



**Kitasoo Indian Band
Financial Statements**

March 31, 2018



Kitasoo Indian Band

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For the year ended March 31, 2018

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KITASOO INDIAN BAND
March 31, 2018

**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.

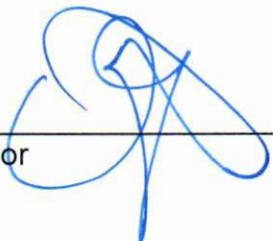
Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

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

A handwritten signature in blue ink, appearing to read "John Haylock", is placed over a horizontal line next to the title "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, 2018, 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, 2018, 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 11, 2018

Riley Clay Hybick
Chartered Professional Accountants

Kitasoo Indian Band
SUMMARY STATEMENT OF FINANCIAL POSITION
Statement 1

As at March 31, 2018

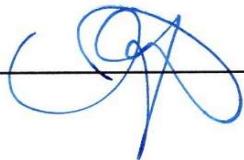
See Auditors' Report

	2018	2017
Financial assets		
Cash - note 3	\$ 13,473,939	\$ 11,653,772
Restricted cash - note 3	206,507	201,766
Accounts receivable - note 4	1,240,941	1,586,281
Inventory and predevelopment costs	2,627,005	3,289,311
Investment in controlled enterprises - note 5	3,396,921	3,098,426
Investment in Western Princess Joint Venture - note 6	355,670	493,603
Total financial assets	21,300,983	20,323,159
Liabilities		
Operating loan	\$ 941,216	\$ 1,512,332
Accounts payable and accrued expenses	2,675,161	2,581,323
Deferred revenue - note 7	1,566,511	997,860
Long-term debt - note 8	5,925,513	6,094,348
Silviculture liability	1,057,957	1,174,792
Total liabilities	12,166,358	12,360,655
Net financial assets	9,134,625	7,962,504
Non-financial assets		
Prepaid expenses and deposits	613,780	713,290
Security deposits	44,450	44,450
Fixed assets - note 9	29,852,612	27,976,239
Intangible assets - note 10	1,522,000	647,000
Total non-financial assets	32,032,842	29,380,979
Contingent asset - note 11		
Commitments - note 12		
Accumulated surplus - note 13	\$ 41,167,467	\$ 37,343,483

See accompanying notes

On behalf of Chief and Council:

Chief



Roxanne Palenske
Councillor

Kitasoo Indian Band
SUMMARY STATEMENT OF OPERATIONS
Statement 2

For the year ended March 31, 2018		See Auditors' Report		
	2018 Budget (note 14)	2018 Actual	2017 Actual	
Revenue				
Operating Fund				
Indigenous Services Canada	\$ 5,031,234	\$ 5,031,234	\$ 5,401,693	
First Nations Health Authority	942,110	1,238,846	1,068,345	
Province of British Columbia	77,400	77,424	67,079	
Administration Fee	528,000	528,093	510,343	
Carbon Credit Fund	334,800	334,847	497,364	
Coast Funds	684,300	684,365	2,236,200	
Department of Fisheries	349,800	349,821	339,821	
First Nation Education Steering Committee	223,172	248,173	191,512	
Marine Harvest	-	-	80,734	
Interest Income	28,300	28,319	21,210	
Rental and Lease	685,600	685,688	529,353	
Treaty Negotiations Funding	-	-	40,000	
Deferred revenue out - net	-	(529,468)	(658,710)	
Other	5,383,200	5,383,270	3,893,022	
Social Housing Fund	295,100	295,175	233,072	
Trust Fund	4,600	4,697	4,139	
Enterprise Fund				
Band Owned Enterprises	18,026,600	18,026,669	16,477,496	
Share of income, controlled entities	13,200	13,208	246,201	
	32,607,416	32,400,361	31,178,874	
Expenditure				
Operating Fund				
Band Government	84,200	84,294	537,619	
Capital Projects	2,535,500	2,535,531	3,012,854	
Economic Development and General	1,086,700	1,086,798	458,868	
Band Operations				
Education	1,773,014	1,773,014	1,454,702	
First Nations Health Authority	1,176,241	1,176,241	1,032,623	
Housing Operations	732,700	732,767	449,530	
Local Government Services	2,228,400	2,228,449	1,915,310	
Resource Stewardship	1,279,100	1,279,116	1,289,642	
Social Services	396,500	396,596	552,690	
Treaty Negotiation	-	-	192,676	
Depreciation	1,242,600	1,242,646	1,251,820	
Social Housing Fund	230,800	230,823	607,637	
Enterprise Fund	15,698,700	15,698,792	14,895,975	
	28,464,455	28,465,067	27,651,946	
Annual surplus	4,142,961	3,935,294	3,526,928	
Accumulated surplus, beginning of year		37,343,483	33,919,826	
Recoveries		(111,310)	(103,271)	
Accumulated surplus, end of year		\$41,167,467	\$37,343,483	

See accompanying notes

Kitasoo Indian Band
CONSOLIDATED STATEMENT OF CHANGE IN
FINANCIAL ASSETS

Statement 3

For the year ended March 31, 2018

See Auditors' Report

	2018 Budget (note 14)	2018 Actual	2017 Actual
Annual surplus	\$ 4,142,961	\$ 3,935,294	\$ 3,526,928
Recoveries	(111,310)	(111,310)	(103,271)
	4,031,651	3,823,984	3,423,657
Acquisition of tangible capital assets	(3,682,800)	(3,682,886)	(1,764,744)
Amortization of tangible capital assets	1,806,500	1,806,513	1,824,121
Disposal of tangible capital assets	-	-	6,342
Acquisition of intangible assets	(875,000)	(875,000)	-
	(2,751,300)	(2,751,373)	65,719
Use (acquisition) of prepaid asset - net	99,500	99,510	(67,157)
Increase in net financial assets	1,379,851	1,172,121	3,422,219
Net financial assets, beginning of year	7,962,504	7,962,504	4,540,285
Net financial assets, end of year	\$ 9,342,355	\$ 9,134,625	\$ 7,962,504

See accompanying notes

Kitasoo Indian Band
SUMMARY STATEMENT OF CASH FLOWS
Statement 4

For the year ended March 31, 2018

See Auditors' Report

2018 2017

OPERATING ACTIVITIES

Annual surplus	\$ 3,935,294	\$ 3,526,928
Recoveries	(111,310)	(103,271)
Items not affecting cash		
Depreciation	1,806,513	1,824,121
Recognition of resigned units	-	(185,297)
Loss on disposal of fixed assets	-	1,675
Changes in non-cash working capital items	1,081,694	(635,483)
Cash provided by operating activities	6,712,191	4,428,673

INVESTING ACTIVITIES

Proceeds received from sale of fixed assets	-	4,667
Investment in controlled enterprises	(298,495)	(1,543,934)
Investment in joint venture	137,933	(31,050)
Fixed assets purchased	(3,682,886)	(1,579,447)
Intangibles purchased	(875,000)	-
Cash used in investing activities	(4,718,448)	(3,149,764)

FINANCING ACTIVITIES

Principal portion of Social Housing Fund loans	(165,978)	(169,769)
Principal portion of Capital Fund loan	(2,857)	(2,709)
Cash used in financing activities	(168,835)	(172,478)

Increase in cash during the year	1,824,908	1,106,431
Cash, beginning of year	11,855,538	10,749,107

Cash, end of year \$ 13,680,446 \$ 11,855,538

Represented by

Cash	\$ 13,473,939	\$ 11,653,772
Restricted Cash	206,507	201,766
	\$ 13,680,446	\$ 11,855,538

See accompanying notes

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

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, 2018

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, 2018

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, 2018

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 Services 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 \$141,946 (2017 - \$141,028).

Cash is comprised of the following:

	2018	2017
Bank funds and term deposits - Band Operations	\$ 5,878,561	\$ 6,245,444
Bank funds - Social Housing	34,182	19,768
Bank funds and term deposits - Enterprise Fund	7,561,196	5,388,560
<hr/> \$ 13,473,939		<hr/> \$ 11,653,772

Restricted cash is comprised of the following:

	2018	2017
Ottawa Trust Funds	\$ 162,281	\$ 157,584
Restricted cash - Social Housing	44,226	44,182
<hr/> \$ 206,507		<hr/> \$ 201,766

Kitasoo Indian Band
NOTES TO FINANCIAL STATEMENTS

March 31, 2018

See Auditors' Report

4. ACCOUNTS RECEIVABLE

Account receivable consists of the following:	2018	2017
Due from band members:		
Cable and internet user fees	\$ 194,723	\$ 166,725
Less: allowance for doubtful accounts	<u>(194,723)</u>	<u>(166,725)</u>
Due from others:		
Indigenous Services Canada	34,558	35,042
AIG Insurance Company of Canada	122,500	122,500
Canada Revenue Agency	4,816	3,497
Canadian Mortgage and Housing Corporation	33,199	109,787
Central Coast Indigenous Resource Alliance	43,584	24,247
Coast Opportunity Fund	-	265,000
Department of Fisheries	42,108	50,374
Employee advances and loans	6,660	-
Environment Canada	56,560	-
First Nation Education Steering Committee	28,468	23,289
Great Bear Initiative Society	5,732	-
Mid-Coast First Nations Training Society	-	153,731
Other amounts owing to Band	113,354	12,310
Other amounts owing to Kitasoo Band Store	18,072	4,229
Other amounts owing to First Nations Fuel	57,320	22,942
Other amounts owing to		
Kitasoo Seafoods Limited Partnership	170,262	229,238
Other amounts owing to		
Spirit Bear Adventures Limited Partnership	17,357	18,212
Other amounts owing to		
Kitasoo Forestry Limited Partnership	486,392	511,883
	1,240,941	1,586,281
Less: allowance for doubtful accounts	-	-
	\$ 1,240,941	\$ 1,586,281

Kitasoo Indian Band
NOTES TO FINANCIAL STATEMENTS

March 31, 2018

See Auditors' Report

5. INVESTMENTS IN FIRST NATION CONTROLLED ENTERPRISES

	2018	2017
Kitasoo Seafoods Ltd.		
Shares	\$ 2	\$ 2
Contributed surplus	1,464,455	1,464,455
Accumulated deficit	(1,424,924)	(1,425,921)
	39,533	38,536
Kitasoo Development Corporation		
Shares	1	1
Advances - direct	2,679,112	2,612,862
Advances - indirect	375,170	173,669
Accumulated deficit	(455,694)	(466,896)
	2,598,589	2,319,636
Kitasoo Hydro Power Ltd.		
Shares	1	1
Contributed surplus	2,241,230	2,241,230
Advances	(230,046)	(247,584)
Accumulated deficit	(1,273,248)	(1,275,419)
	737,937	718,228
Kitasoo Forest Company Ltd.		
Shares	24	24
Advances	77,406	77,406
Accumulated deficit	(56,566)	(55,404)
	20,864	22,026
Kitasoo Band Store Ltd.		
Shares	1	1
Advances	(1)	(1)
	-	-
Kitasoo Development GP Ltd.		
Shares	(2)	-
Advances	-	-
	(2)	-
Balance carried forward	\$ 3,396,921	\$ 3,098,426

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

See Auditors' Report

5. Continued ...

Balance brought forward	\$ 3,396,921	\$ 3,098,426
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)
	-	-
	\$ 3,396,921	\$ 3,098,426

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, 2018 is as follows:

	Assets	Liabilities	Revenue (loss)	Income (loss)
	\$	\$	\$	\$
Kitasoo Seafoods Ltd.	615,332	575,799	(3)	997
Kitasoo Development Corporation	3,157,331	2,675,349	89,491	11,202
Kitasoo Hydro Power Ltd.	972,983	5,000	83,139	2,171
Kitasoo Forest Company Ltd.	20,864	77,406	149	(1,162)
Kitasoo Band Store Ltd.	890,338	397,717	1,161,048	119,612
Kitasoo Development GP Ltd.	-	-	(2)	(2)
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, 2018

See Auditors' Report

7. DEFERRED REVENUE

Deferred revenue consists of the following.

	2018	2017
Operating Fund		
AIG Insurance Company of Canada	\$ -	\$ 252,412
Indigenous Services Canada	<u>1,310,678</u>	528,798
Enterprise Fund		
Unearned revenue	<u>255,833</u>	216,650
	<u>\$ 1,566,511</u>	<u>\$ 997,860</u>

8. LONG-TERM DEBT

	2018	2017
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 Services Canada and a first mortgage on seven housing units and appliances and general assignment of rent in these seven units.	\$ 13,975	\$ 47,022
Mortgage payable with payments of \$1,624 per month including interest at 2.11% (2017 - 2.69%) per annum, maturing March 1, 2020, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on four housing units.	38,531	57,487
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 Services Canada and a first mortgage on six housing units.	132,885	154,169
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 Services Canada and a first mortgage on six housing units.	116,955	131,169
Balance carried forward	<u>\$ 302,346</u>	<u>\$ 389,847</u>

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

See Auditors' Report

8. Continued ...

	2018	2017
Balance brought forward	\$ 302,346	\$ 389,847
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 Services Canada and a first mortgage on six housing units.	191,520	222,195
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 Services Canada and a first mortgage on seven housing units.	395,906	443,708
Mortgage payable with payments of \$303 per month including interest at 4.79% per annum, renewing May 1, 2021, secured by secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on triplex housing unit.	14,973	17,830
Amounts repayable upon settlement of the Band's claim under First Nation negotiation support agreements.	5,020,768	5,020,768
	\$ 5,925,513	\$ 6,094,348

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

2019	\$ 151,791
2020	\$ 357,228
2021	\$ 316,828
2022	\$ 78,898
2023	\$ -

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

See Auditors' Report

9. FIXED ASSETS

2018										2017
	Beginning Cost	Additions	Disposals	Ending Cost	Beginning Accumulated Depreciation	Depreciation	Disposals	Ending Accumulated Depreciation	Net Book Value	Net Book Value
Operating Fund										
Commercial buildings	\$ 17,301,809	\$ 1,490,404	\$ -	\$ 18,792,213	\$ 10,215,469	\$ 325,346	\$ -	\$ 10,540,815	\$ 8,251,398	\$ 7,086,340
Residential buildings	7,142,624	528,406	-	7,671,030	3,766,476	171,021	-	3,937,497	3,733,533	3,376,148
Infrastructure	16,781,872	951,118	-	17,732,990	6,091,982	558,273	-	6,650,255	11,082,735	10,689,890
Furniture and fixtures	332,485	76,276	-	408,761	302,826	13,558	-	316,384	92,377	29,659
Electronic equipment	399,043	-	-	399,043	369,726	8,797	-	378,523	20,520	29,317
Computer equipment	568,046	3,078	-	571,124	504,036	22,941	-	526,977	44,147	64,010
Vehicles and boats	2,569,891	39,150	-	2,609,041	1,900,830	132,302	-	2,033,132	575,909	669,061
Miscellaneous equipment	1,193,446	19,593	-	1,213,039	1,168,564	10,408	-	1,178,972	34,067	24,882
	46,289,216	3,108,025	-	49,397,241	24,319,909	1,242,646	-	25,562,555	23,834,686	21,969,307
Social Housing Fund										
Residential buildings	4,045,987	-	-	4,045,987	2,037,548	165,978	-	2,203,526	1,842,461	2,008,439
Appliances	86,978	-	-	86,978	86,978	-	-	86,978	-	-
	4,132,965	-	-	4,132,965	2,124,526	165,978	-	2,290,504	1,842,461	2,008,439
Enterprise Fund										
Vehicles and boats	590,220	18,876	-	609,096	385,786	50,079	-	435,865	173,231	204,434
Building and fixtures	5,850,299	458,812	-	6,309,111	2,457,277	232,730	-	2,690,007	3,619,104	3,393,022
Computer equipment	83,412	18,188	-	101,600	70,267	9,186	-	79,453	22,147	13,145
Dump	88,118	-	-	88,118	88,118	-	-	88,118	-	-
Equipment, other	839,172	77,765	-	916,937	547,995	66,345	-	614,340	302,597	291,177
Fuel storage tanks	900,881	1,220	-	902,101	804,166	39,549	-	843,715	58,386	96,715
Roads	988,103	-	-	988,103	988,103	-	-	988,103	-	-
	9,340,205	574,861	-	9,915,066	5,341,712	397,889	-	5,739,601	4,175,465	3,998,493
	\$ 59,762,386	\$ 3,682,886	\$ -	\$ 63,445,272	\$ 31,786,147	\$ 1,806,513	\$ -	\$ 33,592,660	\$ 29,852,612	\$ 27,976,239

Kitasoo Indian Band

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10. INTANGIBLE ASSETS

	Cost	Accumulated Depreciation	2018	2017
Capital Fund - Indefinite-life intangible asset				
Fishing licenses	\$ 397,000	\$ -	\$ 397,000	\$ 397,000
Sea cucumber license	875,000	-	875,000	-
Forestry license	250,000	-	250,000	250,000
	\$ 1,522,000	\$ -	\$ 1,522,000	\$ 647,000

11. CONTINGENT ASSET

The Kitasoo Indian Band has filed a claim in the amount of \$175,000 plus a margin clause of 15% which increases the claim to \$201,250 with the insurance company to cover the cost of construction related to a home destroyed by fire. The insurance company has released \$122,500 of the claim amount which is being held by Canadian Mortgage and Housing Corporation in trust for Kitasoo Indian Band.

12. 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:

2019	\$ 16,443
2020	\$ 17,001
2021	\$ 1,421

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

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13. ACCUMULATED SURPLUS

	2018	2017
OPERATING FUND	\$ 26,086,430	\$ 24,672,580
SOCIAL HOUSING FUND		
Operating Fund	(218,139)	(244,729)
Replacement Reserve Fund	407,740	369,978
Equity	952,689	952,689
OTTAWA TRUST FUNDS	162,281	157,584
ENTERPRISE FUND	13,776,466	11,435,381
	\$ 41,167,467	\$ 37,343,483

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, 2018, cash and term deposits required to fund the Old Program Replacement Reserve Fund were deficient by \$233,349 (2017 - \$207,971).

As at March 31, 2018, cash and term deposits required to fund the New Program Replacement Reserve Fund were deficient by \$130,165 (2017 - \$117,825).

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.

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

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13. Continued...

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.

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, 2018.

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

NOTES TO FINANCIAL STATEMENTS

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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, 2018.

	Carrying amount	Contractual cash flows	0 to 1 year	2 to 4 years	Over 5 years
Operating loan	\$ 941,216	\$ 941,216	\$ 941,216	\$ -	\$ -
Accounts payable and accrued expenses	2,675,161	2,675,161	2,675,161	-	-
Long-term debt	5,925,513	5,925,513	151,791	752,954	5,020,768
	<hr/> \$ 9,541,890	<hr/> \$ 9,541,890	<hr/> \$ 3,768,168	<hr/> \$ 752,954	<hr/> \$ 5,020,768

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.