

KWAKIUTL BAND COUNCIL
Consolidated Financial Statements
March 31, 2016

KWAKIUTL BAND COUNCIL

March 31, 2016

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Kwakiutl Band Council and all the information in this report are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects, including the consolidated financial position of the Kwakiutl Band Council and the results of its consolidated operations and its consolidated cash flows.

Management is responsible for the integrity and objectivity of these consolidated statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Kwakiutl Band Council is 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.

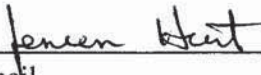
The Kwakiutl Band Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report. Chief and Council takes this information into consideration when approving the financial statements for issuance to the Members. In addition, Chief and Council also consider the engagement of the Kwakiutl Band Council's external auditor.

The consolidated financial statements have been audited by Chan Nowosad Boates, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the Members. Chan Nowosad Boates, Chartered Professional Accountants have full access to Chief and Council.

On behalf of the Kwakiutl Band Council:



Chief



Council

July 28, 2016



INDEPENDENT AUDITORS' REPORT

To: Chief and Council and Members of the
Kwakiutl Band Council

We have audited the accompanying consolidated financial statements of Kwakiutl Band Council which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and consolidated cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kwakiutl Band Council as at March 31, 2016, and the results of its consolidated operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The supplementary information contained in the accompanying schedules is presented for purposes of additional information to management and does not form part of the consolidated financial statements.

Chartered Professional Accountants
Campbell River, BC

July 28, 2016

KWAKIUTL BAND COUNCIL

Consolidated Statement of Financial Position

March 31, 2016

2016

2015

(Note 17)

\$

\$

FINANCIAL ASSETS

Cash and Cash Equivalents - Unrestricted	1,207,775	3,962,991
Cash and Cash Equivalents - Restricted (Note 2)	1,136,940	55,550
Trust Funds Held by Federal Government (Note 3)	54,972	52,078
Accounts Receivable (Note 4)	589,276	1,515,744
Due from Government and Other Government Organizations (Note 5)	237,734	121,330
Investment in Government Business Enterprise (Note 6)	751,836	697,812
	<u>3,978,533</u>	<u>6,405,505</u>

LIABILITIES

Accounts Payable and Accrued Liabilities (Note 7)	679,840	1,618,471
Long Term Debt (Note 8)	3,169,830	2,071,083
Capital Lease (Note 9)	43,829	-
Replacement Reserve (Note 10)	-	74,607
	<u>3,893,499</u>	<u>3,764,161</u>

NET FINANCIAL ASSETS

85,034

2,641,344

NON-FINANCIAL ASSETS

Retail Inventory	6,706	18,931
Prepaid Expenses	37,313	48,618
Tangible Capital Assets (Notes 8 and 11)	13,859,400	8,506,333
Leased Capital Assets (Notes 9 and 12)	48,781	-
	<u>13,952,200</u>	<u>8,573,882</u>

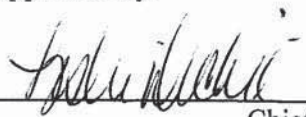
ACCUMULATED SURPLUS (Note 14)

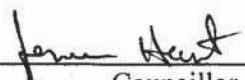
14,037,234

11,215,226

Contingent Liabilities (Note 13)

Approved by:


Chief


Councillor

KWAKIUTL BAND COUNCIL

Consolidated Statement of Operations

Year Ended March 31, 2016

	2016		2015
	Actual	Budget	
	\$	\$	\$
		(Note 18)	(Note 17)
Revenues			
Indigenous and Northern Affairs Canada - Operating	2,232,612	-	1,834,759
Indigenous and Northern Affairs Canada - Capital	3,151,683	-	5,552,280
Provincial Government Transfers - Operating	282,765	-	228,198
Canada Mortgage and Housing Corporation	8,983	-	33,230
Department of Fisheries and Oceans Canada	51,025	-	97,300
Environment Canada	(15,300)	-	15,300
First Nation Health Authority	908,415	-	864,643
Rent	75,011	-	81,371
Amounts Earned and Held in Trust (Note 3)	2,894	-	9,492
Cigarette Net Income (Loss)	(5,634)	-	23,987
Enterprise Revenues	1,227,098	-	1,445,213
North Vancouver Island Aboriginal Training Society	105,965	-	169,380
First Nations Education Steering Committee	115,785	-	133,335
Earnings from Government Business Enterprise (Note 6)	104,323	-	-
Other	381,238	-	345,914
	<u>8,626,863</u>	<u>-</u>	<u>10,834,402</u>
Expenditures			
Administration	1,199,886	-	985,008
Governance	313,486	-	482,454
Health	863,172	-	898,906
Education	1,291,164	-	1,162,293
Social Development	385,213	-	396,889
Community and Job Creation	24,622	-	113,892
Land and Resources	231,713	-	136,688
Daycare	206,068	-	217,942
Fisheries Management	137,109	-	213,497
Community Economic Development	72,707	-	88,777
Band Housing	495,281	-	115,390
Enterprise	517,040	-	265,345
Loss from Government Business Enterprise (Note 6)	-	-	48,779
Treaty	12,245	-	125
	<u>5,749,706</u>	<u>-</u>	<u>5,125,985</u>
Annual Surplus Prior to INAC Recoveries	2,877,157	-	5,708,417
INAC Recoveries	(55,149)	-	(84,214)
Annual Surplus	<u>2,822,008</u>	<u>-</u>	<u>5,624,203</u>

KWAKIUTL BAND COUNCIL

Consolidated Statement of Accumulated Surplus

Year Ended March 31, 2016

	2016		2015
	Actual	Budget	
	\$	\$	\$
			(Note 17)
Accumulated Surplus - Beginning of Year as Previously Stated	11,145,544	-	5,458,478
Prior Period Adjustment (Note 17)	<u>69,682</u>	<u>-</u>	<u>132,545</u>
Accumulated Surplus - Beginning of Year as Restated	11,215,226	-	5,591,023
Annual Surplus	<u>2,822,008</u>	<u>-</u>	<u>5,624,203</u>
Accumulated Surplus - End of Year	<u>14,037,234</u>	<u>-</u>	<u>11,215,226</u>

KWAKIUTL BAND COUNCIL

Consolidated Statement of Change in Net Assets

Year Ended March 31, 2016

2016

2015

(Note 17)

	\$	\$
Annual Surplus	<u>2,822,008</u>	<u>5,624,203</u>
Tangible Capital Assets Purchased or Consolidated	(5,532,746)	(5,761,227)
Amortization of Tangible Capital Assets	<u>130,900</u>	<u>129,727</u>
	<u>(5,401,846)</u>	<u>(5,631,500)</u>
Inventory Purchased	(73,432)	(100,885)
Inventory Used	<u>85,656</u>	<u>105,360</u>
	<u>12,224</u>	<u>4,475</u>
Acquisition of Prepaid Asset	(37,313)	(48,617)
Use of Prepaid Asset	<u>48,617</u>	<u>124,875</u>
	<u>11,304</u>	<u>76,258</u>
Increase in Net Financial Assets	(2,556,310)	73,436
Net Financial Assets - Beginning of Year	<u>2,641,344</u>	<u>2,567,908</u>
Net Financial Assets - End of Year	<u>85,034</u>	<u>2,641,344</u>

KWAKIUTL BAND COUNCIL

Consolidated Statement of Cash Flows

Year Ended March 31, 2016

2016

2015

(Note 17)

\$

\$

Cash Flows From Operating Activities:

Cash Received from INAC and Other Sources	9,255,101	10,333,434
Cash Paid to Suppliers and Employees	(6,569,410)	(3,811,382)
Interest Paid	(19,646)	(16,689)
	<u>2,666,045</u>	<u>6,505,363</u>

Cash Flows From Financing Activities:

Proceeds from Funds Held in Trust	-	1,432,342
Proceeds from Capital Lease Incurred	43,829	-
Proceeds from Long Term Debt	1,200,000	-
Repayment of Long Term Debt	(101,253)	(152,288)
	<u>1,142,576</u>	<u>1,280,054</u>

Cash Flows From Investing Activities:

Repayment from (Advances to) KNDC	<u>50,299</u>	<u>(211,466)</u>
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Cash Flows From Capital Activities:

Purchase of Tangible Capital Assets	(5,483,965)	(4,768,294)
Purchase of Leased Capital Assets	(48,781)	-
	<u>(5,532,746)</u>	<u>(4,768,294)</u>

Increase (Decrease) in Cash and Cash Equivalents

(1,673,826) 2,805,657

Cash and Cash Equivalents - Beginning of Year

4,018,541 1,212,884

Cash and Cash Equivalents - End of Year

2,344,715 4,018,541

Cash and Cash Equivalents Consist of:

Cash and Cash Equivalents	<u>2,344,715</u>	<u>4,018,541</u>
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KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2016

1. Significant Accounting Policies:

a) Basis of Accounting:

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

b) Basis of Presentation:

The consolidated financial statements include the accounts of the Kwakiutl Band Council (the "Band") and an organization that is controlled by the Band, 0819357 B.C. Ltd. (the "Controlled Entity"). Government business partnerships are accounted for using the modified equity method.

All controlled entities are fully consolidated on a line-by-line basis except for a commercial enterprise which meets the definition of a government business enterprise, Kwakiutl Nation Development Corporation, which is included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

c) Asset Classification:

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services and may be consumed in normal operations. Non-financial assets include tangible capital assets, property under development, and prepaid expenses. Intangible assets, and items inherited by right of the First Nation, are not recognized in the consolidated financial statements.

d) Inventories for Resale:

Inventories of goods available for resale are recorded at the lower of cost and net realizable value with cost being determined on a first-in-first-out basis. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale.

e) Tangible Capital Assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

Amortization is provided for using the following rates and methods:

Equipment	5 years	straight-line
Boat	15%	declining balance
Computer Equipment	45%	declining balance
Vehicles	30%	declining balance
Computer Software	100%	declining balance
Xyntax Software and Server	10 years	straight-line
Daycare Centre	25 years	straight-line
Hydro Project	20 years	straight-line
Water System	20 years	straight-line
Band Housing Houses	25 years	straight-line

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Band's ability to provide goods and services, or when the value of future economic benefits associated with the assets are less than their net book value. The net writedowns are accounted for as expenses in the statement of operations.

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2016

1. Significant Accounting Policies (continued):

f) Leased Capital Asset:

Leases with terms and conditions where substantially all of the benefits and risks incident to ownership, are, in substance, transferred to the Band without necessarily transferring legal ownership are capitalized at the present value of future of the minimum lease payments, excluding the portion relating to executory costs. Leased Capital Assets are amortized over their estimated future life.

g) Revenue Recognition:

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to any obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the liabilities are settled. Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

h) Investment in Government Business Enterprise:

The Band accounts for their investment in a controlled government business enterprise using the modified equity method. This business enterprise is Kwakiutl Nation Development Corporation.

Under the modified equity method of accounting, only the Band's investment in the business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of the Band, except that any other comprehensive income of the business enterprise is accounted for as an adjustment to the accumulated surplus or deficit. Inter-organizational transactions and balances are not eliminated.

i) Measurement Uncertainty:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the report amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, estimated useful lives of tangible capital assets, impairment of tangible capital assets, recoverability of investments and advances, accrued liabilities and the possibility of contingent liabilities. Actual results could differ from these estimates.

2. Cash and Cash Equivalents - Restricted:

During the year ending March 31, 2016 the Band passed a Band Council Resolution ("BCR") requiring that all funds received from Royalties be maintained and a separate bank account and not drawn from without approval in the form of a BCR. At March 31, 2016 the restricted balance was \$1,136,940 (2015 - \$nil).

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2016

2. Cash and Cash Equivalents - Restricted (continued):

During the year ending March 31, 2016 the Band completed their agreement with the Canada Mortgage and Housing Corporation ("CMHC") and at March 31, 2016 there were no cash amounts restricted for use for the replacement reserve as had been required in prior years.

In the prior year, under the terms of an agreement with the Canada Mortgage and Housing Corporation ("CMHC"), the Band was required to set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds, titled Externally Restricted Replacement Reserve, were held in a separate bank account. The funds in the account were only to be used as approved by CMHC. At March 31, 2015, \$55,550 had been set aside in this reserve.

3. Trust Funds Held by Federal Government:

	<u>2015</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>2016</u>
	\$	\$	\$	\$
Revenue	<u>52,078</u>	<u>2,894</u>	<u>-</u>	<u>54,972</u>

The Trust Funds Held by the Federal Government arise from monies 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.

4. Accounts Receivable:

	<u>2016</u>	<u>2015</u>
	\$	\$
Due from Members		
Rent	314,244	266,539
Band Housing	<u>298,656</u>	<u>300,953</u>
	<u>612,900</u>	<u>567,492</u>
Due from Others		
Royalties	337,904	504,174
Other	<u>232,166</u>	<u>624,356</u>
	<u>570,070</u>	<u>1,128,530</u>
Less: Allowance for Doubtful Accounts	<u>(593,694)</u>	<u>(180,278)</u>
	<u>589,276</u>	<u>1,515,744</u>

5. Due from Government and Other Government Organizations:

	<u>2016</u>	<u>2015</u>
	\$	\$
Federal Government		
Department of Fisheries	157,024	111,995
Other Government Organizations	<u>80,710</u>	<u>9,335</u>
	<u>237,734</u>	<u>121,330</u>

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2016

6. Investment in Government Business Enterprise:

	<u>2016</u>	<u>2015</u>
	\$	\$
Kwakiutl Nation Development Corporation (100%)		
Shares	3	3
Advances	965,856	1,016,155
Accumulated share of deficit	<u>(214,023)</u>	<u>(318,346)</u>
	<u>751,836</u>	<u>697,812</u>

The shares in Kwakiutl Nation Development Corporation are held in trust by specified band members under trust agreements. The advances made are without interest or specific repayment terms.

During the prior year ending March 31, 2015, 0819357 B.C. Ltd. was assessed as no longer meeting the requirements to be classified as a Government Business Enterprise and was consolidated into the financial statements of the Band for the year ended March 31, 2015 and onward. Upon consolidation \$198,748 of deficit was recorded and \$859,830 of Advances to 0819357 B.C. Ltd. were eliminated.

Financial information for Kwakiutl Nation Development Corporation for the year ended March 31, 2016 with comparative information at March 31, 2015 is as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Cash	217,969	338,703
Accounts Receivable	340,097	178,639
Inventory	7,000	7,000
Prepaid Expenses	15,795	3,751
Tangible Capital Assets	376,245	220,781
Licenses	<u>58,104</u>	<u>-</u>
Total Assets	<u>1,015,210</u>	<u>748,874</u>
Accounts Payable	263,375	51,065
Due to Kwakiutl Band Council	<u>965,858</u>	<u>1,016,155</u>
Total Liabilities	<u>1,229,233</u>	<u>1,067,220</u>
Equity	<u>(214,023)</u>	<u>(318,346)</u>
Total Liabilities and Equity	<u>1,015,210</u>	<u>748,874</u>
Revenues	1,549,534	1,628,147
Expenses	<u>1,445,211</u>	<u>1,676,926</u>
Net Income (Loss)	<u>104,323</u>	<u>(48,779)</u>

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2016

7. Accounts Payable:

	<u>2016</u>	<u>2015</u>
	\$	\$
Trade payables	556,711	1,468,217
Accrued benefits payable	113,357	42,157
Due to INAC	7,406	104,531
Due to Other Government Organizations	<u>2,366</u>	<u>3,566</u>
	<u>679,840</u>	<u>1,618,471</u>

8. Long Term Debt:

	<u>2016</u>	<u>2015</u>
	\$	\$
Band Housing:		
All Nations Trust:		
Repayable at \$2,038 per month including interest at 2.86% per annum; repaid during the year	-	12,030
Repayable at \$3,582 per month including interest at 2.57% per annum; repaid during the year	<u>-</u>	<u>28,346</u>
	<u>-</u>	<u>40,376</u>

Capital:

CIBC:

Repayable at \$60,877 per year by way of a single annual payment plus accrued interest accrued at prime plus 1.5% per annum; due on demand; maturing April 2021, secured by land with a net book value of \$992,933	291,255	352,132
Due on demand; interest-only monthly payments at prime plus 0.75% per annum; secured by building with a net book value of \$11,101,770	1,200,000	-
Treaty amount repayable upon settlement of land claim	<u>1,678,575</u>	<u>1,678,575</u>
	<u>3,169,830</u>	<u>2,071,083</u>

Interest paid on long term debt for the year ended March 31, 2016 is \$19,646 (2015 - \$16,689). The Band has a total of \$70,000 in operating lines of credit available at prime + 0.75%. At March 31, 2016 they had not been utilized.

Long-term debt principal payments due within each of the next five years and beyond is estimated to be as follows:

	\$
2017	1,260,877
2018	60,877
2019	60,877
2020	60,877
2021 and beyond	1,726,322

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2016

9. Capital Lease:

During the year the Band entered a capital lease for Xyntax Accounting Software. At the conclusion of the lease there is a bargain purchase option of \$1. The Band had access to the software during the year, however the Band did not begin using it until April 1, 2016 nor did the lease the agreement commence until then. The Band made a downpayment of \$14,610 on the related asset and will make payments on the lease beginning April 1, 2016 of \$1,468 per month, inclusive of inherent annual interest of 11%. Principal payments due within the three year term are:

	\$
2017	12,511
2018	14,286
2019	17,032

10. Replacement Reserve:

During the year, the Band paid off it's loans with CMHC and was therefore no longer required to maintain a replacement reserve account. The charge in the current year is \$6,775 (2015 - \$14,474) with \$81,381 (2015 - \$3,467) being withdrawn from it in the current year.

11. Tangible Capital Assets:

	Cost				Accumulated Amortization				Net Book Value	
	Opening \$	Additions \$	Disposals \$	Closing \$	Opening \$	Amort \$	Disposals \$	Closing \$	2016 \$	2015 \$
Capital:										
Boat	60,250	-	-	60,250	31,158	4,400	-	35,558	24,692	29,092
Crown Land	40,259	-	-	40,259	-	-	-	-	40,259	40,259
Daycare Centre	541,404	-	-	541,404	326,661	21,660	-	348,321	193,083	214,743
Equipment	325,861	23,286	81,027	268,120	277,963	27,751	81,029	224,685	43,435	47,898
Hydro Project	46,650	-	-	46,650	29,149	2,330	-	31,479	15,171	17,501
Land	572,945	-	-	572,945	-	-	-	-	572,945	572,945
Learning Centre	93,833	-	-	93,833	1,880	1,880	-	3,760	90,073	91,953
Physical Dev. Plan	452,776	-	-	452,776	-	-	-	-	452,776	452,776
Wagulus School	13,716	-	13,716	-	13,716	-	13,716	-	-	-
Water System	449,333	-	-	449,333	239,373	22,470	-	261,843	187,490	209,960
Website	18,451	-	-	18,451	-	-	-	-	18,451	18,451
Buildings and Housing	561,680	-	-	561,680	516,184	10,253	-	526,437	35,243	45,496
Projects under Development	<u>5,641,091</u>	<u>5,460,679</u>	<u>-</u>	<u>11,101,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,101,770</u>	<u>5,641,091</u>
	<u>8,818,249</u>	<u>5,483,965</u>	<u>94,743</u>	<u>14,207,471</u>	<u>1,436,084</u>	<u>90,744</u>	<u>94,745</u>	<u>1,432,083</u>	<u>12,775,388</u>	<u>7,382,165</u>
Band Housing:										
Houses	1,004,370	-	-	1,004,370	873,135	40,156	-	913,291	91,079	131,235
Enterprise:										
Equipment	86,772	-	38,972	47,800	86,772	-	38,972	47,800	-	-
0819357 B.C. Ltd.:										
Land	992,933	-	-	992,933	-	-	-	-	992,933	992,933
Treaty:										
Equipment	<u>26,468</u>	<u>-</u>	<u>26,468</u>	<u>-</u>	<u>26,468</u>	<u>-</u>	<u>26,468</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>10,928,792</u>	<u>5,483,965</u>	<u>160,183</u>	<u>16,252,574</u>	<u>2,422,459</u>	<u>130,900</u>	<u>160,185</u>	<u>2,393,174</u>	<u>13,859,400</u>	<u>8,506,333</u>

CHAN NOWOSAD BOATES
CHARTERED PROFESSIONAL ACCOUNTANTS

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2016

12. Leased Capital Assets:

	Cost				Accumulated Amortization				Net Book Value	
	Opening \$	Additions \$	Disposals \$	Closing \$	Opening \$	Amort \$	Disposals \$	Closing \$	2016 \$	2015 \$
Xyntax Software and Server	-	48,781	-	48,781	-	-	-	-	48,781	-

13. Contingent Liabilities & Commitments:

- The Department of Indigenous and Northern Affairs Canada and Health Canada may recover certain program surpluses subsequent to discussion and negotiation with the Band. The ultimate outcome of these negotiations is not determinable at present. Consequently, no provision for potential recoverable surpluses, if any, is reflected in these consolidated financial statements.
- The BC Treaty Commission may recover unexpended funding or allow the Kwakiutl Band Council to retain surplus funds for future expenditures approved by the Commission. Repayment provisions for unexpended funding are outlined in Section 11 of the First Nation Negotiation Support Agreements.
- Band members have received forgivable loans under the Residential Rehabilitation Assistance Program (RRAP) which are guaranteed by the Band. The loans are forgivable over 5 years and forgiveness is subject to specific conditions where the balance may become payable if members are in default.
- At March 31, 2016 the Band had completed 87% of the construction of a new school on the Band's reserve. The total estimated cost to the Band to complete the school as at March 31, 2016 were \$1,621,758.

14. Accumulated Surplus:

	<u>2016</u>	<u>2015</u>
	\$	\$
Equity in Tangible Capital Assets	12,373,097	8,113,825
Equity in Ottawa Trust	54,972	52,078
Operating Surplus	<u>1,609,165</u>	<u>3,049,323</u>
	<u>14,037,234</u>	<u>11,215,226</u>

15. Portfolio Investments:

The Band holds 1 common share of Gilakas'la Kwa Holdings Ltd. The share, which represents a one third equity interest in Gilakas'la Kwa Holdings Ltd., was acquired for a nominal amount, and as a result is not presented within the statement of financial position. The investment is not traded in an active market and, therefore, its market value approximates its cost, which is nominal.

During the year ended March 31, 2016, the Band received \$350,543 (2015 - \$371,454) in income directly from Gilakas'la Kwa Holdings Ltd.

16. Retirement Benefits:

The Band and a selection of its employees participate in The Retirement Plan for the Employees of the Participating Employers of the Many Nations Pension Plan (also known as the Many Nations Multi-Employer Pension Plan, or the "Plan").

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2016

16. Retirement Benefits (continued):

The Plan is a defined contribution pension plan. The custodian of the plan is Industrial Alliance. Employees' contributions, and the matching employer contributions to the Plan vest immediately following the first contribution made by the employer to the Plan. Members of the Plan are directed to make their own investment decisions and if no decision is made, an investment into a default conservative portfolio is made on their behalf. The retirement age set for Plan participants is 65, but can be extended to 71. There has been no changes to the Plan from the prior period.

During the year, the Band's contribution to the Plan, and the resulting expense to the Band was \$50,909 (2015 - \$43,716).

17. Prior Period Adjustments:

In the current year, the Band determined that the recognition of revenue and related receivable for government funding only at the time the final report was submitted and accepted, which was the Band's accounting policy for Fisheries Funding, is not consistent with the guidance provided within the Public Sector Accounting Standards for Government entities as well as industry practice. As a result, the Band has elected to make the following adjustments:

- a) To record a receivable for the unrecorded Aboriginal Fisheries Strategy ("AFS") funding for the year ended March 31, 2014, the Band has adjusted the Accumulated Surplus as at April 1, 2015 as well as Due from Government and Other Government Organizations as at March 31, 2015. The Accumulated Surplus has been increased by \$48,662, from \$5,542,361 to \$5,591,023. Due from Government and Other Government Organizations has been increased from \$20,329 to \$68,991.
- b) To record revenue and receivable for unrecognised and unreceived AFS funding for the year ended March 31, 2015, the Band increased Fisheries Management revenue by \$52,339, from \$44,961 to \$97,300. The Due from Government and Other Government Organizations as at March 31, 2015 was increased from from \$68,991 noted above in (a) to \$121,330.

In the prior period management had identified an additional \$32,943 of potential additional costs to which the Land and Resource Management program funding related to. It was determined during the current fiscal year that the costs were never incurred nor were they going to be incurred and as a result, the funding received in excess of prior period expenditures was revenue for the year ending March 31, 2015 and not deferred revenue.

- a) This resulted in an increase in Indigenous and Northern Affairs Canada Operating revenue by \$32,943, from \$1,801,816 to \$1,834,759 and a decrease of deferred revenue presented as part of Accounts Payable and Accrued Liabilities for the same amount, from \$1,635,814 to \$1,602,871. Accounts Payable and Accrued Liabilities was then increased by expenses identified in the current year that related to the prior year totaling \$15,600. As a result, Accounts Payable and Accrued Liabilities increased from \$1,602,871 noted above to \$1,618,471 as at March 31, 2015.

In the prior year, the Band determined the recognition of revenue and a receivable for the reimbursement of the deficit incurred for the year for patient travel at the time the amount was reimbursed, which had been the Band's accounting policy in prior periods, was not consistent with the guidance provided within the Public Sector Accounting Standards for Government entities as well as industry practice. As a result, the Band elected to make the following adjustment:

- a) To record a receivable for underfunded patient travel for costs occurred during the year ended March 31, 2014 the Band has adjusted Revenues, specifically Health Canada as well as Accounts Receivable as at March 31, 2014. Revenues have been adjusted by \$42,591, from \$606,628 to \$649,219. Accounts Receivable have been adjusted from \$1,036,252 to \$1,078,843.

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2016

18. Budget Figures:

Budgeted figures have not been provided within the consolidated financial statements as a result of the Band not having fully formalized and finalized their budget for the year ending March 31, 2016.

19. Comparative Figures:

Certain 2015 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.