



**Kitasoo Indian Band
Financial Statements**

March 31, 2016



Kitasoo Indian Band

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For the year ended March 31, 2016

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KITASOO INDIAN BAND
March 31, 2016

**MANAGEMENT'S RESPONSIBILITY FOR THE
FINANCIAL STATEMENTS**

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 Professional Accountants and as such include amounts that are the best estimates and judgments of management.

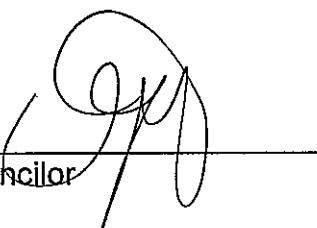
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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

The external auditors, Ribeyre Chang Haylock, 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.

On behalf of Kitasoo Indian Band:



Chief Councilor

#303 – 2071 Kingsway Avenue
Port Coquitlam, B.C.V3C 6N2

Bus: 604 945-3639
Fax: 604 942-2834

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, 2016, 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, 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 auditors' 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, 2016, 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.

Port Coquitlam, B.C.
July 15, 2016

Riley Amy Hybuk
Chartered Professional Accountants

Kitasoo Indian Band

SUMMARY STATEMENT OF FINANCIAL POSITION

As at March 31, 2016

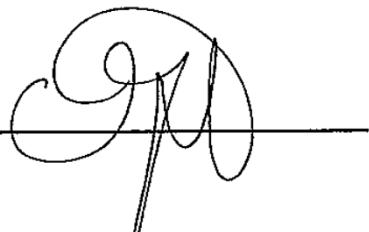
Statement 1

	2016	2015
Financial assets		
Cash - note 3	\$ 10,551,524	\$ 7,468,397
Restricted cash - note 3	197,583	193,271
Accounts receivable - note 4	675,711	871,640
Inventory	262,277	266,820
Investment in controlled enterprises - note 5	1,554,492	1,598,640
Investment in Western Princess Joint Venture - note 6	462,553	350,000
Total financial assets	13,704,140	10,748,768
Liabilities		
Accounts payable and accrued expenses	4,629,781	1,982,850
Deferred revenue - note 7	733,771	213,909
Long-term debt - note 8	6,266,826	6,505,321
Replacement Reserve - note 9	593,313	815,646
Silviculture liability	875,467	802,829
Total liabilities	13,099,158	10,320,555
Net financial assets	604,982	428,213
Non-financial assets		
Prepaid expenses and deposits	646,133	564,794
Deferred logging costs	3,386,440	641,862
Fixed assets - note 12	28,291,958	28,953,560
Intangibles - note 13	397,000	397,000
Total non-financial assets	32,721,531	30,557,216
Accumulated surplus	\$ 33,326,513	\$ 30,985,429

See accompanying notes

On behalf of Chief and Council:

Chief



Councillor



Kitasoo Indian Band

SUMMARY STATEMENT OF OPERATIONS

For the year ended March 31, 2016		Statement 2	
Revenue	2016 Budget (note 15)	2016 Actual	2015 Actual
Operating Fund			
Indigenous and Northern Affairs Canada	\$ 5,404,983	\$ 5,404,983	\$ 5,720,574
First Nations Health Authority	988,959	988,959	845,758
Province of British Columbia	67,300	67,338	52,555
Department of Fisheries	409,300	409,366	402,414
First Nation Education Steering Committee	101,806	101,806	90,128
Marine Harvest	56,500	56,533	57,423
Interest income	19,500	19,520	25,824
Rental and lease	618,700	618,768	386,374
Oweekeno Kitasoo Nuxalk Tribal Council	34,000	34,069	34,445
User fees	38,300	38,315	45,188
Treaty negotiations funding	50,000	50,000	4,916
Other	3,913,400	3,913,428	4,303,631
Social Housing Fund	27,100	27,121	422,273
Trust Fund	4,200	4,298	4,730
Enterprise Fund			
Band owned enterprises	10,797,500	10,797,560	9,900,312
Share of loss, controlled entities	(101,100)	(101,125)	(107,969)
	22,430,448	22,430,939	22,188,576
Expenditure			
Operating Fund			
Band government	1,926,900	1,926,910	1,720,235
Capital projects	1,381,500	1,381,551	2,141,178
Economic development and general band operations	936,200	936,244	860,504
Local government services	3,597,900	3,597,963	3,407,372
First Nations Health Authority	948,545	948,545	859,949
Social services	418,869	418,869	392,396
Education	1,430,324	1,430,324	1,410,905
Treaty negotiation	50,000	50,000	19,296
Depreciation	1,279,738	1,279,738	1,326,351
Social Housing Fund	369,000	369,000	546,203
Enterprise Fund	7,718,000	7,718,040	8,551,387
	20,056,976	20,057,184	21,235,776
Annual surplus	2,373,472	2,373,755	952,800
Accumulated surplus, beginning of year	30,985,429	30,985,429	30,072,647
Recoveries	(32,671)	(32,671)	(40,018)
Accumulated surplus, end of year	\$ 33,326,230	\$ 33,326,513	\$ 30,985,429

See accompanying notes

Kitasoo Indian Band
CONSOLIDATED STATEMENT OF CHANGE IN
FINANCIAL ASSETS

As at March 31, 2016

Statement 3

	2016 Budget (note 15)	2016 Actual	2015 Actual
Annual surplus	\$ 2,373,472	\$ 2,373,755	\$ 952,800
Recoveries	(32,671)	(32,671)	(40,018)
	2,340,801	2,341,084	912,782
Acquisition of tangible capital assets	(1,882,200)	(1,882,257)	(2,019,506)
Amortization of tangible capital assets	2,006,500	2,006,531	1,955,361
Disposal of tangible capital assets	537,300	537,328	117,226
	661,600	661,602	53,081
Acquisition of prepaid asset - net	(81,300)	(81,339)	(438,225)
Acquisition of deferred logging costs	(2,744,500)	(2,744,578)	(260,685)
	(2,825,800)	(2,825,917)	(698,910)
Increase in financial assets	176,601	176,769	266,953
Financial assets, beginning of year	428,213	428,213	161,260
Financial assets, end of year	\$ 604,814	\$ 604,982	\$ 428,213

See accompanying notes

Kitasoo Indian Band
SUMMARY STATEMENT OF CASH FLOWS

For the year ended March 31, 2016

Statement 4

	2016	2015
OPERATING ACTIVITIES		
Annual surplus	\$ 2,373,755	\$ 952,800
Recoveries	(32,671)	(40,018)
Items not affecting cash		
Depreciation	2,006,531	1,955,361
Appropriation to Replacement Reserve Fund	57,667	62,491
Recognition of resigned units		
Replacement Reserve Fund	(260,381)	-
Loss on disposal of fixed assets	9,842	101,283
Changes in non-cash working capital items	613,986	(826,905)
Cash provided by operating activities	4,768,729	2,205,012
INVESTING ACTIVITIES		
Proceeds received from sale of fixed assets	109,953	15,943
Replacement Reserve interest	14	70
Use of Replacement Reserve	(19,633)	(122,519)
Investment in controlled enterprises	44,148	306,533
Investment in joint venture	(112,553)	(350,000)
Fixed assets purchased	(1,464,724)	(2,019,506)
Cash used in investing activities	(1,442,795)	(2,169,479)
FINANCING ACTIVITIES		
Principal portion of Social Housing Fund loans	(236,407)	(257,916)
Principal portion of Capital Fund loan	(2,088)	(2,386)
Cash used in financing activities	(238,495)	(260,302)
Increase (decrease) in cash during the year	3,087,439	(224,769)
Cash, beginning of year	7,661,668	7,886,437
Cash, end of year	\$ 10,749,107	\$ 7,661,668
Represented by		
Cash	\$ 10,551,524	\$ 7,468,397
Restricted Cash	197,583	193,271
	\$ 10,749,107	\$ 7,661,668

See accompanying notes

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

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,
- The Trust Fund which reports on trust funds owned by the First Nation and held by a third
- 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.

Incorporated business entities, which are owned or controlled by the Kitasoo Indian Band 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 Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditors' Report

1. Continued...

- Kitasoo Forest Company Ltd.
- Klemtu Tourism Ltd.
- Kitasoo Band Store Ltd.
- Kitasoo Development GP 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.

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%

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditors' Report

1. Continued...

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.

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).

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditors' Report

2. ECONOMIC DEPENDENCE

The Kitasoo Indian Band receives a major portion of its revenue pursuant to a funding arrangement with Indigenous and Northern Affairs 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 \$140,160 (2015 - \$139,099).

Cash is comprised of the following:

	2016	2015
Bank funds and term deposits - Band Operations	\$ 5,010,331	\$ 3,317,717
Bank funds - Social Housing	25,581	71,321
Bank funds and term deposits - Enterprise Fund	5,515,612	4,079,359
\$ 10,551,524		\$ 7,468,397

Restricted cash is comprised of the following:

	2016	2015
Ottawa Trust Funds	\$ 153,445	\$ 149,147
Restricted cash - Social Housing	44,138	44,124
\$ 197,583		\$ 193,271

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditors' Report

4. ACCOUNTS RECEIVABLE

Account receivable consists of the following:	2016	2015
Due from band members:		
Cable fees	\$ 159,267	\$ 141,050
Social Housing	-	360,009
	159,267	501,059
Less: allowance for doubtful accounts	(159,267)	(501,059)
	-	-
Due from others:		
Indigenous and Northern Affairs Canada	12,423	25,150
AIG Insurance Company of Canada	252,412	-
Canada Revenue Agency	2,811	3,730
Canadian Mortgage and Housing Corporation subsidy	10,899	14,003
Central Coast Indigenous Resource Alliance	30,464	10,508
Department of Fisheries	78,952	150,288
Employee advances and loans	360	1,401
First Nation Education Steering Committee	1,558	15,777
First Nations Health Authority	-	3,463
Great Bear Initiative Society	18,085	4,550
Naut'sa Mawt Tribal Council	-	25,284
Teranis Consulting Ltd.	15,682	4,660
Other amounts owing to Band	21,614	110,721
Other amounts owing to Social Housing	-	83,270
Other amounts owing to Kitasoo Band Store	7,136	16,045
Other small amounts owing to First Nations Fuel	23,992	51,789
Other amounts owing to Kitasoo Seafood Partnership	60,819	387,558
Other amounts owing to		
Spirit Bear Adventures Limited Partnership	12,241	937
Other amounts owing to		
Kitasoo Forestry Limited Partnership	126,263	(37,494)
	675,711	871,640
Less: allowance for doubtful accounts	-	-
	\$ 675,711	\$ 871,640

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditors' Report

5. INVESTMENTS IN FIRST NATION CONTROLLED ENTERPRISES

	2016	2015
Kitasoo Seafoods Ltd.		
Shares	\$ 2	\$ 2
Contributed surplus	1,464,455	1,464,455
Accumulated deficit	(1,425,229)	(1,424,697)
	39,228	39,760
Kitasoo Development Corporation		
Shares	1	1
Advances - direct	2,505,837	3,420,301
Advances - indirect	(993,516)	(1,917,528)
Accumulated deficit	(744,588)	(696,475)
	767,734	806,299
Kitasoo Hydro Power Ltd.		
Shares	1	1
Contributed surplus	2,241,230	2,241,230
Advances	(271,108)	(318,536)
Accumulated deficit	(1,245,461)	(1,193,780)
	724,662	728,915
Kitasoo Forest Company Ltd.		
Shares	24	24
Advances	77,406	77,406
Accumulated deficit	(54,563)	(53,764)
	22,867	23,666
Kitasoo Band Store Ltd.		
Shares	1	1
Advances	(1)	(1)
	-	-
Kitasoo Development GP Ltd.		
Shares	1	1
Advances	-	-
	1	1
Balance carried forward	\$ 1,554,492	\$ 1,598,641

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditors' Report

5. Continued ...

Balance brought forward	\$ 1,554,492	\$ 1,598,641
Klemtu Tourism Ltd.		
Shares	10	10
Advances	163,199	163,199
Accumulated deficit	(163,209)	(163,209)
	-	-
Kitasoo Aqua Farm Ltd.		
Shares	1	1
Advances	(1)	(1)
	-	-
	\$ 1,554,492	\$ 1,598,641

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, 2016 is as follows:

	Assets	Liabilities	Revenue (loss)	Income (loss)
	\$	\$	\$	\$
Kitasoo Seafoods Ltd.	614,825	575,597	6	(532)
Kitasoo Development Corporation	2,773,837	2,580,749	228	(48,113)
Kitasoo Hydro Power Ltd.	1,001,369	5,599	117,360	(51,681)
Kitasoo Forest Company Ltd.	22,867	77,406	101	(799)
Kitasoo Band Store Ltd.	671,724	390,078	955,841	54,546
Kitasoo Development GP Ltd.	3	1	-	-
Klemtu Tourism Ltd.	-	163,199	-	-
Kitasoo Aqua Farm Ltd.	-	-	-	-

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.

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditors' Report

7. DEFERRED REVENUE

Deferred revenue consists of the following.

	2016	2015
Operating Fund		
Unearned revenue	\$ 502,412	\$ -
Social Housing Fund		
Unearned revenue	- -	83,270
Enterprise Fund		
Unearned revenue	<u>231,359</u>	130,639
	<u><u>\$ 733,771</u></u>	<u><u>\$ 213,909</u></u>

8. LONG-TERM DEBT

	2016	2015
Mortgage payable.	\$ -	\$ 13,616
Mortgage payable.	- -	42,191
Mortgage payable with payments of \$2,810 per month including interest at 2.11% per annum, maturing August 1, 2018, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on seven housing units and appliances and general assignment of rent in these seven units.	79,387	111,072
Mortgage payable with payments of \$1,624 per month including interest at 2.69% per annum, maturing March 1, 2020, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on four housing units.	76,242	94,483
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 Indigenous and Northern Affairs Canada and a first mortgage on four housing units.	6,381	31,542
Mortgage payable with payments of \$2,011 per month including interest at 1.98% per annum, renewing May 1, 2019, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on six housing units.	175,045	195,499
Balance carried forward	<u>\$ 337,055</u>	<u>\$ 488,403</u>

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditors' Report

8. Continued ...

Balance brought forward	\$ 337,055	\$ 488,403
Mortgage payable with payments of \$1,300 per month including interest at 1.11% per annum, renewing April 1, 2021, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on six housing units.	145,140	157,893
Mortgage payable with payments of \$2,899 per month including interest at 1.98% per annum, renewing May 1, 2019, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on six housing units.	252,282	281,761
Mortgage payable with payments of \$4,338 per month including interest at 1.01% per annum, renewing February 1, 2021, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on seven housing units.	491,042	533,869
Mortgage payable with payments of \$306 per month including interest at 5.44% per annum, renewed May 1, 2016, with payments of \$303 per month including interest at 4.79% per annum, renewing May 1, 2021, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on triplex housing unit.	20,539	22,627
Amounts repayable upon settlement of the Band's claim under First Nation negotiation support agreements.	5,020,768	5,020,768
	<u>\$ 6,266,826</u>	<u>\$ 6,505,321</u>

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

2017	\$ 172,639
2018	\$ 168,846
2019	\$ 151,791
2020	\$ 357,242
2021	\$ 316,837

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

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, 2016, cash and term deposits required to fund the Old Program Replacement Reserve Fund were deficient by \$420,616 (2015 - \$644,744).

As at March 31, 2016, cash and term deposits required to fund the New Program Replacement Reserve Fund were deficient by \$128,559 (2015 - \$126,778).

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 Indian Band
NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditors' Report

12. FIXED ASSETS

	2016							2015		
	Beginning Cost	Additions	Disposals	Ending Cost	Beginning Accumulated Depreciation	Depreciation	Disposals	Ending Accumulated Depreciation	Net Book Value	Net Book Value
Operating Fund										
Commercial buildings	\$ 16,585,933	\$ 111,043	\$ -	\$ 16,696,976	\$ 9,518,170	\$ 356,167	\$ -	\$ 9,874,337	\$ 6,822,639	\$ 7,067,763
Residential buildings	4,882,675	578,275	-	5,460,950	1,974,805	159,851	-	2,134,656	3,326,294	2,907,870
Infrastructure	15,912,917	-	-	15,912,917	5,006,923	545,300	-	5,552,223	10,360,694	10,905,994
Furniture and fixtures	328,094	-	-	328,094	287,901	8,033	-	295,934	32,160	40,193
Electronic equipment	372,043	-	-	372,043	367,228	1,448	-	368,676	3,367	4,815
Computer equipment	516,460	58,983	(8,906)	566,537	440,607	36,871	(7,594)	469,884	96,653	75,853
Vehicles and boats	2,417,698	119,627	-	2,537,325	1,597,752	159,448	-	1,757,200	780,125	819,946
Miscellaneous equipment	1,188,375	-	-	1,188,375	1,146,320	12,620	-	1,158,940	29,435	42,055
	42,204,195	867,928	(8,906)	43,063,217	20,339,706	1,279,738	(7,594)	21,611,850	21,451,367	21,864,489
Social Housing Fund										
Residential buildings	6,105,056	-	(1,548,868)	4,556,188	3,087,611	236,407	(1,131,335)	2,192,683	2,363,505	3,017,445
Appliances	86,978	-	-	86,978	86,978	-	-	86,978	-	-
	6,192,034	-	(1,548,868)	4,643,166	3,174,589	236,407	(1,131,335)	2,279,661	2,363,505	3,017,445
Enterprise Fund										
Vehicles and boats	501,571	18,864	-	520,435	285,483	50,196	-	335,679	184,756	216,088
Building and fixtures	5,301,915	721,769	(210,304)	5,813,380	1,933,556	378,402	(91,821)	2,220,137	3,593,243	3,368,359
Computer equipment	57,393	18,745	-	76,138	50,380	10,413	-	60,793	15,345	7,013
Dump	88,118	-	-	88,118	88,118	-	-	88,118	-	-
Equipment, other	775,853	254,951	-	1,030,804	471,639	11,682	-	483,321	547,483	304,214
Fuel storage tanks	900,881	-	-	900,881	724,929	39,693	-	764,622	136,259	175,952
Roads	988,103	-	-	988,103	988,103	-	-	988,103	-	-
	8,613,834	1,014,329	(210,304)	9,417,859	4,542,208	490,386	(91,821)	4,940,773	4,477,086	4,071,626
	\$ 57,010,063	\$ 1,882,257	\$ (1,768,078)	\$ 57,124,242	\$ 28,056,503	\$ 2,006,531	\$ (1,230,750)	\$ 28,832,284	\$ 28,291,958	\$ 28,953,560

Kitasoo Indian Band

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March 31, 2016

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13. INTANGIBLES

	Cost	Accumulated Depreciation	2016	2015
Capital Fund - Indefinite-life intangible asset				
Fishing licenses	\$ 397,000	\$ -	\$ 397,000	\$ 397,000

14. 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.

15. FINANCIAL INSTRUMENTS

Risk management policy

The Kitasoo Indian Band is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at March 31, 2016.

Credit risk

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

The Kitasoo Indian 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 Indian Band believes that its loans receivable credit risk is limited because:

- Majority of its receivables are due from Canadian government agencies.
- The Kitasoo Indian Band 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 Indian Band 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.

Kitasoo Indian Band

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15. Continued...

Market risk

The Kitasoo Indian 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, 2016.

	Carrying amount	Contractual cash flows	0 to 1 year	2 to 4 years	Over 5 years
Accounts payable and accrued expenses	\$ 4,629,781	\$ 4,629,781	\$ 4,629,781	\$ -	\$ -
Long-term debt	6,266,826	6,266,826	172,639	677,879	5,416,308
	\$ 10,896,607	\$ 10,896,607	\$ 4,802,420	\$ 677,879	\$ 5,416,308

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 Indian Band 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.