



**Kitasoo Indian Band
Financial Statements**

March 31, 2017



Kitasoo Indian Band

INDEX TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2017

Management's Responsibility for Financial Reporting
Independent Auditors' Report

SUMMARY FINANCIAL STATEMENTS

Summary Statement of Financial Position	Statement 1
Summary Statement of Operations	Statement 2
Summary Statement of Changes in Financial Assets	Statement 3
Summary Statement of Cash Flows	Statement 4
Notes to Financial Statements	

KITASOO INDIAN BAND
March 31, 2017

**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

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, 2017, 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, 2017, 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.
June 26, 2017

R. Lynn Chay Hybuk
Chartered Professional Accountants

Kitasoo Indian Band
SUMMARY STATEMENT OF FINANCIAL POSITION

As at March 31, 2017

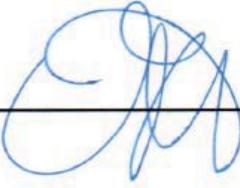
Statement 1

	2017	2016
Financial assets		
Cash - note 3	\$ 11,653,772	\$ 10,551,524
Restricted cash - note 3	201,766	197,583
Accounts receivable - note 4	1,586,281	675,711
Inventory	219,993	262,277
Investment in controlled enterprises - note 5	3,098,427	1,554,492
Investment in Western Princess Joint Venture - note 6	493,603	462,553
Total financial assets	17,253,842	13,704,140
Liabilities		
Accounts payable and accrued expenses	4,093,657	4,629,781
Deferred revenue - note 7	997,860	733,771
Long-term debt - note 8	6,094,348	6,266,826
Replacement Reserve - note 9	369,978	593,313
Silviculture liability	1,174,792	875,467
Total liabilities	12,730,635	13,099,158
Net financial assets	4,523,207	604,982
Non-financial assets		
Prepaid expenses and deposits	757,741	646,133
Deferred logging costs	3,069,318	3,386,440
Fixed assets - note 12	28,226,239	28,291,958
Intangibles - note 13	397,000	397,000
Total non-financial assets	32,450,298	32,721,531
Commitments - note 14		
Accumulated surplus	\$ 36,973,505	\$ 33,326,513

See accompanying notes

On behalf of Chief and Council:

Chief




 Councilor

Kitasoo Indian Band

SUMMARY STATEMENT OF OPERATIONS

For the year ended March 31, 2017		Statement 2	
		2017 Budget (note 15)	2017 Actual
Revenue			
Operating Fund			
Indigenous and Northern Affairs Canada	\$ 5,401,693	\$ 5,401,693	\$ 5,404,983
First Nations Health Authority	945,827	1,068,345	1,051,013
Province of British Columbia	67,000	67,079	67,338
Administration Fee	509,500	509,543	462,095
Carbon Credit Fund	497,300	497,364	431,860
Coast Funds	2,236,200	2,236,200	407,500
Department of Fisheries	339,800	339,821	409,366
First Nation Education Steering Committee	140,989	191,512	101,806
Marine Harvest	76,300	76,342	56,533
Interest Income	21,200	21,210	19,520
Rental and Lease	529,300	529,353	618,768
Treaty Negotiations Funding	40,000	40,000	50,000
Deferred revenue out	-	(658,710)	-
Other	3,901,000	3,901,022	2,911,055
Social Housing Fund	233,000	233,072	27,121
Trust Fund	4,100	4,139	4,298
Enterprise Fund			
Band Owned Enterprises	12,864,900	12,864,959	10,797,560
Share of income (loss), controlled entities	246,200	246,201	(101,125)
	28,054,309	27,569,145	22,719,691
Expenditure			
Operating Fund			
Band Government	544,800	544,819	1,926,910
Capital Projects	3,012,800	3,012,854	1,999,150
Economic Development and General	454,400	454,476	579,407
Band Operations			
Education	1,454,702	1,454,702	1,354,431
First Nations Health Authority	1,032,623	1,032,623	948,545
Housing Operations	449,500	449,530	224,886
Local Government Services	1,915,300	1,915,310	2,265,976
Resource Stewardship	1,289,600	1,289,642	1,106,043
Social Services	552,600	552,690	523,810
Treaty Negotiation	192,600	192,676	50,000
Depreciation	1,251,800	1,251,820	1,279,738
Social Housing Fund	384,300	384,302	369,000
Enterprise Fund	11,283,400	11,283,438	7,718,040
	23,818,425	23,818,882	20,345,936
Annual surplus	4,235,884	3,750,263	2,373,755
Accumulated surplus, beginning of year		33,326,513	30,985,429
Recoveries		(103,271)	(32,671)
Accumulated surplus, end of year		\$ 36,973,505	\$ 33,326,513

See accompanying notes



Kitasoo Indian Band
CONSOLIDATED STATEMENT OF CHANGE IN
FINANCIAL ASSETS

For the year ended March 31, 2017

Statement 3

	2017 Budget (note 15)	2017 Actual	2016 Actual
Annual surplus	\$ 4,235,884	\$ 3,750,263	\$ 2,373,755
Recoveries	(103,271)	(103,271)	(32,671)
	4,132,613	3,646,992	2,341,084
Acquisition of tangible capital assets	(1,764,700)	(1,764,744)	(1,882,257)
Amortization of tangible capital assets	1,824,100	1,824,121	2,006,531
Disposal of tangible capital assets	6,300	6,342	537,328
	65,700	65,719	661,602
Acquisition of prepaid asset - net	(111,600)	(111,608)	(81,339)
Use (acquisition) of deferred logging costs	317,100	317,122	(2,744,578)
	205,500	205,514	(2,825,917)
Increase in financial assets	4,403,813	3,918,225	176,769
Financial assets, beginning of year	604,982	604,982	428,213
Financial assets, end of year	\$ 5,008,795	\$ 4,523,207	\$ 604,982

See accompanying notes

Kitasoo Indian Band
SUMMARY STATEMENT OF CASH FLOWS

For the year ended March 31, 2017

Statement 4

	2017	2016
OPERATING ACTIVITIES		
Annual surplus	\$ 3,750,263	\$ 2,373,755
Recoveries	(103,271)	(32,671)
Items not affecting cash		
Depreciation	1,824,121	2,006,531
Appropriation to Replacement Reserve Fund	45,572	57,667
Recognition of resigned units		
Replacement Reserve Fund	(419,530)	(260,381)
Loss on disposal of fixed assets	1,675	9,842
Changes in non-cash working capital items	(635,482)	613,986
Cash provided by operating activities	4,463,348	4,768,729
INVESTING ACTIVITIES		
Proceeds received from sale of fixed assets	4,667	109,953
Replacement Reserve interest	44	14
Use of Replacement Reserve	(34,718)	(19,633)
Investment in controlled enterprises	(1,543,935)	44,148
Investment in joint venture	(31,050)	(112,553)
Fixed assets purchased	(1,579,447)	(1,464,724)
Cash used in investing activities	(3,184,439)	(1,442,795)
FINANCING ACTIVITIES		
Principal portion of Social Housing Fund loans	(169,769)	(236,407)
Principal portion of Capital Fund loan	(2,709)	(2,088)
Cash used in financing activities	(172,478)	(238,495)
Increase in cash during the year	1,106,431	3,087,439
Cash, beginning of year	10,749,107	7,661,668
Cash, end of year	\$ 11,855,538	\$ 10,749,107
Represented by		
Cash	\$ 11,653,772	\$ 10,551,524
Restricted Cash	201,766	197,583
	\$ 11,855,538	\$ 10,749,107

See accompanying notes

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

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, 2017

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, 2017

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) Prepaid expenses

Roe on Kelp License, rent deposits, and security deposits are included as prepaid expenses and valued at acquisition cost and are charged to expense over the periods the Kitasoo Indian Band is expected to benefit. The Roe on Kelp license, with a cost of \$375,000 is amortized over the 99 year lease expiring October 2093.

h) Inventory

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

i) 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.

j) 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.

k) Comparative figures

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

l) 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.

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

See Auditors' Report

1. Continued...

m) 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 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 \$141,028 (2016 - \$140,160).

Cash is comprised of the following:

	2017	2016
Bank funds and term deposits - Band Operations	\$ 6,245,444	\$ 5,010,331
Bank funds - Social Housing	19,768	25,581
Bank funds and term deposits - Enterprise Fund	5,388,560	5,515,612
<hr/>		<hr/>
\$ 11,653,772		\$ 10,551,524

Restricted cash is comprised of the following:

	2017	2016
Ottawa Trust Funds	\$ 157,584	\$ 153,445
Restricted cash - Social Housing	44,182	44,138
<hr/>		<hr/>
\$ 201,766		\$ 197,583

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

See Auditors' Report

4. ACCOUNTS RECEIVABLE

Account receivable consists of the following:	2017	2016
Due from band members:		
Cable fees	\$ 166,725	\$ 159,267
Less: allowance for doubtful accounts	(166,725)	(159,267)
Due from others:		
Indigenous and Northern Affairs Canada	35,042	12,423
AIG Insurance Company of Canada	122,500	252,412
Canada Revenue Agency	3,497	2,811
Canadian Mortgage and Housing Corporation	109,787	10,899
Central Coast Indigenous Resource Alliance	24,247	30,464
Coast Opportunity Fund	265,000	-
Department of Fisheries	50,374	78,952
Employee advances and loans	-	360
First Nation Education Steering Committee	23,289	1,558
Great Bear Initiative Society	-	18,085
Mid-Coast First Nations Training Society	153,731	-
Teranis Consulting Ltd.	-	15,682
Other amounts owing to Band	12,310	21,614
Other amounts owing to Kitasoo Band Store	4,229	7,136
Other amounts owing to First Nations Fuel	22,942	23,992
Other amounts owing to		
Kitasoo Seafoods Limited Partnership	229,238	60,819
Other amounts owing to		
Spirit Bear Adventures Limited Partnership	18,212	12,241
Other amounts owing to		
Kitasoo Forestry Limited Partnership	511,883	126,263
Less: allowance for doubtful accounts	1,586,281	675,711
	\$ 1,586,281	\$ 675,711

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

See Auditors' Report

5. INVESTMENTS IN FIRST NATION CONTROLLED ENTERPRISES

	2017	2016
Kitasoo Seafoods Ltd.		
Shares	\$ 2	\$ 2
Contributed surplus	1,464,455	1,464,455
Accumulated deficit	(1,425,921)	(1,425,229)
	38,536	39,228
Kitasoo Development Corporation		
Shares	1	1
Advances - direct	2,612,862	2,505,837
Advances - indirect	173,669	(993,516)
Accumulated deficit	(466,896)	(744,588)
	2,319,636	767,734
Kitasoo Hydro Power Ltd.		
Shares	1	1
Contributed surplus	2,241,230	2,241,230
Advances	(247,584)	(271,108)
Accumulated deficit	(1,275,419)	(1,245,461)
	718,228	724,662
Kitasoo Forest Company Ltd.		
Shares	24	24
Advances	77,406	77,406
Accumulated deficit	(55,404)	(54,563)
	22,026	22,867
Kitasoo Band Store Ltd.		
Shares	1	1
Advances	(1)	(1)
	-	-
Kitasoo Development GP Ltd.		
Shares	1	1
Advances	-	-
	1	1
Balance carried forward	\$ 3,098,427	\$ 1,554,492

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

See Auditors' Report

5. Continued ...

Balance brought forward	\$ 3,098,427	\$ 1,554,492
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)
	-	-
	\$ 3,098,427	\$ 1,554,492

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, 2017 is as follows:

	Assets	Liabilities	Revenue (loss)	Income (loss)
	\$	\$	\$	\$
Kitasoo Seafoods Ltd.	614,700	576,164	1	(692)
Kitasoo Development Corporation	3,158,554	2,687,774	344,117	277,692
Kitasoo Hydro Power Ltd.	970,812	5,000	56,662	(29,958)
Kitasoo Forest Company Ltd.	22,026	77,406	59	(841)
Kitasoo Band Store Ltd.	766,748	393,739	1,127,548	92,273
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, 2017

See Auditors' Report

7. DEFERRED REVENUE

Deferred revenue consists of the following.

	2017	2016
Operating Fund		
AIG Insurance Company of Canada	252,412	252,412
Liquid Natural Gas	-	250,000
Indigenous and Northern Affairs Canada	528,798	-
Enterprise Fund		
Unearned revenue	216,650	231,359
	\$ 997,860	\$ 733,771

8. LONG-TERM DEBT

	2017	2016
Mortgage payable.	-	6,381
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.	\$ 47,022	\$ 79,387
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.	\$ 57,487	76,242
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.	\$ 154,169	175,045
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.	\$ 131,169	145,140
Balance carried forward	\$ 389,847	\$ 482,195

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

See Auditors' Report

8. Continued ...

	2017	2016
Balance brought forward	\$ 389,847	\$ 482,195
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.	222,195	252,282
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.	443,708	491,042
Mortgage payable 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.	17,830	20,539
Amounts repayable upon settlement of the Band's claim under First Nation negotiation support agreements.	5,020,768	5,020,768
	\$ 6,094,348	\$ 6,266,826

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

2018	\$ 168,844
2019	\$ 151,788
2020	\$ 357,224
2021	\$ 316,826
2022	\$ 78,898

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

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, 2017, cash and term deposits required to fund the Old Program Replacement Reserve Fund were deficient by \$207,971 (2016 - \$420,616).

As at March 31, 2017, cash and term deposits required to fund the New Program Replacement Reserve Fund were deficient by \$117,825 (2016 - \$128,559).

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, 2017

See Auditors' Report

12. FIXED ASSETS

	2017							2016		
	Beginning Cost	Additions	Disposals	Ending Cost	Beginning Accumulated Depreciation	Depreciation	Disposals	Ending Accumulated Depreciation	Net Book Value	Net Book Value
Operating Fund										
Commercial buildings	\$ 16,696,976	\$ 604,833	\$ -	\$ 17,301,809	\$ 9,874,337	\$ 341,132	\$ -	\$ 10,215,469	\$ 7,086,340	\$ 6,822,639
Residential buildings	6,592,285	40,138	510,201	7,142,624	3,265,991	175,581	324,904	3,766,476	3,376,148	3,326,294
Infrastructure	15,912,917	868,955	-	16,781,872	5,552,223	539,759	-	6,091,982	10,689,890	10,360,694
Furniture and fixtures	328,094	4,391	-	332,485	295,934	6,892	-	302,826	29,659	32,160
Electronic equipment	372,043	27,000	-	399,043	368,676	1,050	-	369,726	29,317	3,367
Computer equipment	566,537	1,509	-	568,046	469,884	34,152	-	504,036	64,010	96,653
Vehicles and boats	2,537,325	32,566	-	2,569,891	1,757,200	143,630	-	1,900,830	669,061	780,125
Miscellaneous equipment	1,188,375	5,071	-	1,193,446	1,158,940	9,624	-	1,168,564	24,882	29,435
	44,194,552	1,584,463	510,201	46,289,216	22,743,185	1,251,820	324,904	24,319,909	21,969,307	21,451,367
Social Housing Fund										
Residential buildings	4,556,188	-	(510,201)	4,045,987	2,192,683	169,769	(324,904)	2,037,548	2,008,439	2,363,505
Appliances	86,978	-	-	86,978	86,978	-	-	86,978	-	-
	4,643,166	-	(510,201)	4,132,965	2,279,661	169,769	(324,904)	2,124,526	2,008,439	2,363,505
Enterprise Fund										
Vehicles and boats	520,435	73,785	(4,000)	590,220	335,679	51,307	(1,200)	385,786	204,434	184,756
Building and fixtures	5,813,380	40,854	(3,935)	5,850,299	2,220,137	237,533	(393)	2,457,277	3,393,022	3,593,243
Computer equipment	76,138	7,274	-	83,412	60,793	9,474	-	70,267	13,145	15,345
Dump	88,118	-	-	88,118	88,118	-	-	88,118	-	-
Equipment, other	1,030,804	58,368	-	1,089,172	483,321	64,674	-	547,995	541,177	547,483
Fuel storage tanks	900,881	-	-	900,881	764,622	39,544	-	804,166	96,715	136,259
Roads	988,103	-	-	988,103	988,103	-	-	988,103	-	-
	9,417,859	180,281	(7,935)	9,590,205	4,940,773	402,532	(1,593)	5,341,712	4,248,493	4,477,086
	\$ 58,255,577	\$ 1,764,744	\$ (7,935)	\$ 60,012,386	\$ 29,963,619	\$ 1,824,121	\$ (1,593)	\$ 31,786,147	\$ 28,226,239	\$ 28,291,958

During the year, Social Housing Fund assets were released to the Operating Fund with a cost of \$510,201 (2016 - \$1,548,868) and accumulated depreciation of \$324,904 (2016 - \$1,131,335). On a consolidated basis, there has been no change to the assets on hand so the Operating Fund acquisition has been offset against the Social Housing Fund disposition.

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

See Auditors' Report

13. INTANGIBLES

	Cost	Accumulated Depreciation	2017	2016
Capital Fund - Indefinite-life intangible asset				
Fishing licenses	\$ 397,000	\$ -	\$ 397,000	\$ 397,000

14. COMMITMENTS

The Kitasoo Indian Band leases its office premises located at #699 - 650 West Georgia Street, Vancouver, BC from Hopp Realty Inc., London Life Insurance Company and The Great West Life Assurance Company. The lease commences on May 1, 2017 and expires on April 30, 2020. In addition, Kitasoo Indian Band is liable for its proportionate share of property taxes and operating costs. Future minimum lease payments are:

2018	\$ 15,073
2019	\$ 16,443
2020	\$ 17,001
2021	\$ 1,421
2022	\$ -

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 Indian Band is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at March 31, 2017.

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:

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

See Auditors' Report

16. Continued...

- 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.

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, 2017.

	Carrying amount	Contractual cash flows	0 to 1 year	2 to 4 years	Over 5 years
Accounts payable and accrued expenses	\$ 4,093,657	\$ 4,093,657	\$ 4,093,657	\$ -	\$ -
Long-term debt	6,094,348	6,094,348	168,844	825,838	5,099,666
	\$ 10,188,005	\$ 10,188,005	\$ 4,262,501	\$ 825,838	\$ 5,099,666

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.