



**Kitasoo Indian Band  
Financial Statements**

**March 31, 2019**

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# **Kitasoo Indian Band**

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**For the year ended March 31, 2019**

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**KITASOO INDIAN BAND**  
**March 31, 2019**

**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 AUDITOR'S REPORT

To: The Members of Kitasoo Indian Band.

### Report on the Audit of the Consolidated Financial Statements

We have audited the consolidated financial statements of Kitasoo Indian Band, which comprise the consolidated statement of financial position as at March 31, 2019 and March 31, 2018, and the consolidated statements of operations, changes in financial assets and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Kitasoo Indian Band as at March 31, 2019 and March 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is
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sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
  - We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mike Chang, CPA, CA.

Port Coquitlam, B.C.  
**July 3, 2019**

Chartered Professional Accountants

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**Kitasoo Indian Band**  
**SUMMARY STATEMENT OF FINANCIAL POSITION**  
**Statement 1**

As at March 31, 2019


See Auditors' Report

	2019	2018
<b>Financial assets</b>		
Cash - note 3	\$ 15,502,112	\$ 13,473,939
Restricted cash - note 3	545,909	206,507
Accounts receivable - note 4	1,150,800	1,240,941
Inventory and predevelopment costs	4,137,899	2,627,005
Investment in controlled enterprises - note 5	3,696,501	3,396,921
Investment in Western Princess Joint Venture - note 6	490,319	355,670
<b>Total financial assets</b>	<b>25,523,540</b>	<b>21,300,983</b>
<b>Liabilities</b>		
Operating loan	\$ 1,741,278	\$ 941,216
Accounts payable and accrued expenses	2,574,792	2,675,161
Deferred revenue - note 7	1,066,879	1,566,511
Long-term debt - note 8	5,773,726	5,925,513
Silviculture liability	1,112,253	1,057,957
<b>Total liabilities</b>	<b>12,268,928</b>	<b>12,166,358</b>
<b>Net financial assets</b>	<b>13,254,612</b>	<b>9,134,625</b>
<b>Non-financial assets</b>		
Prepaid expenses and deposits	914,817	613,780
Security deposits	85,200	44,450
Fixed assets - note 9	30,178,636	29,852,612
Intangible assets - note 10	1,522,000	1,522,000
<b>Total non-financial assets</b>	<b>32,700,653</b>	<b>32,032,842</b>
<b>Commitments - note 11</b>		
<b>Accumulated surplus - note 12</b>	<b>\$ 45,955,265</b>	<b>\$ 41,167,467</b>

See accompanying notes

On behalf of Chief and Council:

  
 Chief

  
 Councilor



**Kitasoo Indian Band**  
**SUMMARY STATEMENT OF OPERATIONS**  
**Statement 2**

For the year ended March 31, 2019		See Auditors' Report	
	2019 Budget (note 14)	2019 Actual	2018 Actual
<b>Revenue</b>			
<b>Operating Fund</b>			
Indigenous Services Canada	\$ 4,686,370	\$ 4,686,370	\$ 5,031,234
First Nations Health Authority	1,104,034	1,330,523	1,238,846
Province of British Columbia	72,600	72,687	77,424
Administration Fee	501,500	501,593	528,093
Carbon Credit Fund	309,100	309,114	334,847
Coast Funds	335,000	335,000	684,365
Department of Fisheries	356,400	356,466	349,821
First Nation Education Steering Committee	186,826	341,303	248,173
Marine Harvest	-	-	-
Interest Income	57,300	57,333	28,319
Rental and Lease	782,600	782,631	685,688
Treaty Negotiations Funding	10,000	10,000	-
Deferred revenue out - net	-	542,400	(529,468)
Other	5,942,500	5,942,556	5,383,270
<b>Social Housing Fund</b>	284,300	284,300	295,175
<b>Trust Fund</b>	4,800	4,880	4,697
<b>Enterprise Fund</b>			
Band Owned Enterprises	18,713,600	18,713,606	18,026,669
Share of (loss) income, controlled entities	(42,000)	(42,026)	13,208
	<b>33,304,930</b>	<b>34,228,736</b>	<b>32,400,361</b>
<b>Expenditure</b>			
<b>Operating Fund</b>			
Band Government	110,800	110,868	84,294
Capital Projects	1,978,500	1,978,514	2,535,531
Economic Development and General	1,493,400	1,493,436	1,086,798
Band Operations			
Education	1,701,567	1,701,567	1,773,014
First Nations Health Authority	1,246,557	1,246,557	1,176,241
Housing Operations	253,700	253,784	732,767
Local Government Services	2,512,900	2,512,906	2,228,449
Resource Stewardship	1,540,500	1,540,543	1,279,116
Social Services	347,100	347,151	396,596
Treaty Negotiation	-	-	-
Depreciation	1,369,300	1,369,352	1,242,646
<b>Social Housing Fund</b>	315,100	315,170	230,823
<b>Enterprise Fund</b>	16,542,700	16,542,716	15,698,792
	<b>29,412,124</b>	<b>29,412,564</b>	<b>28,465,067</b>
<b>Annual surplus</b>		<b>4,816,172</b>	<b>3,935,294</b>
Accumulated surplus, beginning of year		<b>41,167,467</b>	<b>37,343,483</b>
Recoveries		<b>(28,374)</b>	<b>(111,310)</b>
<b>Accumulated surplus, end of year</b>		<b>\$ 45,955,265</b>	<b>\$ 41,167,467</b>
See accompanying notes			

**Kitasoo Indian Band**  
**CONSOLIDATED STATEMENT OF CHANGE IN**  
**FINANCIAL ASSETS**

**Statement 3**

For the year ended March 31, 2019

See Auditors' Report

	2019 Budget (note 14)	2019 Actual	2018 Actual
<b>Annual surplus</b>	\$ -	\$ 4,816,172	\$ 3,935,294
<b>Recoveries</b>	<b>(28,374)</b>	<b>(28,374)</b>	<b>(111,310)</b>
	<b>(28,374)</b>	<b>4,787,798</b>	<b>3,823,984</b>
Acquisition of tangible capital assets	<b>(2,215,000)</b>	<b>(2,215,037)</b>	<b>(3,682,886)</b>
Amortization of tangible capital assets	<b>1,889,000</b>	<b>1,889,013</b>	<b>1,806,513</b>
Acquisition of intangible assets		<b>-</b>	<b>(875,000)</b>
	<b>(326,000)</b>	<b>(326,024)</b>	<b>(2,751,373)</b>
(Acquisition) use of prepaid asset - net	<b>(341,700)</b>	<b>(341,787)</b>	<b>99,510</b>
	<b>(341,700)</b>	<b>(341,787)</b>	<b>99,510</b>
Increase in net financial assets	<b>(696,074)</b>	<b>4,119,987</b>	<b>1,172,121</b>
Net financial assets, beginning of year	<b>9,134,625</b>	<b>9,134,625</b>	<b>7,962,504</b>
<b>Net financial assets, end of year</b>	<b>\$ 8,438,551</b>	<b>\$ 13,254,612</b>	<b>\$ 9,134,625</b>

*See accompanying notes*

**Kitasoo Indian Band**  
**SUMMARY STATEMENT OF CASH FLOWS**  
**Statement 4**

For the year ended March 31, 2019

See Auditors' Report

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 4,816,172	\$ 3,935,294
Recoveries	(28,374)	(111,310)
Items not affecting cash		
Depreciation	1,889,013	1,806,513
Changes in non-cash working capital items	(1,508,183)	1,081,694
<b>Cash provided by operating activities</b>	<b>5,168,628</b>	<b>6,712,191</b>
<b>INVESTING ACTIVITIES</b>		
Investment in controlled enterprises	(299,580)	(298,495)
Investment in joint venture	(134,649)	137,933
Fixed assets purchased	(2,215,037)	(3,682,886)
Intangibles purchased	-	(875,000)
<b>Cash used in investing activities</b>	<b>(2,649,266)</b>	<b>(4,718,448)</b>
<b>FINANCING ACTIVITIES</b>		
Principal portion of Social Housing Fund loans	(148,791)	(165,978)
Principal portion of Capital Fund loan	(2,996)	(2,857)
<b>Cash used in financing activities</b>	<b>(151,787)</b>	<b>(168,835)</b>
<b>Increase in cash during the year</b>	<b>2,367,575</b>	<b>1,824,908</b>
Cash, beginning of year	13,680,446	11,855,538
<b>Cash, end of year</b>	<b>\$ 16,048,021</b>	<b>\$ 13,680,446</b>
<b>Represented by</b>		
Cash	\$ 15,502,112	\$ 13,473,939
Restricted Cash	545,909	206,507
	<b>\$ 16,048,021</b>	<b>\$ 13,680,446</b>

See accompanying notes

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# Kitasoo Indian Band

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2019

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.

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# Kitasoo Indian Band

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2019

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%

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## Kitasoo Indian Band

### NOTES TO FINANCIAL STATEMENTS

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March 31, 2019

See Auditors' Report

**1. Continued...**

Dump	20%
Roads	5%

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

**g) 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.

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## Kitasoo Indian Band

### NOTES TO FINANCIAL STATEMENTS

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March 31, 2019

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 \$143,056 (2018 - \$141,946).

Cash is comprised of the following:

	2019	2018
Bank funds and term deposits - Band Operations	\$ 6,923,091	\$ 5,878,561
Bank funds - Social Housing	28,866	34,182
Bank funds and term deposits - Enterprise Fund	8,550,155	7,561,196
	<b>\$ 15,502,112</b>	<b>\$ 13,473,939</b>

Included in the Enterprise Fund cash is \$647,116 (2018 - \$625,012) CDN of funds denominated in US dollars.

Restricted cash is comprised of the following:

	2019	2018
Ottawa Trust Funds	\$ 167,161	\$ 162,281
Restricted cash - Social Housing	378,748	44,226
	<b>\$ 545,909</b>	<b>\$ 206,507</b>

# Kitasoo Indian Band

## NOTES TO FINANCIAL STATEMENTS

March 31, 2019

See Auditors' Report

### 4. ACCOUNTS RECEIVABLE

Account receivable consists of the following:	2019	2018
Due from band members:		
Cable and internet user fees	\$ 213,399	\$ 194,723
Less: allowance for doubtful accounts	(213,399)	(194,723)
	-	-
Due from others:		
Indigenous Services Canada	3,000	34,558
AIG Insurance Company of Canada	-	122,500
Canada Revenue Agency	2,413	4,816
Canadian Mortgage and Housing Corporation	19,914	33,199
Central Coast Indigenous Resource Alliance	19,375	43,584
Department of Fisheries	121,222	42,108
Employee advances and loans	5,806	6,660
Environment Canada	-	56,560
First Nation Education Steering Committee	41,694	28,468
Great Bear Initiative Society	-	5,732
Mid-Coast First Nations Training Society	17,900	-
Other amounts owing to Band	157,266	113,354
Other amounts owing to Kitasoo Band Store	20,837	18,072
Other amounts owing to First Nations Fuel	79,984	57,320
Other amounts owing to		
Kitasoo Seafoods Limited Partnership	126,819	170,262
Other amounts owing to		
Spirit Bear Adventures Limited Partnership	73,886	17,357
Other amounts owing to		
Kitasoo Forestry Limited Partnership	460,684	486,392
	1,150,800	1,240,941
Less: allowance for doubtful accounts	-	-
	\$ 1,150,800	\$ 1,240,941



# Kitasoo Indian Band

## NOTES TO FINANCIAL STATEMENTS

March 31, 2019

See Auditors' Report

### 5. INVESTMENTS IN FIRST NATION CONTROLLED ENTERPRISES

	2019	2018
Kitasoo Seafoods Ltd.		
Shares	\$ 2	\$ 2
Contributed surplus	1,464,455	1,464,455
Accumulated deficit	(1,424,912)	(1,424,924)
	<b>39,545</b>	39,533
Kitasoo Development Corporation		
Shares	1	1
Advances - direct	3,003,180	2,679,112
Advances - indirect	375,170	375,170
Accumulated deficit	(518,963)	(455,694)
	<b>2,859,388</b>	2,598,589
Kitasoo Hydro Power Ltd.		
Shares	1	1
Contributed surplus	2,241,230	2,241,230
Advances	(212,508)	(230,046)
Accumulated deficit	(1,252,107)	(1,273,248)
	<b>776,616</b>	737,937
Kitasoo Forest Company Ltd.		
Shares	24	24
Advances	77,406	77,406
Accumulated deficit	(56,476)	(56,566)
	<b>20,954</b>	20,864
Kitasoo Band Store Ltd.		
Shares	1	1
Advances	(1)	(1)
	-	-
Kitasoo Development GP Ltd.		
Shares	(2)	(2)
Advances	-	-
	<b>(2)</b>	<b>(2)</b>
Balance carried forward	<b>\$ 3,696,501</b>	<b>\$ 3,396,921</b>

# Kitasoo Indian Band

## NOTES TO FINANCIAL STATEMENTS

March 31, 2019

See Auditors' Report

### 5. Continued ...

Balance brought forward	<b>\$ 3,696,501</b>	\$ 3,396,921
Klemtu Tourism Ltd.		
Shares	<b>10</b>	10
Advances	<b>163,199</b>	163,199
Accumulated deficit	<b>(163,209)</b>	(163,209)
	-	-
Kitasoo Aqua Farm Ltd.		
Shares	<b>1</b>	1
Advances	<b>(1)</b>	(1)
	-	-
	<b>\$ 3,696,501</b>	\$ 3,396,921

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, 2019 is as follows:

	Assets	Liabilities	Revenue (loss)	Income (loss)
	\$	\$	\$	\$
Kitasoo Seafoods Ltd.	619,465	579,920	12	12
Kitasoo Development Corporation	3,422,893	3,004,180	35,097	(63,269)
Kitasoo Hydro Power Ltd.	995,024	5,900	100,936	21,141
Kitasoo Forest Company Ltd.	20,954	77,406	90	90
Kitasoo Band Store Ltd.	1,048,983	426,438	1,295,739	129,924
Kitasoo Development GP Ltd.	-	-	-	-
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, 2019

See Auditors' Report

### 7. DEFERRED REVENUE

Deferred revenue consists of the following.

	2019	2018
Operating Fund		
AIG Insurance Company of Canada	\$ -	\$ 252,412
First Nations Health Authority	43,452	-
Indigenous Services Canada	768,278	1,058,266
Enterprise Fund		
Unearned revenue	255,149	255,833
	<b>\$ 1,066,879</b>	<b>\$ 1,566,511</b>

### 8. LONG-TERM DEBT

	2019	2018
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
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.	19,369	38,531
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.	111,176	132,885
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.	102,583	116,955
Balance carried forward	<b>\$ 233,128</b>	<b>\$ 302,346</b>

# Kitasoo Indian Band

## NOTES TO FINANCIAL STATEMENTS

March 31, 2019

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### 8. Continued ...

	2019	2018
Balance brought forward	\$ 233,128	\$ 302,346
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.	160,234	191,520
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.	347,619	395,906
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.	11,977	14,973
Amounts repayable upon settlement of the Band's claim under First Nation negotiation support agreements.	5,020,768	5,020,768
	<b>\$ 5,773,726</b>	<b>\$ 5,925,513</b>

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

2020	\$ 268,240
2021	\$ 405,819
2022	\$ 78,899

**Kitasoo Indian Band**  
**NOTES TO FINANCIAL STATEMENTS**

March 31, 2019

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**9. FIXED ASSETS**

	2019							2018		
	Beginning Cost	Additions	Disposals	Ending Cost	Beginning Accumulated Depreciation	Depreciation	Disposals	Ending Accumulated Depreciation	Net Book Value	Net Book Value
Operating Fund										
Commercial buildings	\$ 18,792,213	\$ 122,107	\$ -	\$ 18,914,320	\$ 10,540,815	\$ 413,197	\$ -	\$ 10,954,012	\$ 7,960,308	\$ 8,251,398
Residential buildings	7,671,030	552,200	-	8,223,230	3,937,497	719,378	-	4,656,875	3,566,355	3,733,533
Infrastructure	17,732,990	1,602,351	-	19,335,341	6,650,255	594,196	-	7,244,451	12,090,890	11,082,735
Furniture and fixtures	408,761	-	-	408,761	316,384	18,474	-	334,858	73,903	92,377
Electronic equipment	399,043	-	-	399,043	378,523	6,157	-	384,680	14,363	20,520
Computer equipment	571,124	14,609	-	585,733	526,977	18,008	-	544,985	40,748	44,147
Vehicles and boats	2,609,041	18,000	-	2,627,041	2,033,132	114,815	-	2,147,947	479,094	575,909
Miscellaneous equipment	1,213,039	52,645	-	1,265,684	1,178,972	17,327	-	1,196,299	69,385	34,067
	<b>49,397,241</b>	<b>2,361,912</b>	<b>-</b>	<b>51,759,153</b>	<b>25,562,555</b>	<b>1,901,552</b>	<b>-</b>	<b>27,464,107</b>	<b>24,295,046</b>	<b>23,834,686</b>
Social Housing Fund										
Residential buildings	4,045,987	(532,200)	-	3,513,787	2,203,526	(383,409)	-	1,820,117	1,693,670	1,842,461
Appliances	86,978	-	-	86,978	86,978	-	-	86,978	-	-
	<b>4,132,965</b>	<b>(532,200)</b>	<b>-</b>	<b>3,600,765</b>	<b>2,290,504</b>	<b>(383,409)</b>	<b>-</b>	<b>1,907,095</b>	<b>1,693,670</b>	<b>1,842,461</b>
Enterprise Fund										
Vehicles and boats	609,096	4,014	-	613,110	435,865	31,742	-	467,607	145,503	173,231
Building and fixtures	6,309,111	348,815	-	6,657,926	2,690,007	233,880	-	2,923,887	3,734,039	3,619,104
Computer equipment	101,600	5,399	-	106,999	79,453	14,656	-	94,109	12,890	22,147
Dump	88,118	-	-	88,118	88,118	-	-	88,118	-	-
Equipment, other	916,937	27,097	-	944,034	614,340	51,042	-	665,382	278,652	302,597
Fuel storage tanks	902,101	-	-	902,101	843,715	39,550	-	883,265	18,836	58,386
Roads	988,103	-	-	988,103	988,103	-	-	988,103	-	-
	<b>9,915,066</b>	<b>385,325</b>	<b>-</b>	<b>10,300,391</b>	<b>5,739,601</b>	<b>370,870</b>	<b>-</b>	<b>6,110,471</b>	<b>4,189,920</b>	<b>4,175,465</b>
	<b>\$ 63,445,272</b>	<b>\$ 2,215,037</b>	<b>\$ -</b>	<b>\$ 65,660,309</b>	<b>\$ 33,592,660</b>	<b>\$ 1,889,013</b>	<b>\$ -</b>	<b>\$ 35,481,673</b>	<b>\$ 30,178,636</b>	<b>\$ 29,852,612</b>

# Kitasoo Indian Band

## NOTES TO FINANCIAL STATEMENTS

March 31, 2019

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### 10. INTANGIBLE ASSETS

	Cost	Accumulated Depreciation	2019	2018
Capital Fund - Indefinite-life intangible asset				
Fishing licenses	\$ 397,000	\$ -	\$ 397,000	\$ 397,000
Sea cucumber license	875,000	-	875,000	875,000
Forestry license	250,000	-	250,000	250,000
	<b>\$ 1,522,000</b>	<b>\$ -</b>	<b>\$ 1,522,000</b>	<b>\$ 1,522,000</b>

### 11. 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:

2020	\$ 17,001
2021	\$ 1,421

### 12. ACCUMULATED SURPLUS

	2019	2018
<b>OPERATING FUND</b>	<b>\$ 28,771,354</b>	<b>\$ 26,086,430</b>
<b>SOCIAL HOUSING FUND</b>		
Operating Fund	(158,104)	(218,139)
Replacement Reserve Fund	316,835	407,740
Equity	952,689	952,689
<b>OTTAWA TRUST FUNDS</b>	<b>167,161</b>	<b>162,281</b>
<b>ENTERPRISE FUND</b>	<b>15,905,330</b>	<b>13,776,466</b>
	<b>\$ 45,955,265</b>	<b>\$ 41,167,467</b>

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## **Kitasoo Indian Band**

### **NOTES TO FINANCIAL STATEMENTS**

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**March 31, 2019**

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#### **12. Continued...**

##### **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, 2019, cash and term deposits required to fund the Old Program Replacement Reserve Fund were in excess of \$75,213 (2018 - deficient by \$233,349).

As at March 31, 2019, cash and term deposits required to fund the New Program Replacement Reserve Fund were deficient by \$12,759 (2018 - \$130,165).

##### **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.

##### **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.

#### **13. BUDGET INFORMATION**

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

# Kitasoo Indian Band

## NOTES TO FINANCIAL STATEMENTS

March 31, 2019

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### 14. 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, 2019.

#### 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.

#### 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, 2019.

	Carrying amount	Contractual cash flows	0 to 1 year	2 to 4 years	Over 5 years
Operating loan	\$ 1,741,278	\$ 1,741,278	\$ 1,741,278	\$ -	\$ -
Accounts payable and accrued expenses	2,574,792	2,574,792	2,574,792	-	-
Long-term debt	5,773,726	5,773,726	268,240	484,718	5,020,768
	<u>\$ 10,089,796</u>	<u>\$ 10,089,796</u>	<u>\$ 4,584,310</u>	<u>\$ 484,718</u>	<u>\$ 5,020,768</u>



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## Kitasoo Indian Band

### NOTES TO FINANCIAL STATEMENTS

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March 31, 2019

See Auditors' Report

#### 14. Continued...

##### ***Currency risk***

The Kitasoo Indian Band is exposed to currency risk through its cash on hand in US dollar currency as disclosed in Note 3.

##### ***Fair value***

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