



**Kitasoo Band Council  
Financial Statements**

**March 31, 2014**



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**Kitasoo Band Council**  
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**For the year ended March 31, 2014**

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**KITASOO INDIAN BAND**  
**March 31, 2014**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying consolidated financial statements of **Kitasoo Indian 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 prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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

Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Ribeyre & Company conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Kitasoo Indian Band and meet when required.

Chief Councillor  
Chief Councillor

## INDEPENDENT AUDITOR'S REPORT

To: The Members of Kitasoo Indian Band

### **Kitasoo Indian Band**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of **Kitasoo Indian Band**, which comprise the statement of financial position as at March 31, 2014, and the summary statement of operations, summary statement of change in net debt, summary statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Kitasoo Indian Band** as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Port Coquitlam, B.C.  
July 25, 2014

*Riley & Company*  
Chartered Accountant

**Kitasoo Band Council**  
**SUMMARY STATEMENT OF FINANCIAL POSITION**

As at March 31, 2014

Statement 1

	2014	2013
<b>Financial assets</b>		
Cash - note 3	\$ 7,697,966	\$ 7,531,921
Restricted cash - note 3	188,471	183,137
Accounts receivable - note 4	2,292,829	2,704,892
Inventory	285,226	214,320
Investment in controlled enterprises - note 5	1,905,173	1,246,096
<b>Total financial assets</b>	<b>12,369,665</b>	<b>11,880,366</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	4,082,004	4,419,048
Deferred revenue - note 6	114,133	214,604
Long-term debt - note 7	6,765,623	7,019,807
Replacement Reserve - note 8	875,604	812,989
Silviculture liability	371,041	217,542
<b>Total liabilities</b>	<b>12,208,405</b>	<b>12,683,990</b>
<b>Net financial assets (debt)</b>	<b>161,260</b>	<b>(803,624)</b>
<b>Non-financial assets</b>		
Prepaid expenses and deposits	126,569	105,550
Deferred logging costs	381,177	125,435
Fixed assets - note 11	29,006,641	30,241,971
Intangibles - note 12	397,000	397,000
<b>Total non-financial assets</b>	<b>29,911,387</b>	<b>30,869,956</b>
<b>Accumulated surplus - note 14</b>	<b>\$ 30,072,647</b>	<b>\$ 30,066,332</b>

*See accompanying notes*

On behalf of Chief and Council:

Chief

Councilor

**Kitasoo Band Council**  
**SUMMARY STATEMENT OF OPERATIONS**

For the year ended March 31, 2014	Statement 2	
	2014	2013
<b>Revenue</b>		
<b>Operating Fund</b>		
Aboriginal Affairs & Northern Development Canada	\$ 10,080,392	\$ 12,420,181
Health Canada	816,596	789,172
Province of British Columbia	43,567	66,916
Department of Fisheries	462,412	696,008
First Nation Education Steering Committee	65,588	86,988
Turning Point Initiative	-	51,025
Marine Harvest	57,332	57,470
Interest income	36,220	6,131
Rental and lease	33,280	464,030
Oweekeno Kitasoo Nuxalk Tribal Council	33,361	37,157
User fees	35,745	19,164
Treaty negotiations funding	46,284	59,105
Other	3,465,518	6,334,412
<b>Social Housing Fund</b>	583,020	457,353
<b>Trust Fund</b>	5,210	4,438
<b>Enterprise Fund</b>		
Band owned enterprises	6,396,104	7,035,452
Share of loss, controlled entities	(122,262)	(109,645)
	<b>22,038,367</b>	<b>28,475,357</b>
<b>Expenditure</b>		
<b>Operating Fund</b>		
Band government	206,323	1,160,045
Capital projects	8,312,872	13,116,677
Economic development and general Band operations	871,428	1,315,327
Local government services	2,646,858	2,510,911
Health Canada programs	826,171	746,480
Social services	385,791	413,813
Education	1,372,509	1,262,055
Treaty negotiation	42,871	38,935
Depreciation	1,381,779	1,354,086
<b>Social Housing Fund</b>	673,414	733,873
<b>Enterprise Fund</b>	5,269,777	6,971,411
	<b>21,989,793</b>	<b>29,623,613</b>
<b>Annual surplus (deficit)</b>	<b>48,574</b>	(1,148,256)
Accumulated surplus, beginning of year - Note 14	30,066,332	31,473,487
Recoveries	(42,259)	(258,899)
<b>Accumulated surplus, end of year - Note 14</b>	<b>\$ 30,072,647</b>	<b>\$ 30,066,332</b>

See accompanying notes

**Kitasoo Band Council**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

**As at March 31, 2014**

**Statement 3**

	<b>2014</b>	<b>2013</b>
<b>Annual surplus</b>	<b>\$ 48,574</b>	<b>\$ (1,148,256)</b>
<b>Recoveries</b>	<b>(42,259)</b>	<b>(258,899)</b>
	<b>6,315</b>	<b>(1,407,155)</b>
Acquisition of tangible capital assets	(788,934)	(3,033,079)
Amortization of tangible capital assets	2,022,168	1,969,830
Disposal of tangible capital assets	2,096	186
	<b>1,235,330</b>	<b>(1,063,063)</b>
(Acquisition) use of prepaid asset - net	(21,019)	134,695
(Acquisition) use of deferred logging costs	(255,742)	442,275
	<b>(276,761)</b>	<b>576,970</b>
<b>Increase (decrease) in net debt</b>	<b>964,884</b>	<b>(1,893,248)</b>
<b>(Net debt) financial assets, beginning of year</b>	<b>(803,624)</b>	<b>1,089,624</b>
<b>Net debt, end of year</b>	<b>\$ 161,260</b>	<b>\$ (803,624)</b>

*See accompanying notes*

**Kitasoo Indian Band**  
**SUMMARY STATEMENT OF CASH FLOWS**

For the year ended March 31, 2014

Statement 4

2014

2013

**OPERATING ACTIVITIES**

Annual deficit	\$ 48,574	\$ (1,148,256)
Recoveries	(42,259)	(258,899)
Items not affecting cash		
Depreciation	2,022,168	1,969,830
Appropriation to Replacement Reserve Fund, Schedule 5	62,491	62,491
Recognition of resigned units on Replacement Reserve Fund	-	(169,232)
Gain on disposal of fixed assets	(581,942)	186
Changes in non-cash working capital items	(219,620)	428,890
<b>Cash provided by operating activities</b>	<b>1,289,412</b>	<b>885,010</b>

**INVESTING ACTIVITIES**

Proceeds received from sale of fixed assets	584,038	-
Replacement Reserve interest	124	123
Investment in controlled enterprises	(659,077)	128,899
<b>Fixed assets purchased</b>	<b>(788,934)</b>	<b>(3,033,079)</b>
<b>Cash used in investing activities</b>	<b>(863,849)</b>	<b>(2,904,057)</b>

**FINANCING ACTIVITIES**

Proceeds from land treaty process loans	-	13,548
Principal portion of Social Housing Fund loans	(251,740)	(245,642)
Principal portion of Capital Fund loan	(2,444)	(2,306)
<b>Cash used in financing activities</b>	<b>(254,184)</b>	<b>(234,400)</b>

<b>Increase (decrease) in cash during the year</b>	<b>171,379</b>	<b>(2,253,447)</b>
Cash, beginning of year	7,715,058	9,968,505
<b>Cash, end of year</b>	<b>\$ 7,886,437</b>	<b>\$ 7,715,058</b>

**Represented by**

Cash	\$ 7,697,966	\$ 7,531,921
Restricted Cash	188,471	183,137
	<b>\$ 7,886,437</b>	<b>\$ 7,715,058</b>

See accompanying notes

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# Kitasoo Band Council

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2014

See Auditor's Report

### 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These Summary Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the CICA Public Sector Accounting and Auditing Handbook, which encompasses the following principles.

#### a) Fund accounting

The Kitasoo 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 amalgamated for the purpose of presentation in the Summary Financial Statements. Details of the operations of each fund are set out in the supplementary schedules. The Kitasoo Indian Band maintains the following funds:

- The Operating Fund which reports the general activities of the First Nation administration.
- The Social Housing Fund which reports the social housing assets of the First Nation, together with related activities.
- The Trust Fund which reports on trust funds owned by the First Nation and held by a third party.
- The Enterprise Fund which reports the first Nation's investments in related entities.

#### b) Reporting entity and principles of financial reporting

The Kitasoo Indian Band reporting entity includes the Kitasoo Indian Band government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

These financial statements consolidate the assets, liabilities and results of operation for the following entities which use accounting principles which lend themselves to consolidation:

- Kitasoo Indian Band Operating Fund
- Kitasoo Indian Band Social Housing Fund
- Kitasoo Indian Band Trust Fund
- Kitasoo Indian Band Enterprise Fund

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

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# Kitasoo Band Council

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2014

See Auditor's Report

### **1. Continued ...**

Incorporated business entities, which are owned or controlled by the Kitasoo Indian Band Council and which are not dependent on the First Nation for their continuing operations, are included in the summary financial statements using the modified equity method. These include:

- Kitasoo Seafoods Ltd.
- Kitasoo Hydro Power Ltd.
- Kitasoo Development Corporation
- Kitasoo Forest Company Ltd.
- Klemtu Tourism Ltd.
- Kitasoo Aqua Farm Ltd.

Long-term investments in non-controlled entities are recorded at the lower of cost or net realizable value.

#### **c) Financial assets**

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not consumption in the normal course of operations. The indicator of net debt is determined by deducting the financial assets of the Kitasoo Indian Band from its liabilities. Financial assets are primarily measured at historical cost.

#### **d) Non-financial assets**

Fixed assets and other non-financial assets are accounted for as assets by the Kitasoo Indian Band because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Kitasoo Indian Band unless they are sold.

#### **e) Fixed assets**

Fixed assets are valued at acquisition cost and recorded in the Operating Fund.

The acquisition costs of fixed assets and payments on capital debt, which are not funded from capital financing sources, are charged to operations and matched with the applicable revenue source in the year of expenditure. These expenditures are also recorded as an addition to assets of the Operating Fund with a corresponding increase in Equity in Fixed Assets.

Fixed assets acquired as part of the Social Housing Fund are recorded as assets of those funds.

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# Kitasoo Band Council

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2014

See Auditor's Report

**1. Continued ...**

**f) Depreciation**

Fixed assets are recorded and depreciated with a corresponding reduction in capital equity within the operating fund. Assets are depreciated over their expected useful life using the declining balance method at the following rates:

Commercial buildings	5%
Residential buildings	5%
Infrastructure	5%
Furniture and fixtures	20%
Computer equipment	35%
Electronic equipment	30%
Vehicles and boats	15% to 30%
Miscellaneous equipment	30%
Dump	20%
Roads	5%

Social Housing assets acquired under Canada Mortgage and Housing Corporation sponsored housing programs are depreciated at a rate equivalent to the annual principal reduction in the related long-term debt, as required for Canada Mortgage and Housing Corporation reporting purposes.

**g) Inventory**

Inventory is recorded at the lower of cost and net realizable value.

**h) Revenue recognition**

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate 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.

**i) Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reported period. Actual results could differ from the estimates.

**j) Comparative figures**

Certain of the prior year's comparative amounts have been reclassified where necessary to conform to the current year's presentation.

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# Kitasoo Band Council

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2014

See Auditor's Report

### 1. Continued ...

#### k) Authority

On June 25, 1967, His Excellency, the Governor General in Council vested authority to the Kitasoo Indian Band to control, manage and expend its revenue monies (P.C. 1969 - 1279).

### 2. ECONOMIC DEPENDENCE

The Kitasoo Indian Band receives a major portion of its revenue pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada.

### 3. CASH AND RESTRICTED CASH

Cash and restricted cash include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of one year or less at acquisition which are held for the purpose of meeting short-term cash commitments.

The Band's current account has an unused overdraft facility in the amount of \$100,000 with interest at prime plus 1% and secured by a term deposit of \$100,000. The term deposit is held at \$137,994.

Cash is comprised of the following:

	2014	2013
Bank funds and term deposits - Band Operations	\$ 4,561,035	\$ 4,592,145
Bank funds - Social Housing	364,868	39,084
Bank funds and Term deposit - Enterprise Fund	2,772,063	2,900,692
	<hr/> <b>\$ 7,697,966</b>	<hr/> <b>\$ 7,531,921</b>

Restricted cash is comprised of the following:

	2014	2013
Ottawa Trust Funds	\$ 144,417	\$ 139,207
Restricted cash - Social Housing	44,054	43,930
	<hr/> <b>\$ 188,471</b>	<hr/> <b>\$ 183,137</b>

**Kitasoo Band Council**  
**NOTES TO FINANCIAL STATEMENTS**

<b>March 31, 2014</b>	<b>See Auditor's Report</b>	
<b>4. ACCOUNTS RECEIVABLE</b>		
Account receivable consists of the following:	<b>2014</b>	<b>2013</b>
Due from band members:		
Renovation loans	\$ -	\$ 15,194
Cable fees	102,305	94,365
Social Housing	360,009	360,009
	<b>462,314</b>	469,568
Less: allowance for doubtful accounts	<b>(462,314)</b>	(469,568)
Due from others:		
British Columbia Government	-	5,498
Canada Revenue Agency	7,072	22,763
Canadian Mortgage and Housing Corporation subsidy	13,964	266,260
Central Coast Indigenous Resource Alliance	6,000	-
Department of Fisheries	161,191	104,444
Employee advances and loans	18,425	-
First Nation Education Steering Committee and Health Authority	-	8,978
Health Canada	-	111,438
Royal Canadian Mounted Police	-	40,560
Teranis Consulting Ltd.	32,025	-
Tervita Corporation	224,307	131,414
TNC Economic Analysis	3,050	-
Watchman Program Funding	-	143,162
Western Oil	-	11,970
Wuikinuxv-Kitasoo-Nuxalk Tribal Council	3,182	27,906
Aboriginal Affairs and Northern Development Canada	845,603	1,218,122
Other amounts owing to Band	71,888	8,843
Other amounts owing to Kitasoo Band Store	22,428	30,087
Other small amounts owing to First Nations Fuel	56,106	77,930
Other amounts owing to Kitasoo Seafood Partnership	264,203	458,072
Other amounts owing to		
Spirit Bear Adventures Limited Partnership	24,376	12,619
Other amounts owing to		
Kitasoo Forestry Limited Partnership	539,009	24,826
	<b>2,292,829</b>	2,704,892
Less: allowance for doubtful accounts	<b>\$2,292,829</b>	\$2,704,892

**Kitasoo Band Council**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2014**

**See Auditor's Report**

**5. INVESTMENTS IN FIRST NATION CONTROLLED ENTERPRISES**

	<b>2014</b>	<b>2013</b>
Kitasoo Seafoods Ltd.		
Shares	\$ 2	\$ 2
Contributed surplus	1,464,455	1,464,455
Accumulated deficit	<u>(1,424,080)</u>	<u>(1,423,574)</u>
	<b>40,377</b>	<b>40,883</b>
Kitasoo Development Corporation		
Shares	1	1
Advances - direct	3,271,148	2,523,781
Advances - indirect	<u>(1,569,811)</u>	<u>(1,603,782)</u>
Accumulated deficit	<u>(632,594)</u>	<u>(594,188)</u>
	<b>1,068,744</b>	<b>325,812</b>
Kitasoo Hydro Power Ltd.		
Shares	1	1
Contributed surplus	2,241,230	2,241,230
Advances	<u>(318,536)</u>	<u>(318,536)</u>
Accumulated deficit	<u>(1,151,124)</u>	<u>(1,069,178)</u>
	<b>771,571</b>	<b>853,517</b>
Kitasoo Forest Company Ltd.		
Shares	24	24
Advances	77,406	77,406
Accumulated deficit	<u>(52,949)</u>	<u>(51,546)</u>
	<b>24,481</b>	<b>25,884</b>
Klemtu Tourism Ltd.		
Shares	10	10
Advances	163,199	163,199
Accumulated deficit	<u>(163,209)</u>	<u>(163,209)</u>
	-	-
<b>Subtotal</b>	<b>\$ 1,905,173</b>	<b>\$ 1,246,096</b>

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**Kitasoo Band Council**  
**NOTES TO FINANCIAL STATEMENTS**

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March 31, 2014

See Auditor's Report

5. Continued ...

<b>Balance forward</b>	<b>1,905,173</b>	<b>1,246,096</b>
Kitasoo Band Store Limited		
Shares	1	1
Advances	(1)	(1)
	-	-
Kitasoo Aqua Farm Ltd.		
Shares	1	1
Advances	(1)	(1)
	-	-
	<b>\$ 1,905,173</b>	<b>\$ 1,246,096</b>

Shares are held in trust by certain band members under trust agreements.

Financial information for each of the entities for their respective periods ending March 31, 2014 is as follows:

	Assets	Liabilities	Revenue (loss)	Income (loss)
	\$	\$	\$	\$
Kitasoo Seafoods Ltd.	702,078	661,701	(6)	(506)
Kitasoo Development Corporation	2,713,467	3,346,060	-	(38,406)
Kitasoo Hydro Power Ltd.	1,095,107	5,000	83,067	(81,946)
Kitasoo Forest Company Ltd.	24,481	77,406	4	(1,404)
Klemtu Tourism Ltd.	-	163,199	-	-
Kitasoo Band Store Ltd.	663,432	380,445	917,603	(30,436)
Kitasoo Aqua Farm Ltd.	-	-	-	-

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**Kitasoo Band Council**  
**NOTES TO FINANCIAL STATEMENTS**

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March 31, 2014

See Auditor's Report

**6. DEFERRED REVENUE**

Deferred revenue consists of the following.

	2014	2013
Operating Fund		
Aboriginal Health Initiative - VCHA	\$ -	\$ 19,200
Playground	-	5,300
Totem pole fund	-	1,000
FNESC NP - School base initiative	-	17,350
FNESC - Summer student employment	-	3,541
	-	46,391
Enterprise Fund		
Unearned revenue	114,133	168,213
	<b>\$ 114,133</b>	<b>\$ 214,604</b>

**Kitasoo Band Council**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2014**

**See Auditor's Report**

**7. LONG-TERM DEBT**

	<b>2014</b>	<b>2013</b>
Mortgage payable with payments of \$1,719 per month including interest at 2.56% per annum, maturing November 1, 2015, secured by a ministerial guarantee from Aboriginal Affairs & Northern Development Canada and a first mortgage on three housing units.	33,615	53,110
Mortgage payable with payments of \$5,325 per month including interest at 2.56% per annum, maturing November 1, 2015, secured by a ministerial guarantee from Aboriginal Affairs & Northern Development Canada and a first mortgage on ten housing units.	104,156	164,565
Mortgage payable with payments of \$2,859 per month including interest at 2.86% per annum, renewing December 1, 2013, secured by a ministerial guarantee from Aboriginal Affairs & Northern Development Canada and a first mortgage on seven housing units and appliances and general assignment of rent in these seven units.	142,103	172,027
Mortgage payable with payments of \$1,684 per month including interest at 2.69% per annum, renewing August 1, 2015, secured by a ministerial guarantee from Aboriginal Affairs & Northern Development Canada and a first mortgage on four housing units.	111,911	128,879
Mortgage payable with payments of \$2,255 per month including interest at 4.59% per annum, maturing June 1, 2016, secured by a ministerial guarantee from Aboriginal Affairs & Northern Development Canada and a first mortgage on four housing units.	56,143	80,199
Mortgage payable with payments of \$1,995 per month including interest at 1.81% per annum, maturing April 1, 2014, secured by a ministerial guarantee from Aboriginal Affairs & Northern Development Canada and a first mortgage on six housing units.	215,590	235,449
<b>Subtotal</b>	<b>\$ 663,518</b>	<b>\$ 834,229</b>

**Kitasoo Band Council**  
**NOTES TO FINANCIAL STATEMENTS**

March 31, 2014	See Auditor's Report	
<b>7. Continued ...</b>		
Balance Forward	\$ 663,518	\$ 834,229
Mortgage payable with payments of \$1,397 per month including interest at 2.65% per annum, renewing April 1, 2016, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on six housing units.	170,323	182,430
Mortgage payable with payments of \$2,876 per month including interest at 1.81% per annum, maturing April 1, 2014, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on six housing units.	310,717	339,339
Mortgage payable with payments of \$4,719 per month including interest at 2.75% per annum, renewing February 1, 2016, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on seven housing units.	575,284	615,584
Mortgage payable with payments of \$306 per month including interest at 5.44% per annum, maturing May 1, 2016, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on triplex housing unit.	25,013	27,457
Amounts repayable upon settlement of the Band's claim under First Nation negotiation support agreements.	<u>5,020,768</u>	<u>5,020,768</u>
	<b>\$ 6,765,623</b>	<b>\$ 7,019,807</b>

Scheduled principal reduction over the next five years is estimated as follows:

2015	\$ 737,577
2016	\$ 824,831
2017	\$ 77,237
2018	\$ 51,934
2019	\$ 53,293

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# Kitasoo Band Council

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2014

See Auditor's Report

### 8. REPLACEMENT RESERVE FUND

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage and Housing Corporation, Kitasoo Band Social Housing must set aside funds annually for the non-annual expenditures of the Program for the repair, maintenance and replacement of worn out assets.

These funds are to be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement Reserve Fund.

As at March 31, 2014 cash and term deposits required to fund the Old Program Replacement Reserve Fund were deficient by \$697,227 (2013 - \$655,462).

As at March 31, 2014, cash and term deposits required to fund the New Program Replacement Reserve Fund were deficient by \$181,186 (2013 - \$157,527)

### 9. SUBSIDY SURPLUS FUND

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage and Housing Corporation, Kitasoo Indian Band Social Housing is permitted to set aside an amount of \$500 per housing unit for the purpose of meeting future requirements of income listed over and above the maximum federal assistance. The Fund may be replenished to its original limit from subsequent operating surpluses.

These funds are to be held in a separate bank account or term deposit with interest earned credited as revenue to the Subsidy Surplus Fund.

### 10. OTTAWA TRUST MONEYS

The Ottawa Trust accounts arise from moneys 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 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.

## Kitasoo Band Council

### NOTES TO FINANCIAL STATEMENTS

March 31, 2014

#### 11. FIXED ASSETS

	2014						2013		
	Beginning Cost	Additions	Disposals	Ending Cost	Beginning Accumulated Depreciation	Depreciation	Disposals	Ending Accumulated Depreciation	Net Book Value
<b>Operating Fund</b>									
Commercial buildings	\$ 16,585,933	\$ -	\$ -	\$ 16,585,933	\$ 8,754,615	\$ 391,566	\$ -	\$ 9,146,181	\$ 7,839,752
Residential buildings	4,226,139	-	-	4,226,139	1,713,399	125,638	-	1,839,037	2,387,102
Infrastructure	15,912,917	-	-	15,912,917	3,828,713	604,211	-	4,432,924	11,479,993
Furniture and fixtures	328,094	-	-	328,094	265,291	12,562	-	277,853	50,241
Electronic equipment	370,793	1,250	-	372,043	362,478	2,685	-	365,163	6,880
Computer equipment	439,542	59,208	-	498,750	378,640	25,889	-	404,529	94,221
Vehicles and boats	2,629,968	155,916	(330,685)	2,455,199	1,644,153	193,475	(328,589)	1,509,039	946,160
Miscellaneous equipment	1,188,375	-	-	1,188,375	1,102,537	25,753	-	1,128,290	60,085
	<b>41,681,761</b>	<b>216,374</b>	<b>(330,685)</b>	<b>41,567,450</b>	<b>18,049,826</b>	<b>1,381,779</b>	<b>(328,589)</b>	<b>19,103,016</b>	<b>22,464,434</b>
<b>Social Housing Fund</b>									
Residential buildings	<b>6,327,058</b>	-	-	<b>6,327,058</b>	<b>2,696,180</b>	<b>251,740</b>	-	<b>2,947,920</b>	<b>3,379,138</b>
Appliances	<b>86,978</b>	-	-	<b>86,978</b>	<b>86,978</b>	<b>-</b>	-	<b>86,978</b>	<b>-</b>
	<b>6,414,036</b>	-	-	<b>6,414,036</b>	<b>2,783,158</b>	<b>251,740</b>	-	<b>3,034,898</b>	<b>3,379,138</b>
<b>Enterprise Fund</b>									
Vehicles and boats	454,671	53,492	-	508,163	202,996	62,635	-	265,631	242,532
Building and fixtures	3,717,002	392,085	-	4,109,087	1,572,685	167,315	-	1,740,000	2,369,087
Computer equipment	40,661	6,009	-	46,670	39,822	2,832	-	42,654	4,016
Dump	88,118	-	-	88,118	88,118	-	-	88,118	-
Equipment, other	612,228	120,032	-	732,260	334,590	67,245	-	401,835	330,425
Fuel storage tanks	894,674	942	-	895,616	646,186	39,217	-	685,403	210,213
Roads	988,103	-	-	988,103	931,902	49,405	-	981,307	6,796
	<b>6,795,457</b>	<b>572,560</b>	-	<b>7,368,017</b>	<b>3,816,299</b>	<b>388,649</b>	-	<b>4,204,948</b>	<b>3,163,069</b>
	<b>\$ 54,891,254</b>	<b>\$ 788,934</b>	<b>\$ (330,685)</b>	<b>\$ 55,349,503</b>	<b>\$ 24,649,283</b>	<b>\$ 2,022,168</b>	<b>\$ (328,589)</b>	<b>\$ 26,342,862</b>	<b>\$ 29,006,641</b>
									<b>\$ 30,241,971</b>
									<b>2,979,158</b>

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**Kitasoo Band Council**  
**NOTES TO FINANCIAL STATEMENTS**

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March 31, 2014

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**12. INTANGIBLES**

	Cost	Accumulated Depreciation	2014	2013
Capital Fund				
Fishing licenses	\$ 397,000	\$ -	\$ 397,000	\$ 397,000

**13. BUDGET INFORMATION**

The budget information disclosed has been approved by the Kitasoo Indian Band Chief and Council. Individual program operations not showing budget information does not mean budgets were not prepared but rather that their amounts were not readily determined.

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# Kitasoo Band Council

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2014

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### 14. FINANCIAL INSTRUMENTS

#### Risk management policy

The Kitasoo Band Council is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at March 31, 2014.

##### *Credit risk*

The carrying value of the Kitasoo Band's main financial assets represents the maximum credit risk to which the band is exposed.

The Kitasoo Band's credit risk is due mainly to its loans receivable. The balance sheet amounts are presented net of the allowance for impaired loans, which management estimates based on past experience and its assessment of current economic conditions. The Kitasoo Band Council believes that its loans receivable credit risk is limited because:

- Majority of its receivables are due from Canadian government agencies.
- The Kitasoo Band Council recognizes a specific allowance for accounts receivable when the management considers the expected amount to be collected is lower than the actual amount receivable.

##### *Liquidity risk*

The Kitasoo Band Council considers that it has sufficient credit facilities to ensure that funds are available to meet its current and long-term financial needs, at a reasonable cost.

##### *Market risk*

The Kitasoo Band is exposed to interest rate risk on its fixed-interest and variable-interest financial instruments. Fixed-interest instruments subject the company to a fair value risk while the variable-interest instruments subject it to a cash flow risk.

The following table summarizes the contractual maturities of the financial liabilities as at March 31, 2014.

	Carrying amount	Contractual cash flows	0 to 1 year	2 to 4 years	Over 5 years
Accounts payable and accrued expenses	\$ 4,082,004	\$ 4,082,004	\$ 4,082,004	\$ -	\$ -
Long-term debt	6,765,623	6,765,623	737,577	954,002	5,074,044
	<b>\$10,847,627</b>	<b>\$10,847,627</b>	<b>\$4,819,581</b>	<b>\$ 954,002</b>	<b>\$ 5,074,044</b>

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# Kitasoo Band Council

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2014

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### 14. Continued ...

#### *Fair value*

The carrying value of the Kitasoo Indian Band's main financial assets represents the maximum credit risk to which the company is exposed.

The fair value of a financial instrument corresponds to the amount of the consideration agreed upon by two willing parties in a non-arm's length transaction. Kitasoo Band Council uses the following methods and assumptions to estimate the fair value of each category of financial instruments, the carrying amounts of which are included in the consolidated balance sheet as follows:

*Cash, accounts receivables and restricted cash* – The carrying amounts included in the balance sheet approximates fair values.

*Accounts payable and accrued expenses* – The carrying amount included in the balance sheet approximates fair value, given the short-term maturity of the instrument.

*Long-term debt* – The carrying amount of loans payable is measured at unamortized cost based on initial fair value established using market rates for the same or similar debt instruments. The fair value approximates its carrying value.