



**Kitasoo Band Council
Financial Statements**

March 31, 2015

Kitasoo Band Council
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For the year ended March 31, 2015

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KITASOO INDIAN BAND
March 31, 2015

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 Councilor



RIBEYRE & COMPANY*

Chartered Accountant

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INDEPENDENT AUDITORS' 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, 2015, 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 public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, 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.

Auditors' 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, 2015, and its financial performance and its cash flows for the year then ended 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.

Port Coquitlam, B.C.
July 10, 2015

A handwritten signature in black ink, appearing to read 'Richard Compagnon', written in a cursive style.

Chartered Accountants

Kitasoo Band Council
SUMMARY STATEMENT OF FINANCIAL POSITION


As at March 31, 2015


Statement 1

	2015	2014
Financial assets		
Cash - note 3	\$ 7,468,397	\$ 7,697,966
Restricted cash - note 3	193,271	188,471
Accounts receivable - note 4	871,640	2,292,829
Inventory	266,820	285,226
Investment in controlled enterprises - note 5	1,598,640	1,905,173
Investment in Western Princess Joint Venture - note 6	350,000	-
Total financial assets	10,748,768	12,369,665
Liabilities		
Accounts payable and accrued expenses	1,982,850	4,082,004
Deferred revenue - note 7	213,909	114,133
Long-term debt - note 8	6,505,321	6,765,623
Replacement Reserve - note 9	815,646	875,604
Silviculture liability	802,829	371,041
Total liabilities	10,320,555	12,208,405
Net financial assets	428,213	161,260
Non-financial assets		
Prepaid expenses and deposits	564,794	126,569
Deferred logging costs	641,862	381,177
Fixed assets - note 12	28,953,560	29,006,641
Intangibles - note 13	397,000	397,000
Total non-financial assets	30,557,216	29,911,387
Accumulated surplus	\$ 30,985,429	\$ 30,072,647

See accompanying notes

On behalf of Chief and Council:


Chief


Councilor

Kitasoo Band Council

SUMMARY STATEMENT OF OPERATIONS

For the year ended March 31, 2015		Statement 2	
	2015 Budget (note 15)	2015 Actual	2014 Actual
Revenue			
Operating Fund			
Aboriginal Affairs & Northern Development Canada	\$ 5,720,574	\$ 5,720,574	\$ 10,080,392
First Nations Health Authority	845,758	845,758	816,596
Province of British Columbia	52,500	52,555	51,879
Department of Fisheries	402,400	402,414	462,412
First Nation Education Steering Committee	90,128	90,128	65,588
Marine Harvest	57,400	57,423	57,332
Interest income	25,800	25,824	36,220
Rental and lease	386,300	386,374	33,280
Oweekeno Kitasoo Nuxalk Tribal Council	34,400	34,445	33,361
User fees	45,100	45,188	35,745
Treaty negotiations funding	4,900	4,916	46,284
Other	4,303,600	4,303,631	4,485,734
Social Housing Fund	422,200	422,273	583,020
Trust Fund	4,700	4,730	5,210
Enterprise Fund			
Band owned enterprises	9,900,300	9,900,312	6,396,104
Share of loss, controlled entities	(107,900)	(107,969)	(122,262)
	22,188,160	22,188,576	23,066,895
Expenditure			
Operating Fund			
Band government	1,720,200	1,720,235	606,138
Capital projects	2,141,100	2,141,178	8,312,872
Economic development and general band operations	860,500	860,504	876,202
Local government services	3,407,300	3,407,372	2,660,118
First Nations Health Authority	859,949	859,949	826,171
Social services	392,396	392,396	387,716
Education	1,410,905	1,410,905	1,372,509
Treaty negotiation	19,200	19,296	42,871
Depreciation	1,326,351	1,326,351	1,381,779
Social Housing Fund	546,200	546,203	673,414
Enterprise Fund	8,551,300	8,551,387	5,878,531
	21,235,401	21,235,776	23,018,321
Annual surplus	952,759	952,800	48,574
Accumulated surplus, beginning of year	30,072,647	30,072,647	30,066,332
Recoveries	(40,018)	(40,018)	(42,259)
Accumulated surplus, end of year	\$ 30,985,388	\$ 30,985,429	\$ 30,072,647
<i>See accompanying notes</i>			

Kitasoo Band Council

**CONSOLIDATED STATEMENT OF CHANGE IN
FINANCIAL ASSETS**

As at March 31, 2015

Statement 3

	2015 Budget (note 15)	2015 Actual	2014 Actual
Annual surplus	\$ 952,759	\$ 952,800	\$ 48,574
Recoveries	(40,018)	(40,018)	(42,259)
	912,741	912,782	6,315
Acquisition of tangible capital assets	(2,019,500)	(2,019,506)	(788,934)
Amortization of tangible capital assets	1,955,300	1,955,361	2,022,168
Disposal of tangible capital assets	117,200	117,226	2,096
	53,000	53,081	1,235,330
Acquisition of prepaid asset - net	(438,200)	(438,225)	(21,019)
Acquisition of deferred logging costs	(260,600)	(260,685)	(255,742)
	(698,800)	(698,910)	(276,761)
Increase in financial assets	266,941	266,953	964,884
Financial assets (net debt), beginning of year	161,260	161,260	(803,624)
Financial assets, end of year	\$ 428,201	\$ 428,213	\$ 161,260

See accompanying notes

Kitasoo Indian Band

SUMMARY STATEMENT OF CASH FLOWS

For the year ended March 31, 2015

Statement 4

	2015	2014
OPERATING ACTIVITIES		
Annual deficit	\$ 952,800	\$ 48,574
Recoveries	(40,018)	(42,259)
Items not affecting cash		
Depreciation	1,955,361	2,022,168
Appropriation to Replacement Reserve Fund, Schedule 5	62,491	62,491
Loss (gain) on disposal of fixed assets	101,283	(581,942)
Changes in non-cash working capital items	(826,905)	(219,620)
Cash provided by operating activities	2,205,012	1,289,412
INVESTING ACTIVITIES		
Proceeds received from sale of fixed assets	15,943	584,038
Replacement Reserve interest	70	124
Use of Replacement Reserve	(122,519)	-
Investment in controlled enterprises	306,533	(659,077)
Investment in joint venture	(350,000)	-
Fixed assets purchased	(2,019,506)	(788,934)
Cash used in investing activities	(2,169,479)	(863,849)
FINANCING ACTIVITIES		
Principal portion of Social Housing Fund loans	(257,916)	(251,740)
Principal portion of Capital Fund loan	(2,386)	(2,444)
Cash used in financing activities	(260,302)	(254,184)
(Decrease) increase in cash during the year	(224,769)	171,379
Cash, beginning of year	7,886,437	7,715,058
Cash, end of year	\$ 7,661,668	\$ 7,886,437
Represented by		
Cash	\$ 7,468,397	\$ 7,697,966
Restricted Cash	193,271	188,471
	\$ 7,661,668	\$ 7,886,437

See accompanying notes

Kitasoo Band Council

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

See Auditors' Report

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Kitasoo Indian Band (First Nation) is located in Klemtu, British Columbia, and provides various services to its members.

These Summary Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the Canadian Institute of Chartered Professional Accountants, 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.

Kitasoo Band Council

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

See Auditors' 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 Development Corporation
- Kitasoo Hydro Power Ltd.
- Kitasoo Forest Company Ltd.
- Klemtu Tourism Ltd.
- Kitasoo Band Store 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.

Kitasoo Band Council

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

See Auditors' 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.

Kitasoo Band Council

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

See Auditors' Report

1. Continued ...

k) Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- Kitasoo Indian Band:
 - is directly responsible; or
 - accepts responsibility; and
- a reasonable estimate of the amount can be made.

l) 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 \$139,099 (2014 - \$137,994).

Cash is comprised of the following:

	2015	2014
Bank funds and term deposits - Band Operations	\$ 3,317,717	\$ 4,561,035
Bank funds - Social Housing	71,321	364,868
Bank funds and term deposits - Enterprise Fund	4,079,359	2,772,063
	<u>\$ 7,468,397</u>	<u>\$ 7,697,966</u>

Restricted cash is comprised of the following:

	2015	2014
Ottawa Trust Funds	\$ 149,147	\$ 144,417
Restricted cash - Social Housing	44,124	44,054
	<u>\$ 193,271</u>	<u>\$ 188,471</u>

Kitasoo Band Council

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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4. ACCOUNTS RECEIVABLE

Account receivable consists of the following:	2015	2014
Due from band members:		
Cable fees	\$ 141,050	\$ 102,305
Social Housing	360,009	360,009
	501,059	462,314
Less: allowance for doubtful accounts	(501,059)	(462,314)
	-	-
Due from others:		
Aboriginal Affairs and Northern Development Canada	25,150	845,603
Canada Revenue Agency	3,730	7,072
Canadian Mortgage and Housing Corporation subsidy	14,003	13,964
Central Coast Indigenous Resource Alliance	10,508	6,000
Department of Fisheries	150,288	161,191
Employee advances and loans	1,401	18,425
First Nation Education Steering Committee	15,777	-
First Nations Health Authority	3,463	-
Great Bear Initiative Society	4,550	-
Naut'sa Mawt Tribal Council	25,284	-
Teranis Consulting Ltd.	4,660	32,025
Tervita Corporation	-	224,307
TNC Economic Analysis	-	3,050
Wuikinuxv-Kitasoo-Nuxalk Tribal Council	-	3,182
Other amounts owing to Band	110,721	71,888
Other amounts owing to Social Housing	83,270	-
Other amounts owing to Kitasoo Band Store	16,045	22,428
Other small amounts owing to First Nations Fuel	51,789	56,106
Other amounts owing to Kitasoo Seafood Partnership	387,558	264,203
Other amounts owing to		
Spirit Bear Adventures Limited Partnership	937	24,376
Other amounts owing to		
Kitasoo Forestry Limited Partnership	(37,494)	539,009
	871,640	2,292,829
Less: allowance for doubtful accounts	-	-
	\$ 871,640	\$2,292,829

Kitasoo Band Council

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

See Auditors' Report

5. INVESTMENTS IN FIRST NATION CONTROLLED ENTERPRISES

	2015	2014
Kitasoo Seafoods Ltd.		
Shares	\$ 2	\$ 2
Contributed surplus	1,464,455	1,464,455
Accumulated deficit	(1,424,697)	(1,424,080)
	39,760	40,377
Kitasoo Development Corporation		
Shares	1	1
Advances - direct	3,420,301	3,271,148
Advances - indirect	(1,917,528)	(1,569,811)
Accumulated deficit	(696,475)	(632,594)
	806,299	1,068,744
Kitasoo Hydro Power Ltd.		
Shares	1	1
Contributed surplus	2,241,230	2,241,230
Advances	(318,536)	(318,536)
Accumulated deficit	(1,193,780)	(1,151,124)
	728,915	771,571
Kitasoo Forest Company Ltd.		
Shares	24	24
Advances	77,406	77,406
Accumulated deficit	(53,764)	(52,949)
	23,666	24,481
Klemtu Tourism Ltd.		
Shares	10	10
Advances	163,199	163,199
Accumulated deficit	(163,209)	(163,209)
	-	-
Subtotal	\$ 1,598,640	\$ 1,905,173

Kitasoo Band Council

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

See Auditors' Report

5. Continued ...

Balance forward	1,598,640	1,905,173
Kitasoo Band Store Ltd.		
Shares	1	1
Advances	(1)	(1)
	-	-
Kitasoo Aqua Farm Ltd.		
Shares	1	1
Advances	(1)	(1)
	-	-
	\$ 1,598,640	\$ 1,905,173

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, 2015 is as follows:

	Assets	Liabilities	Revenue (loss)	Income (loss)
	\$	\$	\$	\$
Kitasoo Seafoods Ltd.	701,958	662,198	3	(617)
Kitasoo Development Corporation	2,798,739	3,495,213	439	(63,881)
Kitasoo Hydro Power Ltd.	1,052,451	5,000	121,073	(42,656)
Kitasoo Forest Company Ltd.	23,666	77,406	85	(815)
Klemtu Tourism Ltd.	-	163,199	-	-
Kitasoo Band Store Ltd.	615,422	389,232	995,837	(56,787)
Kitasoo Aqua Farm Ltd.	-	-	-	-

Kitasoo Band Council

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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6. INVESTMENT IN JOINT VENTURE

Kitasoo Indian Band, through its 99.9% limited partnership interest in Kitasoo Seafoods Limited Partnership, records its 50% interest in the joint venture in a Vessel, Western Princess, using the equity method whereby the investment is initially recorded at cost and is increased for the proportionate share of any earnings and decreased for the proportionate share of any losses.

7. DEFERRED REVENUE

Deferred revenue consists of the following.

	2015	2014
Social Housing Fund		
Unearned revenue	\$ 83,270	\$ -
Enterprise Fund		
Unearned revenue	130,639	114,133
	<u>\$ 213,909</u>	<u>\$ 114,133</u>

Kitasoo Band Council

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

See Auditors' Report

8. LONG-TERM DEBT

	2015	2014
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.	\$ 13,616	\$ 33,615
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.	42,191	104,156
Mortgage payable with payments of \$2,810 per month including interest at 2.11% per annum, renewing August 1, 2018, 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.	111,072	142,103
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.	94,483	111,911
Mortgage payable with payments of \$2,134 per month including interest at 2.26% 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.	31,542	56,143
Mortgage payable with payments of \$2,011 per month including interest at 1.98% per annum, maturing May 1, 2019, secured by a ministerial guarantee from Aboriginal Affairs & Northern Development Canada and a first mortgage on six housing units.	195,499	215,590
Subtotal	\$ 488,403	\$ 663,518

Kitasoo Band Council

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

See Auditors' Report

8. Continued ...

Balance Forward	\$ 488,403	\$ 663,518
Mortgage payable with payments of \$1,398 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.	157,893	170,323
Mortgage payable with payments of \$2,899 per month including interest at 1.98% per annum, maturing May 1, 2019, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on six housing units.	281,761	310,717
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.	533,869	575,284
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.	22,627	25,013
Amounts repayable upon settlement of the Band's claim under First Nation negotiation support agreements.	5,020,768	5,020,768
	\$ 6,505,321	\$ 6,765,623

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

2016	\$ 806,248
2017	\$ 254,932
2018	\$ 85,012
2019	\$ 66,965
2020	\$ 271,397

Kitasoo Band Council

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

See Auditors' Report

9. REPLACEMENT RESERVE FUND

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage and Housing Corporation, Kitasoo and Klemtu 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, 2015 cash and term deposits required to fund the Old Program Replacement Reserve Fund were deficient by \$644,744 (2014 - \$698,953).

As at March 31, 2015, cash and term deposits required to fund the New Program Replacement Reserve Fund were deficient by \$151,597 (2014 - \$132,597).

10. 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.

11. 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, 2015

See Auditors' Report

12. FIXED ASSETS

	2015							2014	
	Beginning Cost	Additions	Disposals	Ending Cost	Beginning Accumulated Depreciation	Ending Accumulated Depreciation	Net Book Value	Net Book Value	
Operating Fund									
Commercial buildings	\$ 16,585,933	\$ -	\$ -	\$ 16,585,933	\$ 9,146,181	\$ 371,989	\$ 7,067,763	\$ 7,439,752	
Residential buildings	4,226,139	656,536	-	4,882,675	1,839,037	135,768	2,907,870	2,387,102	
Infrastructure	15,912,917	-	-	15,912,917	4,432,924	573,999	10,905,994	11,479,993	
Furniture and fixtures	328,094	-	-	328,094	277,853	10,048	40,193	50,241	
Electronic equipment	372,043	-	-	372,043	365,163	2,065	4,815	6,880	
Computer equipment	498,750	17,710	-	516,460	404,529	36,078	75,853	94,221	
Vehicles and boats	2,455,199	52,499	(90,000)	2,417,698	1,509,039	178,374	819,946	946,160	
Miscellaneous equipment	1,188,375	-	-	1,188,375	1,128,290	18,030	42,055	60,085	
	41,567,450	726,745	(90,000)	42,204,195	19,103,016	1,326,351	21,864,489	22,464,434	
Social Housing Fund									
Residential buildings	6,327,058	-	(222,002)	6,105,056	2,947,920	257,916	3,017,445	3,379,138	
Appliances	86,978	-	-	86,978	86,978	-	-	-	
	6,414,036	-	(222,002)	6,192,034	3,034,898	257,916	3,017,445	3,379,138	
Enterprise Fund									
Vehicles and boats	508,163	40,352	(46,944)	501,571	265,631	53,686	216,088	242,532	
Building and fixtures	4,109,087	1,192,828	-	5,301,915	1,740,000	193,556	3,368,359	2,369,087	
Computer equipment	46,670	10,723	-	57,393	42,654	7,726	7,013	4,016	
Dump	88,118	-	-	88,118	88,118	-	-	-	
Equipment, other	732,260	43,593	-	775,853	401,835	69,804	304,214	330,425	
Fuel storage tanks	895,616	5,265	-	900,881	685,403	39,526	175,952	210,213	
Roads	988,103	-	-	988,103	981,307	6,796	-	6,796	
	7,368,017	1,292,761	(46,944)	8,613,834	4,204,948	371,094	4,071,626	3,163,069	
	\$ 55,349,503	\$ 2,019,506	\$ (358,946)	\$ 57,010,063	\$ 26,342,862	\$ 1,955,361	\$ 28,953,560	\$ 29,006,641	

Kitasoo Band Council

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13. INTANGIBLES

	Cost	Accumulated Depreciation	2015	2014
Capital Fund				
Fishing licenses	\$ 397,000	\$ -	\$ 397,000	\$ 397,000

14. LIABILITY FOR CONTAMINATED SITES

On April 1, 2014, Kitasoo Indian Band adopted PS 3260 Liability for contaminated sites. The standard is applied prospectively and has not resulted in any changes to the measurement and recognition of liabilities in the 2015 financial statements.

15. 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.

16. 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, 2015.

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.

Kitasoo Band Council

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16. Continued ...

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, 2015.

	Carrying amount	Contractual cash flows	0 to 1 year	2 to 4 years	Over 5 years
Accounts payable and accrued expenses	\$ 1,982,850	\$ 1,982,850	\$ 1,982,850	\$ -	\$ -
Long-term debt	6,505,321	6,505,321	806,248	406,909	5,292,164
	<u>\$ 8,488,171</u>	<u>\$ 8,488,171</u>	<u>\$ 2,789,098</u>	<u>\$ 406,909</u>	<u>\$ 5,292,164</u>

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.