

KWAKIUTL BAND COUNCIL
Consolidated Financial Statements
March 31, 2018

KWAKIUTL BAND COUNCIL

March 31, 2018

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.

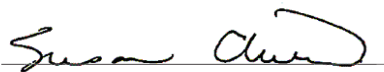
Management is responsible for the integrity and objectivity of these consolidated statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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:



Sue Child, Acting Band Manager

December 20, 2018



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Kwakiutl Band Council which comprise the consolidated statement of financial position as at March 31, 2018, 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, 2018, 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.

Chan Nowosad Boates Inc.

Chartered Professional Accountants
Campbell River, BC

December 20, 2018

KWAKIUTL BAND COUNCIL

Consolidated Statement of Financial Position

March 31, 2018

2018

2017

\$

\$

FINANCIAL ASSETS

Cash and Cash Equivalents - Unrestricted	1,098,459	696,576
Cash and Cash Equivalents - Restricted (Note 2)	1,568,097	1,471,640
Trust Funds Held by Federal Government (Note 3)	60,997	57,850
Accounts Receivable (Note 4)	970,177	646,001
Due from Government and Other Government Organizations (Note 5)	122,979	52,123
Investment in Government Business Enterprise (Note 6)	<u>2,316,868</u>	<u>1,493,551</u>
	<u>6,137,577</u>	<u>4,417,741</u>

LIABILITIES

Accounts Payable and Accrued Liabilities (Note 7)	633,425	347,719
Long Term Debt (Note 8)	<u>2,963,321</u>	<u>3,100,768</u>
	<u>3,596,746</u>	<u>3,448,487</u>

NET FINANCIAL ASSETS

2,540,831

969,254

NON-FINANCIAL ASSETS

Retail Inventory	4,648	6,706
Prepaid Expenses	79,502	32,976
Tangible Capital Assets (Notes 8 and 9)	<u>13,986,195</u>	<u>14,301,400</u>
	<u>14,070,345</u>	<u>14,341,082</u>

ACCUMULATED SURPLUS (Note 11)

16,611,176

15,310,336

Contingent Liabilities (Note 10)

Approved by:


Councillor


Councillor

KWAKIUTL BAND COUNCIL

Consolidated Statement of Operations

Year Ended March 31, 2018

	2018		2017
	Actual	Budget	
	\$	\$	\$
	(Note 14)		
Revenues			
Indigenous and Northern Affairs Canada - Operating	2,211,971	-	2,242,670
Indigenous and Northern Affairs Canada - Capital	84,201	-	222,926
Provincial Government Transfers - Operating	294,665	-	241,460
Canada Mortgage and Housing Corporation	19,782	-	17,513
Department of Fisheries and Oceans Canada	79,094	-	49,094
First Nation Health Authority	1,025,397	-	1,003,496
Rent	50,481	-	74,235
Amounts Earned and Held in Trust (Note 3)	3,147	-	2,878
Cigarette Net Income (Loss)	(3,404)	-	6,503
Enterprise Revenues	1,471,656	-	1,205,645
North Vancouver Island Aboriginal Training Society	159,629	-	200,976
First Nations Education Steering Committee	144,539	-	234,583
Earnings from Government Business Enterprise (Note 6)	596,627	-	479,726
Other	296,962	-	210,316
	<u>6,434,747</u>	<u>-</u>	<u>6,192,021</u>
Expenditures			
Administration	1,453,123	-	1,128,202
Governance	-	-	48,735
Health	853,220	-	862,181
Education	1,868,938	-	1,899,604
Social Development	356,241	-	392,166
Land and Resources	1,962	-	31,302
Daycare	202,868	-	221,118
Fisheries Management	113,388	-	27,283
Community Economic Development	46,628	-	13,963
Band Housing	123,220	-	178,403
Enterprise	90,103	-	86,993
Treaty	-	-	12,572
	<u>5,109,691</u>	<u>-</u>	<u>4,902,522</u>
Annual Surplus Prior to INAC Recoveries	1,325,056	-	1,289,499
INAC Recoveries	<u>(24,216)</u>	<u>-</u>	<u>(16,397)</u>
Annual Surplus	<u>1,300,840</u>	<u>-</u>	<u>1,273,102</u>

KWAKIUTL BAND COUNCIL

Consolidated Statement of Accumulated Surplus

Year Ended March 31, 2018

	2018		2017
	Actual	Budget	
	\$	\$	\$
		(Note 14)	
Accumulated Surplus - Beginning of Year	15,310,336	-	14,037,234
Annual Surplus	<u>1,300,840</u>	<u>-</u>	<u>1,273,102</u>
Accumulated Surplus - End of Year	<u>16,611,176</u>	<u>-</u>	<u>15,310,336</u>

KWAKIUTL BAND COUNCIL

Consolidated Statement of Change in Net Assets

Year Ended March 31, 2018

	2018	2017
	\$	\$
Annual Surplus	<u>1,300,840</u>	<u>1,273,102</u>
Tangible Capital Assets Purchased	(329,665)	(1,046,652)
Amortization of Tangible Capital Assets	<u>644,870</u>	<u>604,652</u>
	<u>315,205</u>	<u>(442,000)</u>
Reduction of Capital Leases	<u>-</u>	<u>48,781</u>
Inventory Purchased	(4,648)	-
Inventory Used	<u>6,706</u>	<u>-</u>
	<u>2,058</u>	<u>-</u>
Acquisition of Prepaid Asset	(79,502)	(32,976)
Use of Prepaid Asset	<u>32,976</u>	<u>37,313</u>
	<u>(46,526)</u>	<u>4,337</u>
Increase in Net Financial Assets	1,571,577	835,439
Net Financial Assets - Beginning of Year	<u>969,254</u>	<u>85,034</u>
Net Financial Assets - End of Year	<u><u>2,540,831</u></u>	<u><u>969,254</u></u>

KWAKIUTL BAND COUNCIL

Consolidated Statement of Cash Flows

Year Ended March 31, 2018

	2018	2017
	\$	\$
Cash Flows From Operating Activities:		
Cash Received from INAC and Other Sources	5,439,941	5,844,059
Cash Paid to Suppliers and Employees	(4,196,420)	(4,591,774)
Interest Paid	(51,379)	(51,078)
	<u>1,192,142</u>	<u>1,201,207</u>
Cash Flows From Financing Activities:		
Repayment of Long Term Debt	<u>(137,447)</u>	<u>(69,062)</u>
Cash Flows From Investing Activities:		
Advances to KNDC	<u>(226,690)</u>	<u>(261,992)</u>
Cash Flows From Capital Activities:		
Purchase of Tangible Capital Assets	<u>(329,665)</u>	<u>(1,046,652)</u>
Increase (Decrease) in Cash and Cash Equivalents	498,340	(176,499)
Cash and Cash Equivalents - Beginning of Year	<u>2,168,216</u>	<u>2,344,715</u>
Cash and Cash Equivalents - End of Year	<u>2,666,556</u>	<u>2,168,216</u>
Cash and Cash Equivalents Consist of:		
Cash and Cash Equivalents - Unrestricted	1,098,459	696,576
Cash and Cash Equivalents - Restricted	<u>1,568,097</u>	<u>1,471,640</u>
	<u>2,666,556</u>	<u>2,168,216</u>

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2018

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 not 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
Website	20%	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, 2018

1. Significant Accounting Policies (continued):

f) 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 being performed is deferred and recognized when the fee is earned or service performed.

g) 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.

h) 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 ended March 31, 2016 the Band passed a Band Council Resolution ("BCR") requiring that all funds received from Royalties be maintained in a separate bank account and not drawn from without approval in the form of a BCR. At March 31, 2018 the restricted balance was \$1,568,097 (2017 - \$1,471,640).

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2018

3. Trust Funds Held by Federal Government:

	<u>2017</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>2018</u>
	\$	\$	\$	\$
Revenue	<u>57,850</u>	<u>3,147</u>	<u>-</u>	<u>60,997</u>

The Trust Funds Held by 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>2018</u>	<u>2017</u>
	\$	\$
Due from Members		
Rent	295,863	295,148
Band Housing	<u>538,013</u>	<u>378,031</u>
	<u>833,876</u>	<u>673,179</u>
Due from Others		
Royalties	405,933	271,152
Other	<u>346,621</u>	<u>331,012</u>
	<u>752,554</u>	<u>602,164</u>
Less: Allowance for Doubtful Accounts	<u>(616,253)</u>	<u>(629,342)</u>
	<u>970,177</u>	<u>646,001</u>

5. Due from Government and Other Government Organizations:

	<u>2018</u>	<u>2017</u>
	\$	\$
Federal Government		
INAC	63,830	34,629
Department of Fisheries	39,989	5,080
Other Government Organizations	<u>19,160</u>	<u>12,414</u>
	<u>122,979</u>	<u>52,123</u>

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2018

6. Investment in Government Business Enterprise:

	<u>2018</u>	<u>2017</u>
	\$	\$
Kwakiutl Nation Development Corporation (100%)		
Shares	3	3
Advances	1,454,538	1,227,848
Accumulated share of surplus	<u>862,327</u>	<u>265,700</u>
	<u>2,316,868</u>	<u>1,493,551</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.

Financial information for Kwakiutl Nation Development Corporation for the year ended March 31, 2018 with comparative information at March 31, 2017 is as follows:

	<u>2018</u>	<u>2017</u>
	\$	\$
Cash	574,513	477,358
Accounts Receivable	517,111	115,656
Inventory	98,445	7,000
Prepaid Expenses	41,618	3,438
Tangible Capital Assets	821,018	783,752
Licenses	<u>558,106</u>	<u>138,106</u>
Total Assets	<u>2,610,811</u>	<u>1,525,310</u>
Accounts Payable	293,943	31,759
Due to Kwakiutl Band Council	<u>1,454,538</u>	<u>1,227,848</u>
Total Liabilities	<u>1,748,481</u>	<u>1,259,607</u>
Equity	<u>862,330</u>	<u>265,703</u>
Total Liabilities and Equity	<u>2,610,811</u>	<u>1,525,310</u>
Revenues	2,402,021	2,310,163
Expenses	<u>1,805,394</u>	<u>1,830,437</u>
Net Income	<u>596,627</u>	<u>479,726</u>

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2018

7. Accounts Payable:

	<u>2018</u>	<u>2017</u>
	\$	\$
Trade Payables	470,457	223,545
Accrued Benefits Payable	136,549	121,869
Due to Other Government Organizations	<u>26,419</u>	<u>2,305</u>
	<u>633,425</u>	<u>347,719</u>

8. Long Term Debt:

	<u>2018</u>	<u>2017</u>
	\$	\$
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	169,501	230,378
Due on demand; monthly payments of \$10,000 including interest prime plus 0.75% per annum; secured by building with a net book value of \$11,304,131.	1,115,245	1,191,815
Treaty amount repayable upon settlement of land claim	<u>1,678,575</u>	<u>1,678,575</u>
	<u>2,963,321</u>	<u>3,100,768</u>

Interest paid on long term debt for the year ended March 31, 2018 is \$51,379 (2017 - \$49,055). The Band has a total of \$70,000 in operating lines of credit available at prime + 0.75%. At March 31, 2018 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:

	\$
2019	135,462
2020	138,655
2021	128,855
2022	84,581
2023 and beyond	2,475,768

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2018

9. Tangible Capital Assets:

	Cost				Accumulated Amortization				Net Book Value	
	Opening \$	Additions \$	Disposals \$	Closing \$	Opening \$	Amort \$	Disposals \$	Closing \$	2018 \$	2017 \$
Capital:										
Boat	60,250	-	-	60,250	39,258	3,150	-	42,408	17,842	20,992
Crown Land	40,259	-	-	40,259	-	-	-	-	40,259	40,259
Daycare Centre	544,849	83,933	-	628,782	370,121	25,160	-	395,281	233,501	174,728
Equipment	326,220	57,091	-	383,311	250,225	51,850	-	302,075	81,236	75,995
Hydro Project	46,650	-	-	46,650	33,809	2,330	-	36,139	10,511	12,841
Land	572,945	-	-	572,945	-	-	-	-	572,945	572,945
Learning Centre	93,833	-	-	93,833	7,510	3,750	-	11,260	82,573	86,323
Physical Dev. Plan	452,776	40,587	-	493,363	-	-	-	-	493,363	452,776
Water System	449,333	38,496	-	487,829	284,313	24,390	-	308,703	179,126	165,020
Website	18,451	6,650	-	25,101	-	5,000	-	5,000	20,101	18,451
Buildings and Housing	561,680	-	-	561,680	527,873	1,500	-	529,373	32,307	33,807
Wagulus School	<u>12,086,877</u>	<u>102,908</u>	<u>-</u>	<u>12,189,785</u>	<u>483,488</u>	<u>487,590</u>	<u>-</u>	<u>971,078</u>	<u>11,218,707</u>	<u>11,603,389</u>
	15,254,123	329,665	-	15,583,788	1,996,597	604,720	-	2,601,317	12,982,471	13,257,526
Band Housing:										
Houses	1,004,370	-	-	1,004,370	953,429	40,150	-	993,579	10,791	50,941
Enterprise:										
Equipment	47,800	-	-	47,800	47,800	-	-	47,800	-	-
0819357 BC Ltd.:										
Land	<u>992,933</u>	<u>-</u>	<u>-</u>	<u>992,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>992,933</u>	<u>992,933</u>
Total	<u>17,299,226</u>	<u>329,665</u>	<u>-</u>	<u>17,628,891</u>	<u>2,997,826</u>	<u>644,870</u>	<u>-</u>	<u>3,642,696</u>	<u>13,986,195</u>	<u>14,301,400</u>

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2018

10. Contingent Liabilities and Commitments:

- a) The Department of Indigenous and Northern Affairs Canada and the First Nations Health Authority 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 in the current year, if any, is reflected in these consolidated financial statements.
- b) 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.
- c) 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.
- d) The Band has provided Ministerial Loan Guarantees for housing loans payable to the Canadian Mortgage Housing Corporation (CMHC) and private financial institutions. The outstanding loan balances that have been guaranteed by the Band in 2018 total \$44,691 (2017 - \$82,615). As at March 31, 2018 all of the guaranteed loan balances were in good standing.
- e) During the year, the Band received from CMHC \$126,694 (2017 - nil) for renovations to Band member homes under the RRAP. The loans will be forgiven over 3 years by members of the Band as long as the members continue to own and occupy the homes during this forgiving period. As at March 31, 2018 the potential contingency is \$123,175 (2017 - nil).

Management does not expect any liabilities to the Band as a result of these forgivable loans and therefore, no amount is recorded in these consolidated financial statements.

11. Accumulated Surplus:

	<u>2018</u> \$	<u>2017</u> \$
Equity in Tangible Capital Assets	12,701,449	12,879,207
Equity in Ottawa Trust	60,997	57,850
Operating Surplus	<u>3,848,730</u>	<u>2,373,279</u>
	<u>16,611,176</u>	<u>15,310,336</u>

12. Portfolio Investments:

The Band holds 1 common share of Gilakas'la Kwa Holdings Ltd. The share, which represents a one third equity interest in Gilaskas'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, 2018, the Band received \$215,662 (2017 - \$211,121) in income directly from Gilakas'la Kwa Holdings Ltd.

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2018

13. 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").

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 \$38,781 (2017 - \$41,705).

14. 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, 2018.

15. Risk Management:

The Band has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. The Band has identified its risks and ensures that management monitors and controls them.

a) Credit Risk:

Credit risk is the risk of financial loss to an institution if a customer or counter party to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held consisting of cash, amounts receivable and investments.

The Band is primarily exposed to credit risk in their receivables in relation to their amounts due from housing receivables which in 2018 totaled \$251,513 (2017 - \$77,727).

It is management's opinion that the Band is not exposed to significant credit risk associated with its cash deposits and investments as they are placed in recognized British Columbia institutions and the Band invests solely in guaranteed investment certificates.

b) Market Risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of interest rate risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Band is exposed to interest rate risk through its investments. It is management's opinion that the Band is not exposed to significant interest rate risk as it invests solely in guaranteed investment certificates that have a maturity date of no more than 5 years.

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2018

15. Risk Management (continued):

c) Liquidity Risk:

Liquidity risk is the risk that the Band will not be able to meet its financial obligations as they become due.

The Band manages liquidity risk by continually monitoring cash flows from operations and anticipated investing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Band's reputation.

16. Comparative Figures:

Certain 2017 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

17. Segment Disclosure:

The Band provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations. These activities can also be categorized into segments. The following segments have been identified and as such are separately disclosed:

General Administration:

General Administration contains activities that are needed to manage and administer the Band's organization.

Governance:

Governance contains activities of chief and council as well as training, and community planning. The goal of the program is ensure that the Band operations are conducted in an efficient and effective manner.

Health:

Health contains activities that provide health and medical services that with the goal of improving overall individual and community health.

Education:

Education contains activities that provide education and facilitate educational opportunities to members for primary and secondary schooling and adult vocational training.

Social Development:

Social Development contains activities that provide financial support or support by other means to members that is aimed at developing both the individual as well as the community.

Community and Job Creation:

Community and Job Creation contains activities that are involved in the development of the community and the development and operation of economic opportunities.

Land and Resources:

Land and Resources contains activities in relation to unresolved land claims including negotiation and management of land and resource components.

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17. Segment Disclosure (continued):

Daycare:

Daycare provides child care services with the goal of providing a healthy, safe and secure environment for children.

Fisheries Management:

Fisheries management provides fisheries management services for the Band including habitat management, conservation, and managing food fisheries.

Community Economic Development:

Community Economic Development provides services with the intent of increasing the opportunity of economic activities on reserve.

Band Housing:

Housing contains activities that relate to on reserve housing.

Enterprise:

Enterprise contains economic activities that generate royalties for members of the Band. Royalties are earned from activities including: fish farming, mineral extraction, power production and rentals.

Treaty:

Treaty contains activities associated with the treaty negotiations between the Nation, the province and the federal government.

For each segment separately reported, the segment revenue and expense represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of significant accounting policies as described in Note 1. The segment results for the period are as follows:

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Notes to the Consolidated Financial Statements

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17. Segment Disclosure (continued):

Year ended March 31, 2018:

	General Administration	Governance	Health	Education	Social Development	Community and Job	Land and Resources	Daycare	Fisheries	Community Economic Development	Band Housing	Enterprise	Treaty and Trust	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue														
INAC	796,470	-	-	1,108,927	353,982	-	-	-	-	36,793	-	-	-	2,296,172
Federal	-	-	1,025,397	144,539	-	-	-	-	79,094	-	19,782	-	-	1,268,812
Provincial	-	-	30,000	264,665	-	-	-	159,629	-	-	-	-	-	454,294
Other	<u>98,413</u>	<u>-</u>	<u>49,732</u>	<u>60,586</u>	<u>-</u>	<u>-</u>	<u>20,900</u>	<u>39,175</u>	<u>28,156</u>	<u>-</u>	<u>50,481</u>	<u>2,064,879</u>	<u>3,147</u>	<u>2,415,469</u>
	894,883	-	1,105,129	1,578,717	353,982	-	20,900	198,804	107,250	36,793	70,263	2,064,879	3,147	6,434,747
Expenses														
Salaries and Benefits	199,732	-	299,361	703,410	94,681	-	-	131,250	79,852	46,628	52,053	-	-	1,606,967
Interest	-	-	-	-	-	-	-	-	-	-	-	51,088	-	51,088
Amortization	62,290	-	20,240	491,690	-	-	-	25,160	3,840	-	40,150	1,500	-	644,870
Other	<u>1,191,101</u>	<u>-</u>	<u>533,619</u>	<u>673,838</u>	<u>261,560</u>	<u>-</u>	<u>1,962</u>	<u>46,458</u>	<u>29,696</u>	<u>-</u>	<u>31,017</u>	<u>37,515</u>	<u>-</u>	<u>2,806,766</u>
	1,453,123	-	853,220	1,868,938	356,241	-	1,962	202,868	113,388	46,628	123,220	90,103	-	5,109,691
INAC Recovery	-	-	-	-	(24,216)	-	-	-	-	-	-	-	-	(24,216)
Transfers	<u>1,239,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,239,000)</u>	<u>-</u>	<u>-</u>
Annual Surplus (Deficit)	<u>680,760</u>	<u>-</u>	<u>251,909</u>	<u>(290,221)</u>	<u>(26,475)</u>	<u>-</u>	<u>18,938</u>	<u>(4,064)</u>	<u>(6,138)</u>	<u>(9,835)</u>	<u>(52,957)</u>	<u>735,776</u>	<u>3,147</u>	<u>1,300,840</u>

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March 31, 2018

17. Segment Disclosure (continued):

Year ended March 31, 2017:

	General Administration	Governance	Health	Education	Social Development	Community and Job	Land and Resources	Daycare	Fisheries	Community Economic Development	Band Housing	Enterprise	Treaty and Trust	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue														
INAC	651,174	57,750	-	1,228,545	378,759	-	-	-	-	111,868	37,500	-	-	2,465,596
Federal	-	-	1,003,496	233,584	-	-	-	-	49,094	-	17,513	-	-	1,303,687
Provincial	-	-	-	267,790	-	-	-	163,503	-	-	-	-	-	431,293
Other	<u>76,821</u>	<u>-</u>	<u>28,490</u>	<u>77,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,055</u>	<u>23,156</u>	<u>-</u>	<u>74,235</u>	<u>1,691,874</u>	<u>2,878</u>	<u>1,991,445</u>
	727,995	57,750	1,031,986	1,807,855	378,759	-	-	179,558	72,250	111,868	129,248	1,691,874	2,878	6,192,021
Expenses														
Salaries and Benefits	332,581	2,875	356,768	787,576	113,649	-	21,171	116,658	9,059	13,963	86,219	-	-	1,840,519
Interest	-	-	-	-	-	-	-	-	-	-	-	43,541	-	43,541
Amortization	46,760	-	2,090	487,730	-	-	-	21,800	4,690	-	40,138	1,500	-	604,708
Other	<u>748,861</u>	<u>45,860</u>	<u>503,323</u>	<u>624,298</u>	<u>278,517</u>	<u>-</u>	<u>10,131</u>	<u>82,660</u>	<u>13,534</u>	<u>-</u>	<u>52,046</u>	<u>41,952</u>	<u>12,572</u>	<u>2,413,754</u>
	1,128,202	48,735	862,181	1,899,604	392,166	-	31,302	221,118	27,283	13,963	178,403	86,993	12,572	4,902,522
INAC Recovery	(8,318)	-	-	-	(8,079)	-	-	-	-	-	-	-	-	(16,397)
Transfers	<u>1,115,433</u>	<u>(21,458)</u>	<u>-</u>	<u>36,043</u>	<u>10,233</u>	<u>78,963</u>	<u>104,024</u>	<u>-</u>	<u>-</u>	<u>33,996</u>	<u>342,328</u>	<u>(1,699,562)</u>	<u>-</u>	<u>-</u>
Annual Surplus (Deficit)	<u>706,908</u>	<u>(12,443)</u>	<u>169,805</u>	<u>(55,706)</u>	<u>(11,253)</u>	<u>78,963</u>	<u>72,722</u>	<u>(41,560)</u>	<u>44,967</u>	<u>131,901</u>	<u>293,173</u>	<u>(94,681)</u>	<u>(9,694)</u>	<u>1,273,102</u>