



**Kitasoo Indian Band  
Financial Statements**

**March 31, 2020**

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# **Kitasoo Indian Band**

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**For the year ended March 31, 2020**

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## **INDEPENDENT AUDITOR'S REPORT**

To: The Members of Kitasoo Indian Band:

### **Report on the Audit of the Summary Financial Statements**

#### **Opinion**

We have audited the summary financial statements of Kitasoo Indian Band, which comprise the summary statement of financial position as at March 31, 2020 and March 31, 2019, and the summary statements of operations, changes in financial assets and cash flows for the years then ended, and notes to the summary 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, 2020 and March 31, 2019, and its summary financial performance and its summary 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 Summary 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.



## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *Revenue*

In the year, the comprehensive land claim negotiation loan from the Government of Canada to Kitselas, Gitga'at, Kitsumkalum, Metlakatla, Kitasoo/Xaixais Treaty Society of \$36,238,158 was forgiven in the year. Of that amount, \$5,020,768 relates to Kitasoo Indian Band's portion. This was previously recorded as long-term debt and is now recognized as revenue.

Significant new funding for the year includes \$1,840,000 from Coast Funds and \$500,000 from the Province of British Columbia for the hydro penstock expansion project, and \$573,400 from BCFN Gaming Revenue Sharing.

## **Responsibilities of Management and Those Charged with Governance for the Summary 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.

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## **Auditor's Responsibilities for the Audit of the Summary 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 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,
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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.

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.  
May 20, 2021

*Ribeyre Chang Haylock*  
Chartered Professional Accountants

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

As at March 31, 2020

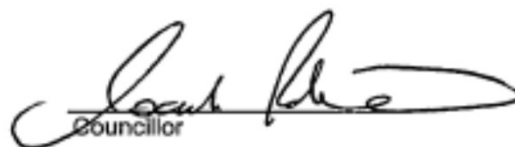
See Auditors' Report

	2020	2019
<b>Financial assets</b>		
Cash - note 3	\$ 20,379,462	\$ 15,502,112
Restricted cash - note 3	556,694	545,909
Accounts receivable - note 4	1,130,791	1,150,800
Inventory and predevelopment costs	4,153,405	4,137,899
Investments - note 5	3,774,091	3,696,501
Investment in Western Princess Joint Venture - note 6	409,836	490,319
<b>Total financial assets</b>	<b>30,404,279</b>	<b>25,523,540</b>
<b>Liabilities</b>		
Operating loan	\$ 2,765,688	\$ 1,741,278
Accounts payable and accrued expenses	3,333,005	2,574,792
Deferred revenue - note 7	636,716	1,066,879
Long-term debt - note 8	720,641	5,773,726
Silviculture liability	1,052,449	1,112,253
<b>Total liabilities</b>	<b>8,508,499</b>	<b>12,268,928</b>
<b>Net financial assets</b>	<b>21,895,780</b>	<b>13,254,612</b>
<b>Non-financial assets</b>		
Prepaid expenses and deposits	706,000	914,817
Security deposits	110,200	85,200
Fixed assets - note 9	30,658,911	30,178,636
Intangible assets - note 10	2,022,000	1,522,000
<b>Total non-financial assets</b>	<b>33,497,111</b>	<b>32,700,653</b>
<b>Commitments - note 11</b>		
<b>Subsequent events - note 16</b>		
<b>Accumulated surplus - note 12</b>	<b>\$ 55,392,891</b>	<b>\$ 45,955,265</b>

See accompanying notes

On behalf of Chief and Council:

  
 Chief

  
 Councillor

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

For the year ended March 31, 2020		See Auditors' Report	
	2020 Budget (note 14)	2020 Actual	2019 Actual
<b>Revenue</b>			
<b>Operating Fund</b>			
Indigenous Services Canada	\$ 4,866,135	\$ 4,866,135	\$ 4,686,370
First Nations Health Authority	-	1,409,476	1,330,523
Province of British Columbia	761,900	761,941	72,687
Administration Fee	533,000	533,071	501,593
BCFN Gaming Revenue Sharing	573,400	573,434	-
Carbon Credit Fund	309,300	309,326	309,114
Coast Funds	2,155,000	2,155,000	335,000
Department of Fisheries	454,500	454,542	356,466
First Nation Education Steering Committee	-	406,083	341,303
Interest Income	165,700	165,721	57,333
Rental and Lease	433,100	433,122	847,476
Treaty Negotiations Funding	5,190,100	5,190,168	10,000
Deferred revenue out - net	-	356,166	542,400
Other	3,342,800	3,342,807	5,877,711
<b>Social Housing Fund</b>	255,700	255,713	284,300
<b>Trust Fund</b>	3,800	3,846	4,880
<b>Enterprise Fund</b>			
Band Owned Enterprises	15,319,800	15,319,890	18,713,606
Share of income (loss), controlled entities	95,800	95,853	(42,026)
	<b>34,460,035</b>	<b>36,632,294</b>	<b>34,228,736</b>
<b>Expenditure - Note 15</b>			
<b>Operating Fund</b>			
Band Government	178,500	178,563	110,868
Capital Projects	861,300	861,383	1,978,514
Economic Development and General	761,700	761,792	1,493,436
Band Operations			
Education	2,113,630	2,113,630	1,701,567
First Nations Health Authority	1,096,599	1,096,599	1,246,557
Housing Operations	102,700	102,709	253,784
Local Government Services	2,455,700	2,455,706	2,512,906
Resource Stewardship	1,584,400	1,584,453	1,540,543
Social Services	440,500	440,562	347,151
Treaty Negotiation	164,700	164,701	-
Depreciation	1,310,900	1,310,900	1,369,352
<b>Social Housing Fund</b>	336,700	336,756	315,170
<b>Enterprise Fund</b>	15,786,700	15,786,742	16,542,716
	<b>27,194,029</b>	<b>27,194,496</b>	<b>29,412,564</b>
<b>Annual surplus</b>	<b>7,266,006</b>	<b>9,437,798</b>	<b>4,816,172</b>
Accumulated surplus, beginning of year		45,955,265	41,167,467
Recoveries		(172)	(28,374)
<b>Accumulated surplus, end of year</b>		<b>\$ 55,392,891</b>	<b>\$ 45,955,265</b>
See accompanying notes			



**Kitasoo Indian Band**  
**SUMMARY STATEMENT OF CHANGE IN**  
**FINANCIAL ASSETS**  
**Statement 3**

For the year ended March 31, 2020

See Auditors' Report

	2020 Budget (note 14)	2020 Actual	2019 Actual
<b>Annual surplus</b>	<b>\$ 7,266,006</b>	<b>\$ 9,437,798</b>	<b>\$ 4,816,172</b>
<b>Recoveries</b>	<b>(172)</b>	<b>(172)</b>	<b>(28,374)</b>
	<b>7,265,834</b>	<b>9,437,626</b>	<b>4,787,798</b>
Acquisition of tangible capital assets	<b>(2,583,300)</b>	<b>(2,583,348)</b>	<b>(2,215,037)</b>
Amortization of tangible capital assets	<b>1,904,700</b>	<b>1,904,789</b>	<b>1,889,013</b>
Disposal of tangible capital assets	<b>198,200</b>	<b>198,284</b>	<b>-</b>
Acquisition of intangible assets	<b>(500,000)</b>	<b>(500,000)</b>	<b>-</b>
	<b>(980,400)</b>	<b>(980,275)</b>	<b>(326,024)</b>
Use (acquisition) of prepaid asset - net	<b>183,800</b>	<b>183,817</b>	<b>(341,787)</b>
	<b>183,800</b>	<b>183,817</b>	<b>(341,787)</b>
Increase in net financial assets	<b>6,469,234</b>	<b>8,641,168</b>	<b>4,119,987</b>
Net financial assets, beginning of year	<b>13,254,612</b>	<b>13,254,612</b>	<b>9,134,625</b>
<b>Net financial assets, end of year</b>	<b>\$ 19,723,846</b>	<b>\$ 21,895,780</b>	<b>\$ 13,254,612</b>

See accompanying notes

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

For the year ended March 31, 2020

See Auditors' Report

	2020	2019
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 9,437,798	\$ 4,816,172
Recoveries	(172)	(28,374)
Items not affecting cash		
Depreciation	1,904,789	1,889,013
Treaty loan forgiveness	(5,020,768)	-
Recognition of resigned units	106,554	-
(Gain) loss on disposal of fixed assets	(459,767)	-
Changes in non-cash working capital items	1,482,049	(1,508,183)
<b>Cash provided by operating activities</b>	<b>7,450,483</b>	<b>5,168,628</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds received from sale of fixed assets	658,051	-
Investment in controlled enterprises	(77,590)	(299,580)
Investment in joint venture	80,483	(134,649)
Fixed assets purchased	(2,583,348)	(2,215,037)
Intangibles purchased	(500,000)	-
<b>Cash used in investing activities</b>	<b>(2,422,404)</b>	<b>(2,649,266)</b>
<b>FINANCING ACTIVITIES</b>		
Principal portion of Social Housing Fund loans	(136,803)	(148,791)
Principal portion of Capital Fund loan	(3,141)	(2,996)
<b>Cash used in financing activities</b>	<b>(139,944)</b>	<b>(151,787)</b>
<b>Increase in cash during the year</b>	<b>4,888,135</b>	<b>2,367,575</b>
Cash, beginning of year	16,048,021	13,680,446
<b>Cash, end of year</b>	<b>\$ 20,936,156</b>	<b>\$ 16,048,021</b>
<b>Represented by</b>		
Cash	\$ 20,379,462	\$ 15,502,112
Restricted Cash	556,694	545,909
	<b>\$ 20,936,156</b>	<b>\$ 16,048,021</b>

See accompanying notes

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# Kitasoo Indian Band

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2020

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 public sector accounting standards, 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 results 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 operations 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, 2020

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, 2020

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 public sector accounting standards 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, 2020

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 \$146,156 (2019 - \$143,056).

Cash is comprised of the following:

	2020	2019
Bank funds and term deposits - Band Operations	<b>\$ 10,846,042</b>	\$ 6,923,091
Bank funds - Social Housing	<b>82,913</b>	28,866
Bank funds and term deposits - Enterprise Fund	<b>9,450,507</b>	8,550,155
	<b>\$ 20,379,462</b>	\$ 15,502,112

Included in the Enterprise Fund cash is \$1,410,145 (2019 - \$647,116) CDN of funds denominated in US dollars.

Restricted cash is comprised of the following:

	2020	2019
Ottawa Trust Funds	<b>\$ 171,007</b>	\$ 167,161
Restricted cash - Social Housing	<b>385,687</b>	378,748
	<b>\$ 556,694</b>	\$ 545,909

# Kitasoo Indian Band

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

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### 4. ACCOUNTS RECEIVABLE

Account receivable consists of the following:	2020	2019
Due from band members:		
Cable and internet user fees	\$ 260,058	\$ 213,399
Less: allowance for doubtful accounts	(260,058)	(213,399)
	-	-
Due from others:		
Indigenous Services Canada	18,396	3,000
Canada Revenue Agency	3,090	2,413
Canadian Mortgage and Housing Corporation	7,845	19,914
Central Coast Indigenous Resource Alliance	36,770	19,375
Department of Fisheries	108,307	121,222
Employee advances and loans	900	5,806
First Nation Education Steering Committee	18,682	41,694
First People's Heritage, Language & Culture Council	25,000	-
Mid-Coast First Nations Training Society	25,272	17,900
Province of BC	30,748	-
Other amounts owing to Band	41,461	157,266
Other amounts owing to Kitasoo Band Store	22,420	20,837
Other amounts owing to First Nations Fuel	124,050	79,984
Other amounts owing to		
Kitasoo Seafoods Limited Partnership	224,537	126,819
Other amounts owing to		
Spirit Bear Adventures Limited Partnership	49,757	73,886
Other amounts owing to		
Kitasoo Forestry Limited Partnership	393,556	460,684
	<b>\$ 1,130,791</b>	<b>\$ 1,150,800</b>

# Kitasoo Indian Band

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

See Auditors' Report

### 5. INVESTMENTS

	2020	2019
Kitasoo Seafoods Ltd.		
Shares	\$ 2	\$ 2
Contributed surplus	1,464,455	1,464,455
Accumulated deficit	(1,424,897)	(1,424,912)
	39,560	39,545
Kitasoo Development Corporation		
Shares	1	1
Advances - direct	3,003,180	3,003,180
Advances - indirect	383,718	375,170
Accumulated deficit	(437,112)	(518,963)
	2,949,787	2,859,388
Kitasoo Hydro Power Ltd.		
Shares	1	1
Contributed surplus	2,241,230	2,241,230
Advances	(239,429)	(212,508)
Accumulated deficit	(1,237,977)	(1,252,107)
	763,825	776,616
Kitasoo Forest Company Ltd.		
Shares	24	24
Advances	77,406	77,406
Accumulated deficit	(56,619)	(56,476)
	20,811	20,954
Kitasoo Band Store Ltd.		
Shares	1	1
Advances	(1)	(1)
	-	-
Kitasoo Development GP Ltd.		
Shares	(2)	(2)
Advances	-	-
	(2)	(2)
Balance carried forward	\$ 3,773,981	\$ 3,696,501



# Kitasoo Indian Band

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

See Auditors' Report

### 5. Continued ...

Balance brought forward	<b>\$ 3,773,981</b>	\$ 3,696,501
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)
	-	-
BC First Nations Gaming Revenue Sharing LP		
1 partnership unit at cost	<b>100</b>	-
	<b>100</b>	-
BC First Nations GRS GP Inc.		
Shares at cost	<b>10</b>	-
	<b>10</b>	-
	<b>\$ 3,774,091</b>	\$ 3,696,501

Shares are held in trust by certain band members under trust agreements.

Financial information for each of the First Nation controlled entities for their respective periods ending March 31, 2020 is as follows:

	Assets	Liabilities	Revenue (loss)	Income (loss)
	\$	\$	\$	\$
Kitasoo Seafoods Ltd.	625,253	585,693	15	15
Kitasoo Development Corporation	3,504,744	3,941,855	200,254	81,851
Kitasoo Hydro Power Ltd.	1,005,254	2,000	92,914	14,130
Kitasoo Forest Company Ltd.	20,811	77,406	(118)	(143)
Kitasoo Band Store Ltd.	-	-	-	-
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, 2020

See Auditors' Report

### 7. DEFERRED REVENUE

Deferred revenue consists of the following.

	2020	2019
Operating Fund		
First Nations Health Authority	\$ -	\$ 43,452
Indigenous Services Canada	412,112	768,278
Enterprise Fund		
Unearned revenue	224,604	255,149
	<b>\$ 636,716</b>	<b>\$ 1,066,879</b>

### 8. LONG-TERM DEBT

	2020	2019
Mortgage payable with payments of \$2,006 per month including interest at 1.98% per annum, maturing January 1, 2024, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on six housing units with a carrying value of \$229,300.	89,002	111,176
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 with a carrying value of \$321,071.	88,053	102,583
Balance carried forward	<b>\$ 177,055</b>	<b>\$ 213,759</b>

# Kitasoo Indian Band

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

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### 8. Continued ...

	2020	2019
Balance brought forward	\$ 177,055	\$ 213,759
Mortgage payable with payments of \$2,899 per month including interest at 1.98% per annum, maturing January 1, 2024, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on six housing units with a carrying value of \$281,668.	128,273	160,234
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 with a carrying value of \$655,335.	298,850	347,619
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 Services Canada and a first mortgage on triplex housing unit with a carrying value of \$23,652.	8,836	11,977
Loan payable with no interest, maturing the earlier of Claim settlement or March 31, 2024.	15,000	-
Loan payable with payments of \$502 per month including interest at 4.12% per annum, maturing July 1, 2024.	92,627	-
Mortgage payable.	-	19,369
Amounts repayable upon settlement of the Band's claim under First Nation negotiation support agreements.	-	5,020,768
	<b>\$ 720,641</b>	<b>\$ 5,773,726</b>

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

2021	\$ 464,531
2022	135,040
2023	57,229
2024	48,842
2025	-
Total	<u>\$ 705,642</u>

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

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**9. FIXED ASSETS**

	2020								2019	
	Beginning Cost	Additions	Disposals	Ending Cost	Beginning Accumulated Depreciation	Depreciation	Disposals	Ending Accumulated Depreciation	Net Book Value	Net Book Value
Operating Fund										
Commercial buildings	\$ 18,914,320	\$ 113,270	\$ -	\$ 19,027,590	\$ 10,954,012	\$ 400,847	\$ -	\$ 11,354,859	\$ 7,672,731	\$ 7,960,308
Residential buildings	8,223,230	-	453,100	8,676,330	4,656,875	178,318	383,607	5,218,800	3,457,530	3,566,355
Infrastructure	19,335,341	679,696	-	20,015,037	7,244,451	606,769	-	7,851,220	12,163,817	12,090,890
Furniture and fixtures	408,761	-	-	408,761	334,858	14,778	-	349,636	59,125	73,903
Electronic equipment	399,043	6,393	-	405,436	384,680	5,269	-	389,949	15,487	14,363
Computer equipment	585,733	19,582	-	605,315	544,985	17,691	-	562,676	42,639	40,748
Vehicles and boats	2,627,041	202,382	(838,087)	1,991,336	2,147,947	65,157	(696,054)	1,517,050	474,286	479,094
Miscellaneous equipment	1,265,684	13,605	-	1,279,289	1,196,299	22,070	-	1,218,369	60,920	69,385
	51,759,153	1,034,928	(384,987)	52,409,094	27,464,107	1,310,899	(312,447)	28,462,559	23,946,535	24,295,046
Social Housing Fund										
Residential buildings	3,513,787	-	(453,100)	3,060,687	1,820,117	136,803	(383,607)	1,573,313	1,487,374	1,693,670
Appliances	86,978	-	-	86,978	86,978	-	-	86,978	-	-
	3,600,765	-	(453,100)	3,147,665	1,907,095	136,803	(383,607)	1,660,291	1,487,374	1,693,670
Enterprise Fund										
Vehicles and boats	613,110	658,070	(54,999)	1,216,181	467,607	149,895	(41,867)	575,635	640,546	145,503
Building and fixtures	6,657,926	856,530	(83,890)	7,430,566	2,923,887	240,008	(40,771)	3,123,124	4,307,442	3,734,039
Computer equipment	106,999	6,627	-	113,626	94,109	6,928	-	101,037	12,589	12,890
Dump	88,118	-	-	88,118	88,118	-	-	88,118	-	-
Equipment, other	944,034	24,111	-	968,145	665,382	58,319	-	723,701	244,444	278,652
Fuel storage tanks	902,101	3,082	-	905,183	883,265	1,937	-	885,202	19,981	18,836
Roads	988,103	-	-	988,103	988,103	-	-	988,103	-	-
	10,300,391	1,548,420	(138,889)	11,709,922	6,110,471	457,087	(82,638)	6,484,920	5,225,002	4,189,920
	\$ 65,660,309	\$ 2,583,348	\$ (976,976)	\$ 67,266,681	\$ 35,481,673	\$ 1,904,789	\$ (778,692)	\$ 36,607,770	\$ 30,658,911	\$ 30,178,636

# Kitasoo Indian Band

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

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### 10. INTANGIBLE ASSETS

	Cost	Accumulated Depreciation	2020	2019
Capital Fund - Indefinite-life intangible asset				
Fishing licenses	\$ 397,000	\$ -	\$ 397,000	\$ 397,000
Sea cucumber license	1,375,000	-	1,375,000	875,000
Forestry license	250,000	-	250,000	250,000
	<b>\$ 2,022,000</b>	<b>\$ -</b>	<b>\$ 2,022,000</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:

2021                      \$      1,421

### 12. ACCUMULATED SURPLUS

	2020	2019
<b>OPERATING FUND</b>	<b>\$ 37,776,095</b>	<b>\$ 28,771,354</b>
<b>SOCIAL HOUSING FUND</b>		
Operating Fund - unrestricted	(120,347)	(158,104)
Replacement Reserve Fund - externally restricted	267,528	316,835
Capital Fund - externally restricted	883,196	952,689
<b>OTTAWA TRUST FUNDS</b>	<b>171,007</b>	<b>167,161</b>
<b>ENTERPRISE FUND</b>	<b>16,415,412</b>	<b>15,905,330</b>
	<b>\$ 55,392,891</b>	<b>\$ 45,955,265</b>

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## **Kitasoo Indian Band**

### **NOTES TO FINANCIAL STATEMENTS**

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**March 31, 2020**

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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, 2020, cash and term deposits required to fund the Old Program Replacement Reserve Fund were in excess of \$126,549 (2019 - in excess by \$75,213).

As at March 31, 2020, cash and term deposits required to fund the New Program Replacement Reserve Fund were deficient by \$383 (2019 - \$12,759).

##### **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, 2020

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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, 2020.

#### *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, 2020.

	Carrying amount	Contractual cash flows	0 to 1 year	2 to 4 years	Over 5 years
Operating loan	\$ 2,765,688	\$ 2,765,688	\$ 2,765,688	\$ -	\$ -
Accounts payable and accrued expenses	2,574,792	2,574,792	2,574,792	-	-
Long-term debt	720,641	720,641	464,531	192,269	63,841
	<u>\$ 6,061,121</u>	<u>\$ 6,061,121</u>	<u>\$ 5,805,011</u>	<u>\$ 192,269</u>	<u>\$ 63,841</u>

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## Kitasoo Indian Band

### NOTES TO FINANCIAL STATEMENTS

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March 31, 2020

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#### 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.



# Kitasoo Indian Band

## NOTES TO FINANCIAL STATEMENTS

March 31, 2020

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### 15. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2020 Budget	2020	2019
Administration	\$ 446,500	\$ 446,580	\$ 518,327
Advertising	49,700	49,796	24,135
Amortization	1,904,700	1,904,791	1,918,079
Audit and accounting	128,700	128,790	129,013
Bad debts	54,000	54,005	25,127
Bank charges and interest	244,000	244,011	308,693
Consulting	911,100	911,164	1,249,850
Contractors	1,538,700	1,538,714	2,464,841
Contributions	191,800	191,821	341,916
Cost of goods sold	11,188,900	11,188,990	11,808,816
Distributions to LP	-	-	622,913
Equipment purchases	313,100	313,138	120,786
Equipment rent	64,100	64,128	85,407
Freight	38,100	38,110	29,186
Fuel	481,300	481,366	541,574
Honoraria	74,800	74,858	81,333
Insurance	309,600	309,635	297,502
Legal	261,800	261,876	149,526
Licences and fees	213,300	213,377	223,334
Loss on disposal	56,200	56,251	8,577
Materials and supplies	1,139,500	1,139,538	1,283,791
Mortgage payments	3,100	3,141	2,996
Office and other	280,700	280,728	336,348
Rent	199,400	199,404	299,854
Repairs and maintenance	746,500	746,514	595,622
Replacement reserve expenses	26,500	26,519	31,672
Telephone	104,200	104,277	102,820
Training	211,500	211,524	98,448
Transfer of resigned units	106,500	106,554	54,363
Travel	955,400	955,497	845,339
Utilities	67,200	67,245	82,550
Wages and benefits	4,882,100	4,882,154	4,729,826
		<b>\$ 27,194,496</b>	<b>\$ 29,412,564</b>

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## Kitasoo Indian Band

### NOTES TO FINANCIAL STATEMENTS

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March 31, 2020

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#### 16. SUBSEQUENT EVENTS

Subsequent to year-end, there was a global outbreak of the COVID-19 virus, which has had a significant impact on businesses and organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the First Nation, as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place in Canada to fight the virus.