

OSOYOOS INDIAN BAND

Consolidated Financial Statements

Year Ended March 31, 2019

OSOYOOS INDIAN BAND

Index to Consolidated Financial Statements

Year ended March 31, 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2-4
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations and Accumulated Surplus	6
Consolidated Statement of Changes in Net Assets	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9-23
Schedule of Consolidated Expenses by Object - (Schedule 1)	24
Schedule of Investments in Business Enterprises, Summarized Financial Information - (Schedule 2)	25-26
Schedule of Segmented Information - (Schedule 3)	27-28
Branch Schedules	29-119

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

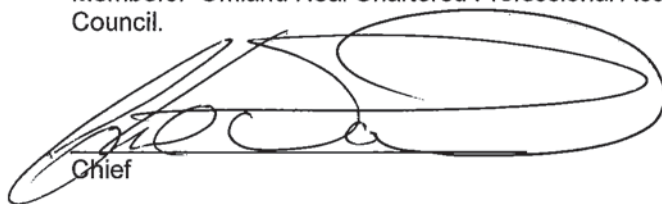
The accompanying consolidated financial statements of Osoyoos Indian Band ("OIB") and all the information in this annual report are the responsibility of management and have been approved by Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. 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, including the consolidated financial position of OIB and the results of its consolidated operations and its consolidated cash flows.

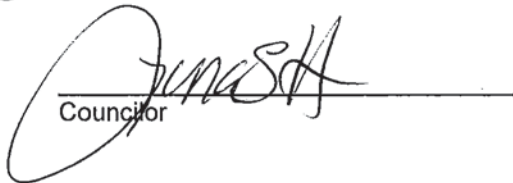
OIB maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and OIB's assets are appropriately accounted for and adequately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

Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. Chief and Council review OIB's consolidated financial statements and recommend their approval. Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditors' report. Chief and Council takes this information into consideration when approving the consolidated financial statements for issuance to the Members. In addition, Chief and Council also consider the engagement of OIB's external auditors.

The consolidated financial statements have been audited by Omland Heal Chartered Professional Accountants in accordance with Canadian generally accepted auditing standards on behalf of the Members. Omland Heal Chartered Professional Accountants have full and free access to Chief and Council.



Chief



Councilor

August 9, 2019



INDEPENDENT AUDITOR'S REPORT

To Chief and Council and Members of Osoyoos Indian Band

Qualified Opinion

We have audited the financial statements of Osoyoos Indian Band ("OIB") or (the "Band"), which comprise the statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Band as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The Band's investments in business enterprises (note 6) as at March 31, 2018 and its equity in earnings from business enterprises were not audited by OIB's predecessor auditor, which resulted in the predecessor auditor qualifying their audit opinion on OIB's March 31, 2018 financial statements. We were not engaged to audit OIB's investments in business enterprises as at and for the year ended March 31, 2018. As the investment in business enterprises as at March 31, 2018 enters into the determination of equity in earnings from business enterprises for the year ended March 31, 2019, we were unable to obtain sufficient appropriate audit evidence related to equity in earnings from business enterprises for the year ended March 31, 2019. The Band's investments in business enterprises (note 6) were subjected to review engagement procedures, and are not audited. A review does not constitute an audit and, consequently, we did not express an audit opinion on the financial information of the business entities.

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 Band in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information included on pages 24 through 119 is presented for purposes of additional analysis and is not a required part of the financial statements. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the supplementary information, including the March 31, 2019 budget amounts.

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Andrew Nendick Inc.



The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

The consolidated financial statements for the year ended March 31, 2018 were audited by another firm of Chartered Professional Accountants who expressed a qualified opinion on those financial statements on October 24, 2018.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 Band's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Band or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Band'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 Band's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(continues)



- 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 Band's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Band to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Omland Heal LLP

Chartered Professional Accountants

Penticton, BC
August 9, 2019

OSOYOOS INDIAN BAND

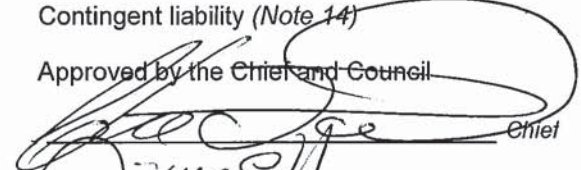
Consolidated Statement of Financial Position


March 31, 2019

	2019	(Restated - Note 19) 2018
Financial assets		
Cash and cash equivalents	\$ 8,785,562	\$ 7,653,298
Restricted cash and cash equivalents (Note 3)	4,459,284	3,919,619
Accounts receivable (Note 4)	2,107,520	2,057,602
Investments (Note 5)	1,445,189	1,359,244
Investments in business enterprises (Note 6)	42,384,527	39,439,953
	<u>59,182,082</u>	<u>54,429,716</u>
Liabilities		
Accounts payable	1,315,124	1,129,854
Deferred income (Note 7)	1,151,449	1,178,567
Long term debt (Note 8)	16,762,943	17,703,355
	<u>19,229,516</u>	<u>20,011,776</u>
Net financial assets	<u>39,952,566</u>	<u>34,417,940</u>
Non-financial assets		
Prepaid expenses	33,148	25,933
Tangible capital assets (Note 9)	16,315,072	14,675,011
	<u>16,348,220</u>	<u>14,700,944</u>
Accumulated surplus (Note 10)	<u>\$ 56,300,786</u>	<u>\$ 49,118,884</u>

Contingent liability (Note 14)

Approved by the Chief and Council


Chief


Councillor

See accompanying notes to consolidated financial statements.

OSOYOOS INDIAN BAND

Consolidated Statement of Operations and Accumulated Surplus

Year Ended March 31, 2019

	Budget (Unaudited) 2019	2019	(Restated - Note 19) 2018
Revenues			
Transfers from other governments:			
Department of Indigenous Services Canada	\$ 5,113,827	\$ 4,509,443	\$ 8,223,129
Province of British Columbia	2,790,340	2,350,560	2,054,210
Okanagan Training and Development	238,193	220,277	182,951
First Nations Health Authority	1,096,220	1,096,220	976,457
Federal government	649,580	396,960	70,375
Grants	537,996	484,672	535,729
Property taxation	2,587,143	2,625,681	2,418,455
Okanagan Nation Alliance	116,601	101,128	104,310
Rent and leases	448,094	458,943	476,563
Other	667,951	734,923	868,970
Investment	169,909	246,442	150,337
Canada Mortgage and Housing Corporation	283,672	283,838	353,472
Equity in earnings from business enterprises (Note 6)	3,265,466	6,308,890	4,114,578
	17,964,992	19,817,977	20,529,536
Expenses (Schedule 1)			
Administration	1,017,750	1,559,216	1,583,401
Economic development	196,405	68,035	679,428
Education	941,090	1,064,376	1,580,129
General government	2,043,448	2,484,442	2,537,857
Health	801,570	624,409	558,851
Inkameep Daycare	391,373	284,608	276,592
Lands and natural resources	1,132,096	886,248	714,051
Other projects	623,852	306,996	274,537
Public works	959,623	204,237	187,561
Sen*Pok*Chin Education	1,718,860	1,531,334	1,428,571
Social development	2,433,376	2,303,167	2,058,407
Social housing	1,259,833	1,319,007	694,936
	13,519,276	12,636,075	12,574,321
Surplus (deficit)	4,445,716	7,181,902	7,955,215
Accumulated surplus - beginning of year	49,118,884	49,118,884	41,163,669
Accumulated surplus - end of year	\$ 53,564,600	\$ 56,300,786	\$ 49,118,884

See accompanying notes to consolidated financial statements.

OSOYOOS INDIAN BAND

Consolidated Statement of Changes in Net Financial Assets

Year Ended March 31, 2019

	Budget (Unaudited) 2019	2019	(Restated - Note 19) 2018
Annual Surplus	\$ 4,445,716	\$ 7,181,902	\$ 7,955,215
Changes to non-financial assets:			
Purchase of tangible capital assets	(2,628,621)	(2,390,010)	(3,890,676)
Amortization of tangible capital assets	653,923	718,789	656,979
Proceeds on disposal of tangible capital assets	-	26,527	-
Net book value of tangible capital assets disposed or written down	-	4,633	11,738
	(1,974,698)	(1,640,061)	(3,221,959)
Acquisition of prepaid expenses and deposits	-	(7,215)	(25,933)
Increase in net financial assets	2,471,018	5,534,626	4,707,323
Net financial assets - beginning of year	34,417,940	34,417,940	29,710,617
Net financial assets - end of year	\$ 36,888,958	\$ 39,952,566	\$ 34,417,940

See accompanying notes to consolidated financial statements.

OSOYOOS INDIAN BAND

Consolidated Statement of Cash Flows

Year Ended March 31, 2019

	2019	(Restated - Note 19) 2018
Operating activities		
Surplus	\$ 7,181,902	\$ 7,955,215
Items not affecting cash:		
Amortization of tangible capital assets	718,789	656,979
Loss on disposal of tangible capital assets	4,633	11,738
	7,905,324	8,623,932
Changes in non-cash working capital:		
Accounts receivable	(49,920)	78,481
Accounts payable	185,270	(196,768)
Deferred income	(27,119)	(999,000)
Prepaid expenses	(7,215)	(25,933)
Restricted cash and cash equivalents	(539,666)	(456,082)
Investments	(85,945)	15,956
Investments in business enterprises	(2,944,569)	(2,537,113)
	(3,469,164)	(4,120,459)
Cash flow from operating activities	4,436,160	4,503,473
Investing activities		
Purchase of tangible capital assets	(2,390,010)	(3,890,676)
Proceeds on disposal of tangible capital assets	26,527	-
Cash flow used by investing activities	(2,363,483)	(3,890,676)
Financing activities		
Proceeds from long term financing	-	118,558
Repayment of long term debt	(940,413)	(915,314)
Cash flow used by financing activities	(940,413)	(796,756)
Increase (decrease) in cash flow	1,132,264	(183,959)
Cash - beginning of year	7,653,298	7,837,257
Cash - end of year	\$ 8,785,562	\$ 7,653,298

See accompanying notes to consolidated financial statements.

OSOYOOS INDIAN BAND

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

1. Purpose of the Band

Osoyoos Indian Band ("OIB") or (the "Band") provides local government, education, and social development services to its members. OIB is an Indian Band subject to the provisions of the Indian Act of Canada, including exemption from income tax pursuant to section 87 of the Indian Act.

2. Summary of significant accounting policies

These consolidated financial statements include the assets, liabilities, and results of operations of OIB and all related entities and organizations subject to control by OIB's Chief and Council. No inclusion has been made of assets, liabilities, revenue or expenses of OIB members, individually or collectively, incorporated or unincorporated, that are not controlled by or the responsibility of OIB's Chief and Council.

The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB"), which encompasses the following principles:

Fund accounting

Osoyoos Indian Band uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been combined for the purpose of presentation in the consolidated financial statements.

(continues)

OSOYOOS INDIAN BAND

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

2. Summary of significant accounting policies (*continued*)

Principles of consolidation

OIB's reporting entity includes the Osoyoos Indian Band and all related entities and organizations which are accountable for the administration of their financial affairs and resources to OIB and are either owned or controlled by OIB.

(a) Consolidated entities

These financial statements consolidate the assets, liabilities and results of operations of the following government organizations and entities:

Sen*Pok*Chin Education Society
Inkameep Preschool/ Day Care Society
Osoyoos Indian Band Housing Program

(b) Investment in government business enterprises

OIB accounts for its investments in government business enterprises ("GBE") and government business partnerships ("GBP") on a modified equity basis. Under the modified equity basis, the GBE's and GBP's accounting policies are not adjusted to conform with those of OIB and inter-organizational transactions and balances are not eliminated. OIB recognizes its equity interest in the annual earnings or loss of the GBE's and GBP's in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any distributions that OIB may receive from the GBE's and GBP's will be reflected as deductions in the investment asset account.

<u>Subsidiary</u>	<u>Ownership %</u>	<u>Year end</u>
OIB's GBE's consist of the following partnerships:		
Senkulmen Utilities Ltd.	100.00	December 31, 2018
Nk'Mip Heritage Centre Ltd.	100.00	December 31, 2018
Osoyoos Indian Band Development Corporation	100.00	December 31, 2018
OIB's GBP's consist of the following partnerships:		
Osoyoos Indian Band Development Limited Partnership	99.99	December 31, 2018
Nk'Mip Desert Heritage Centre Limited Partnership	99.99	December 31, 2018
Nk'Mip Canyon Desert Golf Course Limited Partnership	99.99	December 31, 2018
Nk'Mip Forestry Limited Partnership	99.99	December 31, 2018
Nk'Mip Convenience Store Limited Partnership	99.99	December 31, 2018
Nk'Mip Campground and RV Park Limited Partnership	99.99	December 31, 2018
Senkulmen Projects Limited Partnership	99.99	December 31, 2018
Nk'Mip Vineyards Limited Partnership	99.99	December 31, 2018
Oliver Read-Mix Limited Partnership	99.99	December 31, 2018
Osoyoos Indian Band Holdings Limited Partnership	99.99	December 31, 2018
Nk'Mip Management Services Limited Partnership	99.99	December 31, 2018

(*continues*)

OSOYOOS INDIAN BAND

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

2. Summary of significant accounting policies (*continued*)

Principles of consolidation (continued)

(c) Investments

Investments in entities in which OIB does not control individually or jointly are recorded at acquisition cost. If there has been an other than temporary decline in the value of an investment, the investment is written down to its net realizable value.

(d) Trust funds

Trust funds and their related operations administered by OIB (note 16) are not included in these consolidated financial statements.

Cash and cash equivalents

Cash and cash equivalents includes, cash and investments in highly liquid money market funds, and which are readily convertible to cash.

Revenue recognition

Osoyoos Indian Band follows the deferral method of accounting for contributions.

Government transfers, grants and subsidy revenue are recognized as OIB becomes entitled to the funding under the terms of applicable funding agreements and is recorded in the period in which the resources are used for the purpose specified in the agreements. Restricted funding received which relates to a subsequent fiscal period or which stipulations that give rise to an obligation are reported as deferred revenue until the resources are used for the purpose or purposes specified and/or the stipulations giving rise to an obligation have been met.

Rent and user fee revenue is recognized on a monthly basis as income is earned and when collection is reasonably assured. Property and First Nation Goods and Service tax revenues are recognized at the time the taxes are levied.

Other revenue, including sales of goods, provision of services, or other contributions are recognized in the period the goods or services are provided, any contribution stipulations have been met, and the related proceeds are received or receivable.

(continues)

OSOYOOS INDIAN BAND

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

2. Summary of significant accounting policies (*continued*)

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates:

Automotive equipment	30%
Furniture and equipment	20%
Computer equipment	55%
Computer software	100%
Buildings	4%
Sewer infrastructure	4%
Water infrastructure	4%
Road	8%

Property and equipment relating to the Osoyoos Indian Band Housing Program are recorded using the fund accounting principles applied by Indian Band Housing Programs in Canada and guidelines prescribed by the Canada Mortgage and Housing Corporation. Indian Reserve Land is recorded at its appraised value on the date of contribution to the Program on the pre-1997 projects and is not recorded for the post-1996 projects in accordance with Canada Mortgage and Housing Corporation guidelines. Buildings and appliances are recorded at cost. Amortization on buildings is provided for annually in an amount equal to the principal reduction of the mortgage on each associated project. No amortization is provided on appliances, however, provision for future replacement of appliances is provided for through the Replacement Reserve.

When management determines that a tangible capital asset no longer contributes to OIB's ability to provide goods and services or that the value of future benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is written down to its net recoverable amount.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

All intangible assets and items inherited by the right of OIB, such as land, forested, water, natural resources and cultural and historic assets are not recognized in OIB's consolidated financial statements. Purchased artwork and cultural assets are recorded at cost and are not amortized.

(continues)

OSOYOOS INDIAN BAND

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

2. Summary of significant accounting policies (*continued*)

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Examples of significant estimates include:

- providing for amortization of tangible capital assets;
- the estimated useful lives of assets;
- the allowance for doubtful accounts;
- the recoverability of tangible assets;
- the recoverability of long term investments.

Financial instruments

The Band's financial instruments consists of cash and term deposits, trust funds held in trust by federal government, portfolio investments, loans receivable from band members, accounts receivable, accounts payable and accrued liabilities, and long term debt. The fair values of these financial instruments approximate their carrying value, unless otherwise noted.

Budget data

The budget data presented in these consolidated financial statements have been derived from the budgets approved by OIB's Chief and Council.

	Initial budget
Revenue	\$ 17,964,992
Expenses	(13,519,276)
Surplus	\$ 4,445,716

Adjustments to the initial budget consists of significant adjustments to revenue related to capital funding postponement, other adjustments in revenue and expenses, and the refinement of allocation between accounts.

Government transfers

Government transfers received relate to education, infrastructure maintenance, social development, child care, housing and health programs. Government transfers paid relates to education, social services programs, child care, and infrastructure maintenance. Transfers are recognized in the financial statements as revenues or expenditures in the period in which events giving rise to the transfer occur, provided the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(*continues*)

OSOYOOS INDIAN BAND

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

2. Summary of significant accounting policies (*continued*)

Replacement reserve

The replacement reserve account is funded by an annual charge against operations in an amount determined by Canada Mortgage and Housing Corporation.

Operating reserve

The operating reserve account is funded by surplus revenue from housing projects committed to under the 1997 On-Reserve Program.

Segmented disclosure

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. OIB has determined the most appropriate basis for classifying segments is by program. Segmented disclosures are provided in Schedule 3 to the consolidated financial statements.

3. Restricted cash and cash equivalents

The Band maintains its cash balances in several financial institutions in British Columbia. The Canada Deposit Insurance Corporation ("CDIC") insures each of these accounts. The aggregate funds held in each institution may exceed the CDIC insured limit from time to time and specific funds held by each institution may not be covered by CDIC Insurance. Management does not anticipate any material effect on the consolidated financial position of the Band as a result of these concentrations.

Certain cash and cash equivalents has been internally restricted by the Band or externally restricted by federal or provincial government authorities for the following specific purposes. These funds have been invested in separate money-market funds and cash accounts with interest rates ranging from 0.5% to 1.9%.

	2019	2018
<u>Internally restricted</u>		
Taxation contingency reserve	\$ 259,571	\$ 230,621
Taxation capital development reserve	182,826	179,794
	442,397	410,415
<u>Externally restricted (note 12)</u>		
Trust funds on deposit with Department of Indigenous Services Canada ("DISC")	2,716,640	2,267,895
Social Housing replacement reserve	713,398	674,953
Social Housing operating reserve	586,849	566,356
	4,016,887	3,509,204
	\$ 4,459,284	\$ 3,919,619

OSOYOOS INDIAN BAND

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

4. Accounts receivable

	2019	2018
Property taxes	\$ 725,169	\$ 709,023
Province of British Columbia	317,447	302,765
Government of Canada	386,226	71,010
Okanagan Nation Alliance	12,125	49,675
Okanagan Training and Development	55,531	111,251
Canadian Mortgage and Housing Corporation	23,704	23,618
Preschool and daycare	9,846	22,680
Other	106,842	332,618
	1,636,890	1,622,640
Band members	470,630	434,962
	\$ 2,107,520	\$ 2,057,602

5. Investments

	2019	2018
First Nations Finance Authority, debt reserve fund	\$ 824,190	\$ 792,947
CDR GP Inc., shares, at cost	250	250
CDR Limited Partnership, limited partnership interest, at cost	380,250	380,250
BMO mutual fund	179,292	175,787
Edward Jones mutual fund	52,382	-
All Nations Trust, common shares, at cost	8,825	10,010
	\$ 1,445,189	\$ 1,359,244

OIB's First Nations Finance Authority ("FNFA") debt reserve fund balance consists of amounts withheld by FNFA in consideration of future principal and interest payments on OIB's term debt with FNFA (note 8). The debt reserve fund is repaid to OIB on extinguishment of its outstanding term debt.

OIB's investment in CDR GP Inc. consists of 25% beneficial interest in 250 common shares. CDR GP Inc.'s primary asset is a general partnership interest in CDR Limited Partnership. As OIB, through its investment, does not control or jointly control CDR GP Inc., the investment has been recorded using the cost method.

OIB's investment in CDR Limited Partnership consists of 25% beneficial interest in a limited partnership interest. CDR Limited Partnership's primary asset is leasing and developing a leasehold interest known as Canyon Desert Resort ("CDR"). As OIB, through its investment, does not control or jointly control CDR Limited Partnership, the investment has been recorded using the cost method.

At March 31, 2019, the fair value of OIB's investments in a mutual fund and shares in All Nations Trust were not significantly different than their cost amount. Accordingly, a statement of remeasurement gains and losses has not been presented.

OSOYOOS INDIAN BAND

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

6. Investments in business enterprises

	2019	(Restated) 2018
Government business enterprises	\$ 7,258,136	\$ 6,095,994
Government business partnerships	35,126,391	33,343,959
	\$ 42,384,527	\$ 39,439,953

The change in OIB's investment in business enterprises consists of the following:

Equity in earnings of business enterprises	\$ 908,304	\$ 575,700
Equity in earnings of business partnerships	5,400,586	3,538,878
	6,308,890	4,114,578
Net advances from business enterprises	253,838	(768,790)
Net distributions from business partnerships	(3,618,154)	(808,675)
	\$ 2,944,574	\$ 2,537,113

(a) Government business enterprises (GBE):

OIB has the following investments in to wholly-owned incorporated entities:

	2019	(Restated) 2018
Osoyoos Indian Band Development Corporation		
Investment in shares, at cost	\$ 5	\$ 5
Advances	3,071,157	3,071,157
Accumulated earnings	3,375,602	2,684,009
	6,446,764	5,755,171
Senkulmen Utilities Ltd.		
Investment in shares, at cost	1	1
Advances	(12,158)	(18,790)
Accumulated earnings	823,532	359,615
	811,375	340,826
Nk'Mip Heritage Centre Ltd.		
Investment in shares, at cost	4	4
Advances	479,326	479,326
Accumulated deficit	(479,333)	(479,333)
	(3)	(3)
	\$ 7,258,136	\$ 6,095,994

(continues)

OSOYOOS INDIAN BAND

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

6. Investments in business enterprises (continued)

(a) Government business enterprises ("GBE") (continued):

The fiscal year end of the GBE's is December 31 and the financial information provided below is as at and for the periods ended December 31, 2018, with comparative information for the periods ended December 31, 2017. There were no material changes in the GBE balances and operations from their fiscal year end date to March 31, 2019. Additional financial information for OIB's GBE's is included in Schedule 2.

(b) Government business partnerships ("GBP"):

OIB's investment in GBP's consists of the following:

	2019	2018
Limited partnership interests, representing 99.99% interests:		
Osoyoos Indian Band Holdings LLP	\$ 18,715,876	\$ 18,026,893
Investment - Nk'Mip Campground & RV Park LLP	6,603,725	6,141,616
Oliver Read-Mix LLP	2,516,195	2,855,241
Nk'Mip Canyon Desert Golf Course LLP	1,014,313	1,111,922
Nk'Mip Convenience Store LLP	1,060,577	1,022,096
Nk'Mip Vineyards LLP	1,732,517	967,958
Nk'Mip Forestry LLP	1,500,938	1,207,417
Osoyoos Indian Band Development LLP	1,170,461	1,319,378
Nk'Mip Desert Heritage Centre LLP	673,710	592,907
Nk'Mip Management Services	173,303	134,697
Senkulmen Projects LLP	(35,224)	(36,166)
	\$ 35,126,391	\$ 33,343,959

The fiscal year end of the GBP's is December 31 and the financial information provided below is as at and for the periods ended December 31, 2018, with comparative information for the periods ended December 31, 2017. There were no material changes in the GBE balances and operations from their fiscal year end date to March 31, 2019. Additional financial information for OIB's GBE's is included in Schedule 2.

7. Deferred revenue

Deferred revenue represents monies received of which the funds are restricted for specific projects or programs and of which the expenses have not yet been incurred.

	Balance - beginning of year	Funds received	Recognized as revenue	Balance - end of year
DISC	\$ 903,413	\$ 4,688,436	\$ (5,195,221)	\$ 396,628
Province of British Columbia	69,230	2,749,921	(2,350,560)	468,591
Government of Canada	-	532,625	(396,960)	135,665
Property taxation	11,267	2,631,115	(2,625,681)	16,701
Other	194,657	3,725,412	(3,786,205)	133,864
	\$ 1,178,567	\$ 14,327,509	\$ (14,354,627)	\$ 1,151,449

OSOYOOS INDIAN BAND

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

8. Long term debt

	2019	2018
FNFA Promissory note repayable in annual instalments of \$526,344 plus interest paid semiannually at a rate between 2.9% and 3.79%, maturing June 2024 and secured by contracts and loans of OIB and Osoyoos Indian Band Holdings LLP.	\$ 12,750,537	\$ 13,342,651
Social Housing Program Mortgages secured by a guarantee from DISC, repayable in monthly instalments totaling \$34,006 including interest between 0.96% and 2.39%, maturing between April 2019 and November 2041.	3,893,848	4,242,146
DISC Native Claims loan agreement, repayable on the earlier of March 31, 2022 or the date on which the claim is settled without interest, secured by a promissory note.	118,558	118,558
	<u>\$ 16,762,943</u>	<u>\$ 17,703,355</u>

Interest on long term debt for the year totaled \$544,635 (2018 - \$591,003) and is included in interest and bank charges expense (Schedule 1).

Principal repayment terms are approximately:

2020	\$ 972,646
2021	827,490
2022	808,034
2023	798,311
2024	763,226
Thereafter	<u>12,593,236</u>
	<u>\$ 16,762,943</u>

OSOYOOS INDIAN BAND

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

9. Tangible capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Artwork	\$ 51,144	\$ -	\$ 51,144	\$ 37,853
Buildings	14,265,616	6,171,407	8,094,209	8,512,315
Computer equipment	91,777	83,204	8,573	10,237
Computer software	65,981	61,156	4,825	-
Construction in progress	1,605,076	-	1,605,076	4,181,946
Equipment	492,587	31,064	461,523	461,936
Furniture and equipment	608,976	471,087	137,889	160,094
Land	411,900	-	411,900	394,900
Leasehold improvements	143,492	75,127	68,365	49,216
Automotive equipment	527,218	463,065	64,153	115,083
Road	1,169,749	466,028	703,721	435,084
Sewer infrastructure	135,154	91,281	43,873	45,701
Water infrastructure	5,349,449	689,628	4,659,821	270,646
	\$ 24,918,119	\$ 8,603,047	\$ 16,315,072	\$ 14,675,011

Construction in progress relates to additions to OIB's water infrastructure and buildings.

10. Accumulated surplus

	2019	2018
Financial surplus		
Unrestricted surplus	\$ 39,420,278	\$ 34,766,400
Internally restricted surplus (note 11)	442,397	410,415
	39,862,675	35,176,815
Invested in tangible capital assets (note 12)	12,421,224	10,432,865
Externally restricted equity (note 13)	4,016,887	3,509,204
	\$ 56,300,786	\$ 49,118,884

11. Internally restricted surplus

	Beginning balance	Contributions	Interest	Approved expenses	Ending balance
Taxation capital development reserve	\$ 179,794	\$ -	\$ 3,032	\$ -	\$ 182,826
Taxation contingency reserve	230,621	25,000	3,950	-	259,571
	\$ 410,415	\$ 25,000	\$ 6,982	\$ -	\$ 442,397

OSOYOOS INDIAN BAND

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

12. Invested in tangible capital assets:

Investment in tangible capital assets:

	2019	2018
Net assets invested in tangible capital assets is calculated as follows:		
Tangible capital assets	\$ 16,315,072	\$ 14,675,011
Long term debt	(3,893,848)	(4,242,146)
	\$ 12,421,224	\$ 10,432,865

Change in invested in tangible capital assets:

Balance, beginning of year	\$ 10,432,865	\$ 6,866,900
Amortization	(718,789)	(656,979)
Principal repayments of long term debt	348,298	344,006
Acquisition of tangible capital assets	2,390,010	3,890,676
Net book value of tangible capital assets written down	(31,160)	(11,738)
Balance, end of year	\$ 12,421,224	\$ 10,432,865

13. Externally restricted surplus

	Beginning balance	Contributions	Interest	Approved transfers	Ending balance
DISC Trust Funds	\$ 2,267,895	\$ 1,693,924	\$ 54,821	\$ (1,300,000)	\$ 2,716,640
Social Housing: Operating reserve	566,356	11,332	9,161	-	586,849
Replacement reserve	674,953	25,537	12,908	-	713,398
	\$ 3,509,204	\$ 1,730,793	\$ 76,890	\$ (1,300,000)	\$ 4,016,887

DISC Trust accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. These funds are restricted in their use, of which OIB is generally permitted to use for a purpose that will promote the general progress and welfare of OIB and OIB members. The management of the funds is primarily governed by the sections of the Indian Act.

Under the terms of OIB's agreements with CMHC, OIB maintains an operating and a replacement reserve for its Social Housing program. The replacement reserve account is credited by an amount determined on an annual basis and the replacement reserve funds may only be expended as approved by CMHC.

OSOYOOS INDIAN BAND

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

14. Contingent liability

The Band has a contingent liability for the following contract:

(a) Letter of credit:

As at March 31, 2019, OIB held a stand-by letter of credit, with respect to its domestic water system, with an available balance of \$419,000. No amount has been drawn on the letter of credit to March 31, 2019.

(b) Business enterprise loan guarantees:

The Band has guaranteed outstanding bank loans for its business enterprises as disclosed in Schedule 2.

(c) Housing loan guarantees:

OIB is contingently liable as a guarantor of housing loan for 14 (2018 - 14) OIB members of approximately \$3.9 million (2018 - \$3.9 million) under the First Nation Market Housing Fund.

15. Related parties

During the year OIB had the following transactions with related parties:

	2019	2018
Osoyoos Indian Band Development LLP		
Sales	\$ 149,078	\$ 72,229
Protective services and economic development	45,000	113,000
Wage contribution	40,000	10,000
Nk'Mip Desert Heritage Centre LLP		
Taxation contribution	\$ 75,000	\$ 75,000
IT upgrades	55,487	280
Meeting expenses and facility rental	-	11,921
Nk'Mip Canyon Desert Golf Course LLP		
Loan expansion	\$ 136,470	\$ 27,289
Sales	29,376	24,470
Interest on loan receivable	12,278	11,796
Taxation contribution	-	46,000
Nk'Mip Forestry LLP		
Travel allowance	\$ -	\$ 54,905
Nk'Mip Convenience Store LLP		
Wage contribution	\$ 46,311	\$ 43,861
Sales	32,402	32,293
Nk'Mip Campground and RV Park LLP		
Road maintenance	\$ -	\$ 6,988

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OSOYOOS INDIAN BAND

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

15. Related parties (continued)

	2019	2018
Senkulmen Projects LLP		
Water system	\$ 741,938	\$ 3,372,754
Sen*Pok*Chin School expansion	394,302	-
Oliver Read-Mix LLP		
Royalties	\$ 35,158	\$ 53,698
Sales	32,363	11,063
Repairs	-	6,369
Osoyoos Indian Band Holdings LLP		
Lease revenues	\$ 1,692,690	\$ 1,620,850
Taxation contribution	263,650	244,181
Rent	32,760	32,760
Insurance	29,082	28,092
Administration Buidling Costs	10,147	18,857
Bank Fees	9,612	11,406
Professional fees	7,620	17,979
Economic development	-	134,163

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

16. Employee future benefits

OIB provides a defined contribution pension plan for certain eligible employees. The total pension expense, representing employer contributions to the plan, for the year was \$44,206 (2018 - \$41,064).

17. Budget Figures

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Chief and Council.

18. Financial instruments

The Band is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Band's risk exposure and concentration as of March 31, 2019.

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OSOYOOS INDIAN BAND

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

18. Financial instruments (*continued*)

(a) *Credit risk*

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Band is exposed to credit risk from customers. In order to reduce its credit risk, the Band reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Band has a significant number of customers which minimizes concentration of credit risk.

(b) *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Band is exposed to this risk mainly in respect of its receipt of funds from government transfers and payment of long-term debt and accounts payable.

The Band manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(c) *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Band manages exposure through its normal operating and financing activities. The Band is exposed to interest rate risk primarily through its long-term debt.

(d) *Economic dependence*

The Band receives a major portion of its revenues pursuant to funding agreements with DISC. Any disruption in this funding could have a negative effect on OIB's operations.

Unless otherwise noted, it is management's opinion that the Band is not exposed to significant other price risks arising from these financial instruments.

19. Correction of error

The March 31, 2018 consolidated financial statements have been corrected to adjust investments in certain government business enterprises and government business partnerships to agree to their financial statements. The restatement resulted in a net increase in March 31, 2018 accumulated surplus of \$488,828.

20. Comparative figures

The prior year comparative figures were audited by another firm of Chartered Professional Accountants.

Some of the comparative figures have been reclassified to conform to the current year's presentation.