from (to) related entities	(3,864)	(213,739)
	<u>(21,158)</u>	<u>(220,392)</u>
Cash flows provided by (used in) financing activities		
Proceeds from issuance of long-term debt	60,635	3,251,000
Repayment of long-term debt	(5,132,092)	(351,870)
	<u>(5,071,457)</u>	<u>2,899,130</u>
Net increase in cash	21,573,768	7,840,348
Cash, beginning of year	<u>23,976,004</u>	<u>16,135,656</u>
Cash, end of year	<u>\$45,549,772</u>	<u>\$ 23,976,004</u>
Represented by		
Cash	\$45,464,745	\$ 23,894,308
Ottawa Trust Funds	85,027	81,696
	<u>\$45,549,772</u>	<u>\$ 23,976,004</u>

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2024

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.
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, 2024

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
Kawiskoonook MP Ltd.
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 Financial Inc.
Ktunaxa Holdings LP

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2024

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, 2024

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, 2024

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, 2024 this overdraft was not drawn upon.

3. Temporary Investments

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

	2024	2023
Money market fund, Municipal Finance Authority	\$ 328,783	\$ 312,539
GIC, interest paid annually at blended rate of 5.05%, maturing August 2024	49,876	49,067
GIC's, interest paid on maturity at 1.20% maturing August 2026	10,241	10,000
	<u>\$ 388,900</u>	<u>\$ 371,606</u>

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2024

4. Accounts Receivable

	2024	2023
Trade accounts receivable	\$ 2,769,675	\$ 6,306,421
Due from ISC	234,070	101,038
Band member receivables	78,726	76,103
Allowance for doubtful accounts	(306,829)	(304,020)
	<u>\$ 2,775,642</u>	<u>\$ 6,179,542</u>

5. Due To/From Related Entities

Due from related entities

	2024	2023
Lower Kootenay Development Corporation	\$ 34,650	\$ 42,594
Ainsworth Hot Springs Ltd.	1,468,533	1,466,436
Morris Flowers Inc.	3,427	1,630
Nupika wu'u GP Ltd.	7,380	6,088
Ka'amaknala Development Corporation	8,133	268
yaqan nukiy Farms LLP	1,988,622	1,997,391
kaniskoonok MP Ltd.	8,641	1,115
	<u>\$ 3,519,386</u>	<u>\$ 3,515,522</u>

Due to related entities

	2024	2023
Lower Kootenay Development Limited Partnership	\$ 497,004	\$ 497,390
Ainsworth Hot Springs Resort Limited Partnership	455,748	455,748
	<u>\$ 952,752</u>	<u>\$ 953,138</u>

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, 2024

6. Long-term Investments

	2024	2023
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
	<u>\$ 99,143</u>	<u>\$ 99,143</u>

7. Investment in Business Enterprises

	2024	2023
Ainsworth Hot Springs Ltd., wholly-owned owned by the First Nation	\$ 3,111,500	\$ 3,355,307
Ainsworth Hot Springs Limited Partnership, 99.99% owned by the First Nation	3,638,307	3,259,887
Ka'amaknala Development Corporation, wholly-owned by the First Nation	1	1
Lower Kootenay Development Limited Partnership, 99.99% owned by the First Nation	4,719,078	4,111,375
Lower Kootenay Development Corporation, wholly-owned by the First Nation	1	1
Morris Flowers Inc, wholly-owned by the First Nation	821,983	863,716
Nupika wu'u GP Ltd., wholly-owned by the First Nation	1	1
	<u>\$12,290,871</u>	<u>\$ 11,590,288</u>

The above investments include \$1,656,106 (2023 - \$1,821,339) of unamortized purchase price premium. Amortization of \$165,233 (2023 - \$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, 2024

7. Investment in Business Enterprises (continued)

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

(a) Summary of Financial Position	2024	2023
Assets		
Cash and short term investments	\$ 5,109,136	\$ 4,342,860
Accounts receivable	198,186	299,745
Inventory	469,475	612,790
Prepays and other assets	115,058	101,282
Long-term investments	449,459	449,398
Due from related parties	1,168,811	1,340,703
Tangible capital assets	9,764,282	9,157,314
Total Assets	<u>17,274,407</u>	<u>16,304,092</u>
Liabilities		
Accounts payable and accrued liabilities	1,125,729	914,243
Due to related parties	2,626,848	2,804,309
Long-term debt	3,714,045	3,565,433
Total Liabilities	<u>7,466,622</u>	<u>7,283,985</u>
Equity	<u>\$ 9,807,785</u>	<u>\$ 9,020,107</u>
(b) Summary of Financial Activities	2024	2023
Total Revenues	\$ 7,861,937	\$ 8,020,446
Total Expenses	7,072,334	6,438,866
Amortization of purchase price	165,233	165,233
Income for the year	<u>\$ 624,370</u>	<u>\$ 1,416,347</u>

Included in income from the year as shown above is net loss of \$56,659 (2023 - \$259,551) 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, 2024

8. Deferred Revenue

	2024	2023
Beginning balance	\$ 3,337,409	3,299,795
Revenue received	1,458,700	1,752,793
Revenue recognized	<u>(1,367,137)</u>	<u>(1,715,179)</u>
Ending balance	<u>\$ 3,428,972</u>	<u>\$ 3,337,409</u>

Deferred revenue is comprised of the following:

Land preservation	\$ 882,637	\$ 901,301
Deferred land leases	41,576	48,411
First Nations Education grants	138,683	108,871
Cultural	22,036	15,003
ISC Special Needs Emergency Supplement	5,555	6,256
ISC capital funding	273,517	340,724
Columbia Basin Trust	332,466	521,210
ISC - COVID Funding	336,509	533,615
Province of BC Grant	238,268	170,817
ISC Social Development Funding	367,938	112,192
ISC New Approach for Housing Support	-	300,000
First Nation Health Authority	648,101	130,605
Other donations	<u>141,686</u>	<u>148,404</u>
	<u>\$ 3,428,972</u>	<u>\$ 3,337,409</u>

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2024

9. Long-term Debt

	2024	2023
Indigenous Services Canada - no repayment terms, interest free, unsecured, maturing March 2026	\$ 53,895	\$ 53,895
Indigenous Services Canada - no repayment terms, interest free, unsecured, maturing March 2026	13,475	-
Indigenous Services Canada - no repayment terms, interest free, unsecured, maturing March 2026	13,475	-
Indigenous Services Canada - no repayment terms, interest free, unsecured, maturing March 2026	13,475	-
Indigenous Services Canada - no repayment terms, interest free, unsecured, maturing March 2026	13,475	-
Indigenous Services Canada - no repayment terms, interest free, unsecured, maturing March 2026	6,735	-
Indigenous Services Canada - no repayment terms, interest free, unsecured, maturing March 2027	15,000	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	3,175,771	3,214,893
Loans repaid during year	-	5,092,970
	<u>\$ 3,305,301</u>	<u>\$ 8,376,758</u>

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

2025	\$ 51,879
2026	117,878
2027	83,574
2028	73,495
2029	78,769
Thereafter	<u>2,899,706</u>
	<u>\$ 3,305,301</u>

Lower Kootenay Band
Notes to the Consolidated Financial Statements

March 31, 2024

10. Tangible Capital Assets

	2024					
	Land	Buildings	Community infrastructure	Equipment	Assets under construction	Total
Cost, beginning of year	\$ 5,147,351	\$ 16,143,950	\$ 7,657,946	\$ 2,444,217	\$ 1,070,460	\$ 32,463,924
Additions	1,378,289	1,240,296	-	536,231	361,029	3,515,845
Disposals	-	(10,112)	-	-	-	(10,112)
Cost, end of year	6,525,640	17,374,134	7,657,946	2,980,448	1,431,489	35,969,657
Accumulated amortization, beginning of year	-	5,875,097	4,156,416	1,696,487	-	11,728,000
Amortization	-	614,862	279,822	334,063	-	1,228,747
Disposals	-	(10,112)	-	-	-	(10,112)
Accumulated amortization, end of year	-	6,479,847	4,436,238	2,030,550	-	12,946,635
Net carrying amount, end of year	\$ 6,525,640	\$ 10,894,287	\$ 3,221,708	\$ 949,898	\$ 1,431,489	\$ 23,023,022

Lower Kootenay Band
Notes to the Consolidated Financial Statements

March 31, 2024

10. Tangible Capital Assets (continued)

	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, 2024

11. Accumulated Surplus

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

	2024	2023
Equity in investments (Note 6)	\$ 99,143	\$ 99,143
Equity in business enterprises (Note 7)	12,290,871	11,590,288
Replacement reserve balance	-	18,112
Equity in tangible capital assets (Note 12)	19,847,218	17,503,709
Equity in Ottawa Trust Funds (Note 13)	85,027	81,696
Internally restricted	2,492,500	2,492,500
Unrestricted operating equity	44,781,623	21,765,571
	<u>\$79,596,382</u>	<u>\$ 53,551,019</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.

12. Equity in Tangible Capital Assets

	2024	2023
Balance, beginning of year	\$17,503,709	\$ 16,406,034
Add:		
Purchases of tangible capital assets	3,515,845	5,288,933
Debt repayment	56,411	71,894
	<u>3,572,256</u>	<u>5,360,827</u>
Less:		
Amortization of tangible capital assets	1,228,747	1,027,152
Proceeds from new debt issuance	-	3,236,000
	<u>1,228,747</u>	<u>4,263,152</u>
	<u>\$19,847,218</u>	<u>\$ 17,503,709</u>

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2024

13. Equity in Ottawa Trust Funds

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

	Revenue	Capital	2024 Total	2023 Total
Balance, beginning of year	\$ 42,408	\$ 39,288	\$ 81,696	\$ 78,714
Add:				
Interest on trust balances	3,331	-	3,331	2,982
Balance, end of year	\$ 45,739	\$ 39,288	\$ 85,027	\$ 81,696

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.

14. Funds Held in Trust

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

	2024	2023
Band members - land settlement	\$ 480,568	\$ 482,866

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

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2024

15. 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, 2024

15. 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 4. 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, 2024

16. 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:

	<u>2024</u>
Budget Bylaw surplus for the year	\$ 7,395,621
Add:	
Capital expenditures	1,914,110
Less:	
Budgeted transfers from accumulated surplus	<u>3,879</u>
Budget surplus per Consolidated Statement of Operations	<u>\$ 9,313,610</u>

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2024

17. Expenses By Object

	Budget	2024	2023
Advertising	\$ 5,000	\$ 3,972	\$ 4,838
Amortization	805,000	1,228,747	1,027,152
Bad debts (recovery)	-	2,809	(5,957)
CMHC approved expenditures	-	35,347	106,867
Consulting	103,500	147,523	102,629
Insurance	113,500	144,098	118,645
Interest on long-term debt	276,500	390,906	396,534
Interest and bank charges	11,075	21,070	25,754
Miscellaneous	24,650	40,495	25,776
Office	106,000	135,056	178,918
Professional fees	91,600	191,333	187,639
Program expenses	2,427,993	2,814,394	2,355,347
Rent	45,025	79,509	65,362
Repairs and maintenance	450,251	519,047	427,382
Supplies	102,488	56,479	81,604
Training and workshops	24,500	8,863	9,281
Travel	35,250	28,338	28,781
Vehicle	98,500	144,694	125,187
Wages and benefits	3,640,660	3,316,966	3,023,009
Total expenses for the year	<u>\$ 8,361,492</u>	<u>\$ 9,309,646</u>	<u>\$ 8,284,748</u>

18. Comparative Figures

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

Lower Kootenay Band

Notes to the Consolidated Financial Statements

March 31, 2024

19. 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, 2024

19. 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 2024
Revenues							
Indigenous Services Canada	\$ 999,070	\$ 721,018	\$ -	\$ 909,433	\$ -	\$ -	\$ 2,629,521
Rental Income	-	-	-	-	164,946	-	164,946
Province of British Columbia	2,811,172	-	-	1,387,984	-	-	4,199,156
First Nations Education Steering Committee	-	-	-	402,055	-	-	402,055
First Nations Health Authority	-	-	1,397,285	-	-	-	1,397,285
Income from business enterprises	710,583	-	-	-	-	-	710,583
CMHC revenue	-	-	-	-	8,301	-	8,301
Other	22,779,649	1,600	196,546	144,687	2,720,680	-	25,843,162
	27,300,474	722,618	1,593,831	2,844,159	2,893,927	-	35,355,009
Expenses							
Purchases	2,799,868	609,790	258,243	768,980	308,724	-	4,745,605
Payroll	1,379,429	98,588	337,649	1,432,013	87,615	-	3,335,294
Amortization	-	-	-	-	-	1,228,747	1,228,747
	4,179,297	708,378	595,892	2,200,993	396,339	1,228,747	9,309,646
Surplus (deficit) for the year	\$ 23,121,177	\$ 14,240	\$ 997,939	\$ 643,166	\$ 2,497,588	\$ (1,228,747)	\$ 26,045,363

Lower Kootenay Band
Notes to the Consolidated Financial Statements

March 31, 2024

19. Segmented Information (continued)

	Administration	Social Development	Health	Education	Social Housing	Capital	Total 2023
Revenues							
Indigenous Services Canada	\$ 676,291	\$ 602,818	\$ -	\$ 879,407	\$ -	\$ -	\$ 2,158,516
Rental Income	-	-	-	-	165,990	-	165,990
Province of British Columbia	1,558,753	36,949	-	2,171,159	-	-	3,766,861
First Nations Education Steering Committee	-	-	-	389,100	-	-	389,100
First Nations Health Authority	-	-	633,983	-	-	-	633,983
Income from business enterprises	1,690,177	-	-	-	-	-	1,690,177
CMHC revenue	-	-	-	-	14,289	-	14,289
Other	14,374,075	7,000	55,444	51,107	123,882	-	14,611,508
	<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>
Expenses							
Purchases	2,552,563	557,044	213,541	521,495	389,944	-	4,234,587
Payroll	1,283,371	76,702	207,955	1,368,493	86,488	-	3,023,009
Amortization	-	-	-	-	17,656	1,009,496	1,027,152
	<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>
Surplus (deficit) for the year	\$ 14,463,362	\$ 13,021	\$ 267,931	\$ 1,600,785	\$ (189,927)	\$ (1,009,496)	\$ 15,145,676