



**Kitasoo Indian Band
Financial Statements**

March 31, 2021



Kitasoo Indian Band

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For the year ended March 31, 2021

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KITASOO INDIAN BAND
March 31, 2021

**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.

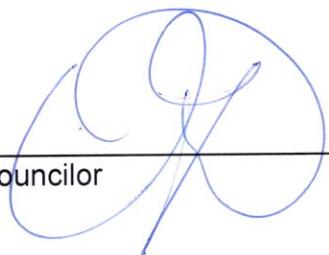
Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

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 "R. Chang", is enclosed within a blue circle. Below the circle, a horizontal line extends to the left, ending with the title "Chief Councilor".

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, 2021** and March 31, 2020, 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, 2021** and March 31, 2020, 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

Significant new funding for the year includes \$335,400 from the First Nations Health Authority for Covid-19 related fundings and \$611,435 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.

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, 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 6, 2022

Ribeyre Chang Haylock
Chartered Professional Accountants

Kitasoo Indian Band
SUMMARY STATEMENT OF FINANCIAL POSITION
Statement 1

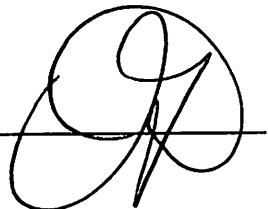
As at March 31, 2021

See Auditors' Report

	2021	2020
Financial assets		
Cash - note 3	\$ 20,950,115	\$ 20,379,462
Restricted cash - note 3	517,674	556,694
Accounts receivable - note 4	1,054,352	1,130,791
Inventory and predevelopment costs	894,950	4,153,405
Investments - note 5	4,063,139	3,774,091
Investment in Western Princess Joint Venture - note 6	360,145	409,836
Total financial assets	27,840,375	30,404,279
Liabilities		
Operating loan	\$ 125,938	\$ 2,765,688
Accounts payable and accrued expenses	1,693,697	3,333,005
Deferred revenue - note 7	794,104	636,716
Long-term debt - note 8	710,995	720,641
Silviculture liability	1,029,082	1,052,449
Total liabilities	4,353,816	8,508,499
Net financial assets	23,486,559	21,895,780
Non-financial assets		
Prepaid expenses and deposits	614,957	706,000
Security deposits	89,450	110,200
Capital assets - note 9	32,344,089	30,658,911
Intangible assets - note 10	2,022,000	2,022,000
Total non-financial assets	35,070,496	33,497,111
Accumulated surplus - note 11	\$ 58,557,055	\$ 55,392,891

See accompanying notes

Chief



Spreniaah Tolusun
 Councillor

Kitasoo Indian Band
SUMMARY STATEMENT OF OPERATIONS
Statement 2

For the year ended March 31, 2021		See Auditors' Report		
	2021 Budget (note 14)	2021 Actual	2020 Actual	
Revenue				
Operating Fund				
Indigenous Services Canada	\$ 6,038,339	\$ 6,038,339	\$ 4,866,135	
Reimbursements (recoveries)	-	21,836	(172)	
First Nations Health Authority	1,866,783	1,866,783	1,409,476	
Province of British Columbia	289,800	289,854	759,441	
Administration fee	754,000	754,016	533,071	
BCFN Gaming Revenue Sharing	611,400	611,435	573,434	
Carbon Credit Fund	346,400	346,468	309,326	
Central Coast Indigenous Resource Alliance	342,900	342,925	355,234	
Coast Opportunity Funds	400,000	400,000	2,155,000	
Coastal First Nations Liquified Natural Gas	620,600	620,625	-	
Department of Fisheries	832,100	832,119	454,542	
First Nation Education Steering Committee	400,800	400,859	406,083	
Marine Harvest	196,600	196,661	-	
Interest income	73,600	73,600	168,418	
Rental and lease	287,700	287,735	435,722	
Treaty Negotiations Funding	470,000	470,000	5,190,168	
Deferred revenue (out) in - net	-	(213,398)	356,166	
Other	4,872,400	4,872,481	2,984,776	
Social Housing Fund	235,700	235,793	255,713	
Trust Fund	3,100	3,138	3,846	
Enterprise Fund				
Band Owned Enterprises	(786,500)	(786,509)	15,319,890	
Share of income, controlled entities	119,000	119,026	95,853	
	17,974,722	17,783,786	36,632,122	
Expenditure - Note 14				
Operating Fund				
Band Government	99,000	99,068	178,563	
Capital Projects	3,960,700	3,960,791	861,383	
Economic Development and General				
Band Operations	729,100	729,199	761,792	
Education	2,248,900	2,248,988	2,113,630	
First Nations Health Authority	1,453,800	1,453,880	1,096,599	
Housing Operations	210,800	210,852	102,709	
Local Government Services	3,549,500	3,549,544	2,455,706	
Resource Stewardship	1,895,000	1,895,041	1,584,453	
Social Services	499,900	499,988	440,562	
Treaty Negotiation	345,900	345,907	164,701	
Depreciation	1,346,500	1,346,534	1,310,900	
Social Housing Fund	321,500	321,540	336,756	
Enterprise Fund	(2,041,700)	(2,041,710)	15,786,742	
	14,618,900	14,619,622	27,194,496	
Annual surplus	3,355,822	3,164,164	9,437,626	
Accumulated surplus, beginning of year		55,392,891	45,955,265	
Accumulated surplus, end of year		\$ 58,557,055	\$ 55,392,891	

See accompanying notes

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

For the year ended March 31, 2021

See Auditors' Report

	2021 Budget (note 14)	2021 Actual	2020 Actual
Annual surplus	\$ 3,355,822	\$ 3,164,164	\$ 9,437,626
Acquisition of tangible capital assets	(3,635,000)	(3,635,049)	(2,583,348)
Amortization of tangible capital assets	1,949,800	1,949,871	1,904,789
Disposal of tangible capital assets	-	-	198,284
Acquisition of intangible assets	-	-	(500,000)
	(1,685,200)	(1,685,178)	(980,275)
Use of prepaid asset - net	111,700	111,793	183,817
	111,700	111,793	183,817
Increase in net financial assets	1,782,322	1,590,779	8,641,168
Net financial assets, beginning of year	21,895,780	21,895,780	13,254,612
Net financial assets, end of year	\$ 23,678,102	\$ 23,486,559	\$ 21,895,780

See accompanying notes

Kitasoo Indian Band
SUMMARY STATEMENT OF CASH FLOWS
Statement 4

For the year ended March 31, 2021

See Auditors' Report

2021 2020

OPERATING ACTIVITIES

Annual surplus	\$ 3,164,164	\$ 9,437,626
Items not affecting cash		
Depreciation	1,949,871	1,904,789
Treaty loan forgiveness	-	(5,020,768)
Recognition of resigned units	-	106,554
Gain on disposal of capital assets	-	(459,767)
Changes in non-cash working capital items	(698,350)	1,482,049
Cash provided by operating activities	4,415,685	7,450,483

INVESTING ACTIVITIES

Proceeds received from sale of capital assets	-	658,051
Investment in controlled enterprises	(289,048)	(77,590)
Investment in joint venture	49,691	80,483
Capital assets purchased	(3,635,049)	(2,583,348)
Intangibles purchased	-	(500,000)
Cash used in investing activities	(3,874,406)	(2,422,404)

FINANCING ACTIVITIES

Advance from government loan	60,000	-
Advance from Operating fund loan	55,094	-
Principal portion of Operating fund loan	(2,255)	-
Principal portion of Social Housing fund loans	(119,192)	(136,803)
Principal portion of Capital fund loan	(3,293)	(3,141)
Cash used in financing activities	(9,646)	(139,944)

Increase in cash during the year	531,633	4,888,135
Cash, beginning of year	20,936,156	16,048,021

Cash, end of year \$ 21,467,789 \$ 20,936,156

Represented by

Cash	\$ 20,950,115	\$ 20,379,462
Restricted Cash	517,674	556,694
	\$ 21,467,789	\$ 20,936,156

See accompanying notes

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

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.

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

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

Capital 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) Capital assets

Capital assets are valued at acquisition cost and recorded in the Operating Fund.

The acquisition costs of capital 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 Capital Assets.

Capital assets acquired as part of the Social Housing Fund are recorded as assets of those funds.

f) Depreciation

Capital 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, 2021

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. Cost is defined as purchase price plus freight in. Net realizable value is the estimated selling price in the ordinary course of business.

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.

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

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 \$100,558 (2020 - \$146,156).

Cash is comprised of the following:

	2021	2020
Bank funds and term deposits - Band Operations	\$ 10,811,957	\$ 10,846,042
Bank funds - Social Housing	42,376	82,913
Bank funds and term deposits - Enterprise Fund	10,095,782	9,450,507
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Included in the Enterprise Fund cash is \$1,250,249 (2020 - \$1,410,145) CDN of funds denominated in US dollars.

Restricted cash is comprised of the following:

	2021	2020
Ottawa Trust Funds	\$ 174,145	\$ 171,007
Restricted cash - Social Housing	343,529	385,687
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Kitasoo Indian Band
NOTES TO FINANCIAL STATEMENTS

March 31, 2021

See Auditors' Report

4. ACCOUNTS RECEIVABLE

Account receivable consists of the following:	2021	2020
Due from band members:		
Cable and internet user fees	\$ 276,332	\$ 260,058
Less: allowance for doubtful accounts	(274,897)	(260,058)
	1,435	-
Due from others:		
Indigenous Services Canada	146,524	18,396
Canada Revenue Agency	27,046	3,090
Canadian Mortgage and Housing Corporation	31,815	7,845
Central Coast Indigenous Resource Alliance	42,913	36,770
Coastal First Nations Great Bear Initiative	20,900	-
Department of Fisheries	48,677	108,307
Employee advances and loans	800	900
First Nation Education Steering Committee	11,784	18,682
First Nations Health Authority	145,400	-
First People's Heritage, Language & Culture Council	41,074	25,000
Mid-Coast First Nations Training Society	-	25,272
Province of BC	30,748	30,748
Other amounts owing to		
Band	25,168	41,461
Kitasoo Band Store	7,691	22,420
First Nations Fuel	85,391	124,050
Kitasoo Seafoods Limited Partnership	201,518	224,537
Spirit Bear Adventures Limited Partnership	185,268	49,757
Kitasoo Forestry Limited Partnership	200	393,556
	\$ 1,054,352	\$ 1,130,791

Kitasoo Indian Band
NOTES TO FINANCIAL STATEMENTS

March 31, 2021

See Auditors' Report

5. INVESTMENTS

	2021	2020
Kitasoo Seafoods Ltd.		
Shares	\$ 2	\$ 2
Contributed surplus	1,464,455	1,464,455
Accumulated deficit	<u>(1,424,920)</u>	<u>(1,424,897)</u>
	39,537	39,560
Kitasoo Development Corporation		
Shares	1	1
Advances - direct	3,003,180	3,003,180
Advances - indirect	383,718	383,718
Accumulated deficit	<u>(339,018)</u>	<u>(437,112)</u>
	3,047,881	2,949,787
Kitasoo Hydro Power Ltd.		
Shares	1	1
Contributed surplus	2,241,230	2,241,230
Advances	(219,407)	(239,429)
Accumulated deficit	<u>(1,217,079)</u>	<u>(1,237,977)</u>
	804,745	763,825
Kitasoo Forest Company Ltd.		
Shares	24	24
Advances	77,406	77,406
Accumulated deficit	<u>(56,562)</u>	<u>(56,619)</u>
	20,868	20,811
Kitasoo Band Store Ltd.		
Shares	1	1
Advances	(1)	(1)
	-	-
Kitasoo Development GP Ltd.		
Shares	-	-
Advances	<u>(2)</u>	<u>(2)</u>
	(2)	(2)
Balance carried forward	\$ 3,913,029	\$ 3,773,981

Kitasoo Indian Band
NOTES TO FINANCIAL STATEMENTS

March 31, 2021

See Auditors' Report

5. Continued ...

Balance brought forward	\$ 3,913,029	\$ 3,773,981
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)
	-	-
BC First Nations Gaming Revenue Sharing LP		
1 partnership unit at cost	100	100
	100	100
BC First Nations GRS GP Inc.		
Shares at cost	10	10
	10	10
Sea Coastal Transportation Ltd.		
10% partnership interest	150,000	-
	150,000	-
	\$ 4,063,139	\$ 3,774,091

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, 2021 is as follows:

	Assets	Liabilities	Revenue (loss)	Income (loss)
	\$	\$	\$	\$
Kitasoo Seafoods Ltd.	625,243	585,706	(23)	(23)
Kitasoo Development Corporation	3,602,838	3,941,855	173,087	98,094
Kitasoo Hydro Power Ltd.	1,032,352	8,200	105,611	20,898
Kitasoo Forest Company Ltd.	20,868	77,406	82	57
Kitasoo Band Store Ltd.	1,230,374	413,250	1,737,495	192,390
Kitasoo Development GP Ltd.	2	2	-	-
Klemtu Tourism Ltd.	-	163,199	-	-
Kitasoo Aqua Farm Ltd.	-	-	-	-

Kitasoo Indian Band

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

See Auditors' Report

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.

7. DEFERRED REVENUE

Deferred revenue consists of the following.

	2021	2020
Operating Fund		
First Nations Health Authority	\$ -	\$ 43,452
Indigenous Services Canada	<u>625,510</u>	368,660
Enterprise Fund		
Unearned revenue	<u>168,594</u>	224,604
	<hr/> <u>\$ 794,104</u>	<hr/> <u>\$ 636,716</u>

8. LONG-TERM DEBT

	2021	2020
Mortgage payable with payments of \$2,006 per month including interest at 1.87% 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 \$206,689	66,391	89,002
Mortgage payable with payments of \$1,305 per month including interest at 1.30% per annum, maturing January 1, 2026, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on six housing units with a carrying value of \$306,375	<u>73,357</u>	88,053
Balance carried forward	<hr/> <u>\$ 139,748</u>	<hr/> <u>\$ 177,055</u>

Kitasoo Indian Band
NOTES TO FINANCIAL STATEMENTS

March 31, 2021

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8. Continued ...

	2021	2020
Balance brought forward	\$ 139,748	\$ 177,055
Mortgage payable with payments of \$2,891 per month including interest at 1.87% per annum, maturing January 1, 2024, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on five housing units with a carrying value of \$249,081.	95,686	128,273
Mortgage payable with payments of \$4,309 per month including interest at 0.74% per annum, maturing February 1, 2026, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on six housing units with a carrying value of \$606,037.	249,552	298,850
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 a triplex housing unit with a carrying value of \$22,469.	5,543	8,836
Loan payable with no interest, maturing the earlier of Claim settlement or March 31, 2024.	70,094	15,000
Loan payable with payments of \$502 per month including interest at 4.12% per annum, maturing July 1, 2024.	90,372	92,627
Canada Emergency Business Account loan (CEBA) - interest free until December 31, 2023, then interest only payments at 5% per annum until the full principal is due on December 31, 2025.	60,000	-
	\$ 710,995	\$ 720,641

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

2022	\$ 216,973
2023	122,678
2024	114,525
2025	66,537
2026	60,188
Total	<u>\$ 580,901</u>

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9. CAPITAL ASSETS

2021										2020
	Beginning Cost	Additions	Disposals	Ending Cost	Beginning Accumulated Depreciation	Depreciation	Disposals	Ending Accumulated Depreciation	Net Book Value	Net Book Value
Operating Fund										
Commercial buildings	\$ 19,027,590	\$ -	\$ -	\$ 19,027,590	\$ 11,354,859	\$ 383,638	\$ -	\$ 11,738,497	\$ 7,289,093	\$ 7,672,731
Residential buildings	8,676,330	-	-	8,676,330	5,218,800	172,882	-	5,391,682	3,284,648	3,457,530
Infrastructure	20,015,037	2,773,284	-	22,788,321	7,851,220	607,040	-	8,458,260	14,330,061	12,163,817
Furniture and fixtures	408,761	-	-	408,761	349,636	11,826	-	361,462	47,299	59,125
Electronic equipment	405,436	-	-	405,436	389,949	4,649	-	394,598	10,838	15,487
Computer equipment	605,315	41,269	-	646,584	562,676	22,142	-	584,818	61,766	42,639
Vehicles and boats	1,991,336	471,263	-	2,462,599	1,517,050	126,082	-	1,643,132	819,467	474,286
Miscellaneous equipment	1,279,289	-	-	1,279,289	1,218,369	18,276	-	1,236,645	42,644	60,920
	52,409,094	3,285,816	-	55,694,910	28,462,559	1,346,535	-	29,809,094	25,885,816	23,946,535
Social Housing Fund										
Residential buildings	3,060,687	-	-	3,060,687	1,573,313	119,192	-	1,692,505	1,368,182	1,487,374
Appliances	86,978	-	-	86,978	86,978	-	-	86,978	-	-
	3,147,665	-	-	3,147,665	1,660,291	119,192	-	1,779,483	1,368,182	1,487,374
Enterprise Fund										
Vehicles and boats	1,216,181	77,596	-	1,293,777	575,635	197,146	-	772,781	520,996	640,546
Building and fixtures	7,430,566	251,875	-	7,682,441	3,123,124	229,504	-	3,352,628	4,329,813	4,307,442
Computer equipment	113,626	-	-	113,626	101,037	4,340	-	105,377	8,249	12,589
Dump	88,118	-	-	88,118	88,118	-	-	88,118	-	-
Equipment, other	968,145	19,762	-	987,907	723,701	50,823	-	774,524	213,383	244,444
Fuel storage tanks	905,183	-	-	905,183	885,202	2,331	-	887,533	17,650	19,981
Roads	988,103	-	-	988,103	988,103	-	-	988,103	-	-
	11,709,922	349,233	-	12,059,155	6,484,920	484,144	-	6,969,064	5,090,091	5,225,002
	\$ 67,266,681	\$ 3,635,049	\$ -	\$ 70,901,730	\$ 36,607,770	\$ 1,949,871	\$ -	\$ 38,557,641	\$ 32,344,089	\$ 30,658,911

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10. INTANGIBLE ASSETS

	Cost	Accumulated Depreciation	2021	2020
Capital Fund - Indefinite-life intangible asset				
Fishing licenses	\$ 397,000	\$ -	\$ 397,000	\$ 397,000
Sea cucumber license	1,375,000	-	1,375,000	1,375,000
Forestry license	250,000	-	250,000	250,000
	\$ 2,022,000	\$ -	\$ 2,022,000	\$ 2,022,000

11. ACCUMULATED SURPLUS

	2021	2020
OPERATING FUND	\$ 39,575,666	\$ 37,776,095
SOCIAL HOUSING FUND		
Operating Fund - unrestricted	(110,828)	(120,347)
Capital Fund - externally restricted	883,196	883,196
Replacement Reserve Fund - externally restricted	172,262	267,528
OTTAWA TRUST FUNDS	174,145	171,007
ENTERPRISE FUND	17,862,614	16,415,412
	\$ 58,557,055	\$ 55,392,891

Kitasoo Indian Band

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11. 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, 2021, cash and term deposits required to fund the Old Program Replacement Reserve Fund were in excess by \$149,381 (2020 - in excess by \$126,549).

As at March 31, 2021, cash and term deposits required to fund the New Program Replacement Reserve Fund were in excess by \$21,886 (2020 - deficient by \$383).

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.

12. 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.

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13. 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, 2021.

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, 2021.

	Carrying amount	Contractual cash flows	0 to 1 year	2 to 4 years	Over 5 years
Operating loan	\$ 125,938	\$ 125,938	\$ 125,938	\$ -	\$ -
Accounts payable and accrued expenses	1,692,765	1,692,765	1,692,765	-	-
Government loan	60,000	60,000	60,000	-	-
Long-term debt	710,995	710,995	216,973	237,203	256,819
	\$ 2,589,698	\$ 2,589,698	\$ 2,095,676	\$ 237,203	\$ 256,819

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13. 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

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14. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2021 Budget	2021	2020
Administration	\$ 772,500	\$ 772,555	\$ 446,580
Advertising	19,400	19,421	49,796
Amortization	1,949,800	1,949,870	1,904,791
Audit and accounting	102,000	102,005	128,790
Bad debts	32,300	32,320	54,836
Bank charges and interest (recovery)	(70,900)	(70,978)	243,825
Consulting	3,913,900	3,913,972	911,164
Contractors	2,748,300	2,748,354	1,538,714
Contributions	257,300	257,338	191,821
Cost of goods sold (adjustment)	(4,711,600)	(4,711,687)	11,188,990
Equipment purchases	662,200	662,249	313,138
Equipment rent	4,500	4,574	64,128
Freight	27,600	27,624	38,110
Fuel	403,700	403,783	481,366
Honoraria	101,300	101,395	74,858
Insurance	233,600	233,643	309,635
Legal	111,900	111,942	261,876
Licences and fees	123,400	123,490	213,377
Loss on disposal	-	-	56,251
Materials and supplies	1,085,200	1,085,223	1,139,538
Mortage payments	3,200	3,293	3,141
Office and other	425,700	425,764	280,083
Rent	189,600	189,602	199,404
Repairs and maintenance	896,300	896,335	746,514
Replacement reserve expenses	124,300	124,378	26,519
Telephone	104,200	104,244	104,277
Training	72,700	72,715	211,524
Transfer of resigned units	-	-	106,554
Travel	145,600	145,644	955,497
Utilities	66,700	66,739	67,245
Wages and benefits	4,823,800	4,823,815	4,882,154
	<hr/> \$ 14,619,622	<hr/> \$ 27,194,496	