



**Kitasoo Xai'Xais Nation
Financial Statements**

March 31, 2022



Kitasoo Xai'Xais Nation

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For the year ended March 31, 2022

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Kitasoo Xai'Xais Nation
March 31, 2022

**MANAGEMENT'S RESPONSIBILITY FOR THE
FINANCIAL STATEMENTS**

The accompanying consolidated financial statements of **Kitasoo Xai'Xais Nation** 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.

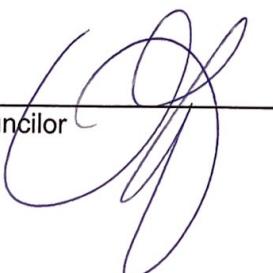
Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

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 Xai'Xais Nation and meet when required.

On behalf of Kitasoo Xai'Xais Nation:

Chief Councilor

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INDEPENDENT AUDITOR'S REPORT

To: The Members of **Kitasoo Xai'Xais Nation**:

Report on the Audit of the Summary Financial Statements

Opinion

We have audited the summary financial statements of **Kitasoo Xai'Xais Nation**, which comprise the summary statement of financial position as at **March 31, 2022** and March 31, 2021, 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 Xai'Xais Nation as at **March 31, 2022** and March 31, 2021, 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.



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.
April 12, 2023

Ribeyre Chang Haylock
Chartered Professional Accountants

Kitasoo Xai'Xais Nation
SUMMARY STATEMENT OF FINANCIAL POSITION
Statement 1

As at March 31, 2022

See Auditors' Report

	2022	2021 (restated)
Financial assets		
Cash - note 3	\$ 26,692,525	\$ 20,950,115
Restricted cash - note 3	524,042	517,674
Accounts receivable - note 4	6,527,349	1,054,352
Inventory and predevelopment costs	3,877,266	894,950
Investments - note 5	4,050,651	4,063,139
Investment in Western Princess Joint Venture - note 6	305,268	360,145
Investment in Central Coast Commercial Fisheries Limited Partnership - note 7	1,577,694	1,313,178
Total financial assets	43,554,795	29,153,553
Liabilities		
Operating loan	\$ 496,128	\$ 125,938
Accounts payable and accrued expenses	6,378,887	1,693,697
Deferred revenue - note 8	4,509,091	794,104
Long-term debt - note 9	912,437	710,995
Silviculture liability	1,059,564	1,029,082
Total liabilities	13,356,107	4,353,816
Net financial assets	30,198,688	24,799,737
Non-financial assets		
Prepaid expenses and deposits	970,705	614,957
Security deposits	88,250	89,450
Capital assets - note 10	35,953,398	32,344,089
Intangible assets - note 11	2,022,000	2,022,000
Total non-financial assets	39,034,353	35,070,496
Accumulated surplus - note 12	\$ 69,233,041	\$ 59,870,233

See accompanying notes

SIGN HERE

Chief

Kitasoo Xai'Xais Nation
SUMMARY STATEMENT OF OPERATIONS
Statement 2

For the year ended March 31, 2022		See Auditors' Report		
Revenue	2022 Budget (note 14)	2022 Actual	2021 (restated)	
Operating Fund				
Indigenous Services Canada	\$11,676,312	\$11,676,312	\$ 6,038,339	
Reimbursements	-	37,544	21,836	
First Nations Health Authority	1,670,999	1,670,999	1,866,783	
Province of British Columbia	617,900	617,978	289,854	
Administration fee	722,500	722,511	754,016	
BCFN Gaming Revenue Sharing	346,600	346,686	611,435	
Carbon Credit Fund	370,400	370,488	346,468	
Central Coast Indigenous Resource Alliance	294,000	294,075	342,925	
Coast Opportunity Funds	2,770,000	2,770,000	400,000	
Coastal First Nations Liquified Natural Gas	317,600	317,679	620,625	
Department of Fisheries	583,500	583,596	832,119	
First Nation Education Steering Committee	386,400	386,409	400,859	
Marine Harvest	-	-	196,661	
Interest income	68,500	68,557	73,600	
Rental and lease	366,600	366,629	287,735	
Treaty Negotiations Funding	495,000	425,000	470,000	
Deferred revenue (out) in - net	-	(3,659,284)	(213,398)	
Other	2,178,900	2,178,956	1,586,665	
Social Housing Fund	991,200	991,243	235,793	
Trust Fund	4,400	4,473	3,138	
Enterprise Fund				
Band Owned Enterprises	11,865,800	11,865,812	(680,600)	
Share of income, controlled entities	146,700	146,785	119,026	
	35,873,311	32,182,448	14,603,879	
Expenditure - Note 15				
Operating Fund				
Band Government	109,900	109,929	99,068	
Capital Projects	110,000	110,041	1,187,507	
Economic Development and General				
Band Operations	805,100	805,184	729,199	
Education	2,309,100	2,309,176	2,248,988	
First Nations Health Authority	1,565,000	1,565,025	1,453,880	
Housing Operations	475,000	475,032	210,852	
Local Government Services	2,878,100	2,878,115	3,549,544	
Resource Stewardship	2,131,100	2,131,176	1,382,509	
Social Services	539,100	539,178	499,988	
Treaty Negotiation	366,100	366,185	345,907	
Depreciation	1,345,200	1,345,267	1,346,534	
Social Housing Fund	235,800	235,896	321,540	
Enterprise Fund	9,949,400	9,949,436	(2,041,710)	
	22,818,900	22,819,640	11,333,806	
Annual surplus	13,054,411	9,362,808	3,270,073	
Accumulated surplus, beginning of year as previously stated	58,557,055	55,392,891		
Prior period adjustment - note 16	1,313,178	1,207,269		
Accumulated surplus, beginning of year as restated	59,870,233	56,600,160		
Accumulated surplus, end of year	\$ 69,233,041	\$ 59,870,233		

Kitasoo Xai'Xais Nation
SUMMARY STATEMENT OF CHANGE IN
FINANCIAL ASSETS
Statement 3

For the year ended March 31, 2022

See Auditors' Report

	2022 Budget (note 13)	2022 Actual	2021 (restated)
Annual surplus	\$ 13,054,411	\$ 9,362,808	\$ 3,270,073
	13,054,411	9,362,808	3,270,073
Acquisition of tangible capital assets	(5,655,200)	(5,655,236)	(3,635,049)
Amortization of tangible capital assets	1,885,700	1,885,740	1,949,871
Disposal of tangible capital assets	160,100	160,187	-
	(3,609,400)	(3,609,309)	(1,685,178)
(Acquisition) use of prepaid asset - net	(354,500)	(354,548)	111,793
	(354,500)	(354,548)	111,793
Increase in net financial assets	9,090,511	5,398,951	1,696,688
Net financial assets, beginning of year	24,799,737	24,799,737	23,103,049
Net financial assets, end of year	\$ 33,890,248	\$ 30,198,688	\$ 24,799,737

See accompanying notes

Kitasoo Xai'Xais Nation
SUMMARY STATEMENT OF CASH FLOWS
Statement 4

For the year ended March 31, 2022

See Auditors' Report

2022 2021

OPERATING ACTIVITIES

Annual surplus	\$ 9,362,808	\$ 3,270,073
Items not affecting cash		
Depreciation	1,885,740	1,949,871
Changes in non-cash working capital items	(9,012)	(698,350)
Cash provided by operating activities	11,239,536	4,521,594

INVESTING ACTIVITIES

Investment in controlled enterprises	12,488	(289,048)
Investment in joint venture	54,877	49,691
Investment in limited partnership	(264,516)	(105,909)
Capital assets purchased	(5,495,049)	(3,635,049)
Cash used in investing activities	(5,692,200)	(3,980,315)

FINANCING ACTIVITIES

Advance from government loan	-	60,000
Advance from Operating fund loan	330,393	55,094
Principal portion of Operating fund loan	(2,349)	(2,255)
Principal portion of Social Housing fund loans	(121,059)	(119,192)
Principal portion of Capital fund loan	(5,543)	(3,293)
Cash provided by (used in) financing activities	201,442	(9,646)

Increase in cash during the year	5,748,778	531,633
Cash, beginning of year	21,467,789	20,936,156
Cash, end of year	\$ 27,216,567	\$ 21,467,789

Represented by			
Cash	\$ 26,692,525	\$ 20,950,115	
Restricted Cash	524,042	517,674	
	\$ 27,216,567	\$ 21,467,789	

See accompanying notes

Kitasoo Xai'Xais Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

See Auditors' Report

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Kitasoo Xai'Xais Nation (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 Xai'Xais Nation 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 Xai'Xais Nation 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 Xai'Xais Nation reporting entity includes the Kitasoo Xai'Xais Nation 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 Xai'Xais Nation Operating Fund
- Kitasoo Xai'Xais Nation Social Housing Fund
- Kitasoo Xai'Xais Nation Trust Fund
- Kitasoo Xai'Xais Nation 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.

Kitasoo Xai'Xais Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

See Auditors' Report

1. Continued...

Incorporated business entities, which are owned or controlled by the Kitasoo Xai'Xais Nation 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 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 Xai'Xais Nation 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 Xai'Xais Nation 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 Xai'Xais Nation 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.

Kitasoo Xai'Xais Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

See Auditors' Report

1. Continued...

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%

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 Xai'Xais Nation 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.

Kitasoo Xai'Xais Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

See Auditors' Report

1. Continued...

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 Xai'Xais Nation:
 - is directly responsible; or
 - accepts responsibility; and
- a reasonable estimate of the amount can be made.

m) Authority

On June 25, 1967, His Excellency, the Governor General in Council vested authority to the Kitasoo Xai'Xais Nation to control, manage and expend its revenue monies (P.C. 1969 - 1279).

2. ECONOMIC DEPENDENCE

The Kitasoo Xai'Xais Nation receives a major portion of its revenue pursuant to a funding arrangement with Indigenous Services Canada.

Kitasoo Xai'Xais Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

See Auditors' Report

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 \$100,000 (2021 - \$100,558).

Cash is comprised of the following:

	2022	2021
Bank funds and term deposits - Band Operations	\$ 17,423,976	\$ 10,811,957
Bank funds - Social Housing	52,082	42,376
Bank funds and term deposits - Enterprise Fund	9,216,467	10,095,782
<hr/>		\$ 26,692,525
<hr/>		\$ 20,950,115

Included in the Enterprise Fund cash is \$2,901,750 (2021 - \$1,250,249) CDN of funds denominated in US dollars.

Restricted cash is comprised of the following:

	2022	2021
Ottawa Trust Funds	\$ 178,618	\$ 174,145
Restricted cash - Social Housing	345,424	343,529
<hr/>		\$ 524,042
<hr/>		\$ 517,674

Kitasoo Xai'Xais Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

See Auditors' Report

4. ACCOUNTS RECEIVABLE

Account receivable consists of the following:	2022	2021
Due from band members:		
Cable and internet user fees	\$ 303,375	\$ 276,332
Less: allowance for doubtful accounts	<u>(303,375)</u>	<u>(274,897)</u>
	-	1,435
Due from others:		
Indigenous Services Canada	261,261	146,524
Canada Revenue Agency	51,231	27,046
Canadian Mortgage and Housing Corporation	511,321	31,815
Central Coast Indigenous Resource Alliance	8,624	42,913
Coastal First Nations Great Bear Initiative	-	20,900
Department of Fisheries	265,945	48,677
Employee advances and loans	(604)	800
First Nation Education Steering Committee	15,500	11,784
First Nations Health Authority	169,450	145,400
First People's Heritage, Language & Culture Council	108,164	41,074
Great Bear Initiative	352,790	-
Province of BC	-	30,748
Other amounts owing to		
Band	251,080	25,168
Kitasoo Band Store	16,066	7,691
First Nations Fuel	112,821	85,391
Kitasoo Seafoods Limited Partnership	166,021	201,518
Spirit Bear Adventures Limited Partnership	328,946	185,268
Kitasoo Forestry Limited Partnership	3,908,734	200
	<hr/> <u>\$ 6,527,349</u>	<hr/> <u>\$ 1,054,352</u>

Kitasoo Xai'Xais Nation
NOTES TO FINANCIAL STATEMENTS

March 31, 2022

See Auditors' Report

5. INVESTMENTS

	2022	2021
Kitasoo Seafoods Ltd.		
Shares	\$ 2	\$ 2
Contributed surplus	1,464,455	1,464,455
Accumulated deficit	(1,424,823)	(1,424,920)
	39,634	39,537
Kitasoo Development Corporation		
Shares	1	1
Advances - direct	3,003,180	3,003,180
Advances - indirect	350,311	383,718
Accumulated deficit	(242,111)	(339,018)
	3,111,381	3,047,881
Kitasoo Hydro Power Ltd.		
Shares	1	1
Contributed surplus	2,241,230	2,241,230
Advances	(195,273)	(219,407)
Accumulated deficit	(1,167,457)	(1,217,079)
	878,501	804,745
Kitasoo Forest Company Ltd.		
Shares	24	24
Advances	77,406	77,406
Accumulated deficit	(56,403)	(56,562)
	21,027	20,868
Kitasoo Band Store Ltd.		
Shares	1	1
Advances	(1)	(1)
	-	-
Kitasoo Development GP Ltd.		
Shares	-	-
Advances	(2)	(2)
	(2)	(2)
Balance carried forward	\$ 4,050,541	\$ 3,913,029

Kitasoo Xai'Xais Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

See Auditors' Report

5. Continued ...

<u>Balance brought forward</u>	<u>\$ 4,050,541</u>	<u>\$ 3,913,029</u>
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.		
Deposit paid on vessel purchase	-	150,000
	-	150,000
	\$ 4,050,651	\$ 4,063,139

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, 2022 is as follows:

	Assets	Liabilities	Revenue	Income (loss)
	\$	\$	\$	\$
Kitasoo Seafoods Ltd.	625,105	585,340	97	97
Kitasoo Development Corporation	3,699,745	3,941,855	173,149	96,907
Kitasoo Hydro Power Ltd.	1,084,674	10,900	112,048	49,622
Kitasoo Forest Company Ltd.	21,027	77,406	159	159
Kitasoo Band Store Ltd.	956,894	445,153	1,646,742	(305,383)
Kitasoo Development GP Ltd.	2	2	-	-
Klemtu Tourism Ltd.	-	163,199	-	-
Kitasoo Aqua Farm Ltd.	-	-	-	-

Kitasoo Xai'Xais Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

See Auditors' Report

6. INVESTMENT IN JOINT VENTURE

Kitasoo Xai'Xais Nation, 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. INVESTMENT IN LIMITED PARTNERSHIP

Kitasoo Xai'Xais Nation, through its 99.9% limited partnership interest in Kitasoo Seafoods Limited Partnership, records its 25% interest in the Central Coast Commercial Fisheries Limited Partnership. 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.

8. DEFERRED REVENUE

Deferred revenue consists of the following.

	2022	2021
Operating Fund		
Indigenous Services Canada	\$ 4,284,794	\$ 625,510
Enterprise Fund		
Unearned revenue	224,297	168,594
	<hr/> \$ 4,509,091	<hr/> \$ 794,104

Kitasoo Xai'Xais Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

See Auditors' Report

9. LONG-TERM DEBT

	2022	2021
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.	43,360	66,391
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.	58,550	73,357
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.	62,492	95,686
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.	199,525	249,552
Loan payable with no interest, due the earlier of five years from signing date or date on which the claim is settled. If the loan becomes due and payable under the terms of the loan while the claim is still in negotiation, the loan repayment dates will be extended by the earlier of five years, or a period deemed appropriate to coincide with the anticipated claim settlement date.	400,487	70,094
Balance carried forward	\$ 764,414	\$ 555,080

Kitasoo Xai'Xais Nation
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9. Continued ...

	2022	2021
Balance brought forward	\$ 764,414	\$ 555,080
Loan payable with payments of \$502 per month including interest at 4.12% per annum, maturing July 1, 2024.	88,023	90,372
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	60,000
<u>Mortgage payable.</u>	-	5,543
	\$ 912,437	\$ 710,995

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

2023	\$ 210,701
2024	174,528
2025	66,537
2026	60,183
2027	-
Total	<u>\$ 511,949</u>

Kitasoo Xai'Xais Nation
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10. CAPITAL ASSETS

	2022								Ending Accumulated Depreciation	Net Book Value
	Beginning Cost	Additions	Disposals	Ending Cost	Beginning Accumulated Depreciation	Depreciation	Disposals			
Operating Fund										
Commercial buildings	\$ 19,027,590	\$ 84,348	\$ -	\$ 19,111,938	\$ 11,738,497	\$ 366,564	\$ -	\$ 12,105,061	\$ 7,006,877	
Residential buildings	8,676,330	135,528	(220,056)	8,591,802	5,391,682	167,624	(187,907)	5,371,399	3,220,403	
Infrastructure	22,788,321	3,843,123	-	26,631,444	8,458,260	576,993	-	9,035,253	17,596,191	
Furniture and fixtures	408,761	4,919	-	413,680	361,462	10,091	-	371,553	42,127	
Electronic equipment	405,436	-	-	405,436	394,598	3,267	-	397,865	7,571	
Computer equipment	646,584	44,007	-	690,591	584,818	29,370	-	614,188	76,403	
Vehicles and boats	2,462,599	247,007	(107,887)	2,601,719	1,643,132	168,604	(107,887)	1,703,849	897,870	
Miscellaneous equipment	1,279,289	124,892	-	1,404,181	1,236,645	22,754	-	1,259,399	144,782	
	55,694,910	4,483,824	(327,943)	59,850,791	29,809,094	1,345,267	(295,794)	30,858,567	28,992,224	
Social Housing Fund										
Residential buildings	3,060,687	-	-	3,060,687	1,692,505	121,059	-	1,813,564	1,247,123	
Appliances	86,978	-	-	86,978	86,978	-	-	86,978	-	
	3,147,665	-	-	3,147,665	1,779,483	121,059	-	1,900,542	1,247,123	
Enterprise Fund										
Vehicles and boats	1,293,777	89,119	-	1,382,896	772,781	160,817	-	933,598	449,298	
Building and fixtures	7,682,441	969,622	(471,880)	8,180,183	3,352,628	200,778	(343,842)	3,209,564	4,970,619	
Computer equipment	113,626	21,239	-	134,865	105,377	9,021	-	114,398	20,467	
Dump	88,118	-	-	88,118	88,118	-	-	88,118	-	
Equipment, other	987,907	28,737	-	1,016,644	774,524	45,039	-	819,563	197,081	
Fuel storage tanks	905,183	62,695	-	967,878	887,533	3,759	-	891,292	76,586	
Roads	988,103	-	-	988,103	988,103	-	-	988,103	-	
	12,059,155	1,171,412	(471,880)	12,758,687	6,969,064	419,414	(343,842)	7,044,636	5,714,051	
	\$ 70,901,730	\$ 5,655,236	\$ (799,823)	\$ 75,757,143	\$ 38,557,641	\$ 1,885,740	\$ (639,636)	\$ 39,803,745	\$ 35,953,398	

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10. Continued...

	2021								Ending Accumulated Depreciation	Net Book Value
	Beginning Cost	Additions	Disposals	Ending Cost	Beginning Accumulated Depreciation	Depreciation	Disposals			
Operating Fund										
Commercial buildings	\$ 19,027,590	\$ -	\$ -	\$ 19,027,590	\$ 11,354,859	\$ 383,638	\$ -	\$ 11,738,497	\$ 7,289,093	
Residential buildings	8,676,330	-	-	8,676,330	5,218,800	172,882	-	5,391,682	3,284,648	
Infrastructure	20,015,037	2,773,284	-	22,788,321	7,851,220	607,040	-	8,458,260	14,330,061	
Furniture and fixtures	408,761	-	-	408,761	349,636	11,826	-	361,462	47,299	
Electronic equipment	405,436	-	-	405,436	389,949	4,649	-	394,598	10,838	
Computer equipment	605,315	41,269	-	646,584	562,676	22,142	-	584,818	61,766	
Vehicles and boats	1,991,336	471,263	-	2,462,599	1,517,050	126,082	-	1,643,132	819,467	
Miscellaneous equipment	1,279,289	-	-	1,279,289	1,218,369	18,276	-	1,236,645	42,644	
	52,409,094	3,285,816	-	55,694,910	28,462,559	1,346,535	-	29,809,094	25,885,816	
Social Housing Fund										
Residential buildings	3,060,687	-	-	3,060,687	1,573,313	119,192	-	1,692,505	1,368,182	
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	
Enterprise Fund										
Vehicles and boats	1,216,181	77,596	-	1,293,777	575,635	197,146	-	772,781	520,996	
Building and fixtures	7,430,566	251,875	-	7,682,441	3,123,124	229,504	-	3,352,628	4,329,813	
Computer equipment	113,626	-	-	113,626	101,037	4,340	-	105,377	8,249	
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	
Fuel storage tanks	905,183	-	-	905,183	885,202	2,331	-	887,533	17,650	
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	
	\$ 67,266,681	\$ 3,635,049	\$ -	\$ 70,901,730	\$ 36,607,770	\$ 1,949,871	\$ -	\$ 38,557,641	\$ 32,344,089	

Kitasoo Xai'Xais Nation

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11. INTANGIBLE ASSETS

	Cost	Accumulated Depreciation	2022	2021
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

12. ACCUMULATED SURPLUS

	2022	2021
OPERATING FUND	\$ 49,671,064	\$ 39,575,666
SOCIAL HOUSING FUND		
Operating Fund - unrestricted	(98,985)	(110,828)
Capital Fund - externally restricted	883,196	883,196
Replacement Reserve Fund - externally restricted	915,766	172,262
OTTAWA TRUST FUNDS	178,618	174,145
ENTERPRISE FUND (restated)	21,342,666	19,175,792
	\$ 72,892,325	\$ 59,870,233

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, 2022, cash and term deposits required to fund the Old Program Replacement Reserve Fund were under-funded by \$349,322 (2021 - excess of \$149,381).

As at March 31, 2022, cash and term deposits required to fund the New Program Replacement Reserve Fund were under-funded by \$221,020 (2021 - excess by \$21,886).

Kitasoo Xai'Xais Nation

NOTES TO FINANCIAL STATEMENTS

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12. Continued...

SUBSIDY SURPLUS FUND

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage and Housing Corporation, Kitasoo Xai'Xais Nation 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 Xai'Xais Nation 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.

14. FINANCIAL INSTRUMENTS

Risk management policy

The Kitasoo Xai'Xais Nation is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at March 31, 2022.

Credit risk

The carrying value of the Kitasoo Xai'Xais Nation's main financial assets represents the maximum credit risk to which the band is exposed.

The Kitasoo Xai'Xais Nation'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 Xai'Xais Nation believes that its loans receivable credit risk is limited because:

Kitasoo Xai'Xais Nation

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14. Continued...

- Majority of its receivables are due from Canadian government agencies.
- The Kitasoo Xai'Xais Nation 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 Xai'Xais Nation 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 Xai'Xais Nation 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, 2022.

	Carrying amount	Contractual cash flows	0 to 1 year	2 to 4 years	Over 5 years
Operating loan	\$ 496,128	\$ 496,128	\$ 496,128	\$ -	\$ -
Accounts payable and accrued expenses	6,378,887	6,378,887	6,378,887	-	-
Government loan	60,000	60,000	60,000	-	-
Long-term debt	912,437	912,437	210,701	241,065	460,671
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 7,847,452	\$ 7,847,452	\$ 7,145,716	\$ 241,065	\$ 460,671

Currency risk

The Kitasoo Xai'Xais Nation 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 Xai'Xais Nation'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 Xai'Xais Nation 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.

Kitasoo Xai'Xais Nation

NOTES TO FINANCIAL STATEMENTS

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14. Continued...

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.

15. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	Budget	2022	2021
Administration	\$ 658,100	\$ 658,107	\$ 772,555
Advertising	72,800	72,861	19,421
Amortization	1,885,700	1,885,740	1,949,870
Audit and accounting	179,100	179,175	102,005
Bad debts	33,000	33,060	32,320
Bank charges and interest (recovery)	52,700	52,735	(70,978)
Consulting	841,000	841,084	1,140,688
Contractors	1,793,300	1,793,341	2,748,354
Contributions	401,800	401,822	257,338
Cost of goods sold (adjustment)	5,788,700	5,788,732	(4,711,687)
Equipment purchases	98,700	98,766	149,717
Equipment rent	13,200	13,221	4,574
Freight	47,500	47,501	27,624
Fuel	493,100	493,188	403,783
Honoraria	123,100	123,174	99,657
Insurance	349,000	349,061	233,643
Legal	377,700	377,784	111,942
Licences and fees	281,300	281,303	123,490
Loss on disposal	128,000	128,038	-
Materials and supplies	1,699,900	1,699,976	1,085,223
Mortgage payments	5,500	5,543	3,293
Office and other	527,600	527,639	425,764
Rent	194,100	194,149	189,602
Repairs and maintenance	628,400	628,402	896,335
Replacement reserve expenses	35,300	35,391	124,378
Telephone	99,000	99,083	104,244
Training	80,300	80,310	74,453
Travel	478,600	478,669	145,644
Utilities	61,200	61,298	66,739
Wages and benefits	5,390,400	5,390,487	4,823,815

\$ 22,819,640 \$ 11,333,806

Kitasoo Xai'Xais Nation

NOTES TO FINANCIAL STATEMENTS

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16. PRIOR PERIOD ADJUSTMENT

Subsequent to the release of the March 31, 2021 Kitasoo Xai'Xais Nation Financial Statements, financial information was obtained regarding the Central Coast Commercial Fisheries Limited Partnership. The Limited Partnership should have been recorded 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. However, the partnership financial information was made available subsequent to the release of the financial statements. The effects of correcting for these are detailed below:

SUMMARY STATEMENT OF FINANCIAL POSITION

	2021 As previously stated	Changes	2021 Restated
Financial assets			
Investment in Central Coast Commercial Fisheries Limited Partnership	-	1,313,178	1,313,178
Net financial assets	23,486,559	1,313,178	24,799,737
Accumulated surplus	\$ 58,557,055	\$ 1,313,178	\$ 59,870,233

SUMMARY STATEMENT OF OPERATIONS

	2021 As previously stated	Changes	2021 Restated
Revenue			
Band Owned Enterprises	(786,509)	105,909	(680,600)
Annual surplus	3,164,164	105,909	3,270,073
Accumulated surplus, beginning as previously stated	55,392,891	-	55,392,891
Prior period adjustment	-	1,207,269	1,207,269
Accumulated surplus, beginning restated	55,392,891	1,207,269	56,600,160
Accumulated surplus, end of year	\$ 58,557,055	\$ 1,313,178	\$ 59,870,233

Kitasoo Xai'Xais Nation
NOTES TO FINANCIAL STATEMENTS

March 31, 2022

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16. Continued...

SUMMARY STATEMENT OF CHANGE IN FINANCIAL ASSETS

	2021 <i>As previously stated</i>	2021 <i>Changes</i>	2021 <i>Restated</i>
Annual surplus	3,164,164	105,909	3,270,073
Increase in net financial assets	1,590,779	105,909	1,696,688
Net financial assets, beginning of year	21,895,780	1,207,269	23,103,049
Net financial assets, end of year	\$ 23,486,559	\$ 1,313,178	\$ 24,799,737