

KWAKIUTL BAND COUNCIL
Consolidated Financial Statements
March 31, 2019

KWAKIUTL BAND COUNCIL

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2019

The accompanying consolidated financial statements of the Kwakiutl Band Council as at March 31, 2019 and for the year ended are the responsibility of management. The 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.

Management maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Nation's assets are appropriately accounted for and adequately safeguarded.

The Kwakiutl Band Council Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

Chief and Council reviews the financial statements and approves them. Chief and Council meets periodically with management, as well as the external auditor, 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 financial statements and the independent auditor's report. Chief and Council consider their findings when approving the financial statements for issuance to the Members.

The financial statements have been approved by Chief and Council. In addition, these financial statements have been audited by Chan Nowosad Boates Inc. in accordance with Canadian generally accepted auditing standards on behalf of the members. Chan Nowosad Boates Inc. has full access to Chief and Council.



Ross Hunt
Chief Councilor
October 31, 2019



INDEPENDENT AUDITORS' REPORT

To the Members of the Kwakiutl Band Council

Opinion

We have audited the accompanying consolidated financial statements of the Kwakiutl Band Council (the "Band"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the Band's consolidated financial statements present fairly, in all material respects, the financial position of the Band as at March 31, 2019, and of its financial performance and its cash flows for the year then ended. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

Basis of 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 Financial Statements section of our report. We are independent of the Band 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 of our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Band'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 intends for the Band's to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for over-seeing the Band's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 the users taken on the basis of these consolidated financial statements.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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 consolidated 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 Band'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 Band'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 consolidated 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 Band to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

Chan Nowosad Boates

Chartered Professional Accountants
Campbell River, BC

October 31, 2019

KWAKIUTL BAND COUNCIL

Consolidated Statement of Financial Position

March 31, 2019

2019

2018

\$

\$

FINANCIAL ASSETS

Cash and Cash Equivalents - Unrestricted	1,959,901	1,098,459
Cash and Cash Equivalents - Restricted (Note 2)	2,332,107	1,568,097
Trust Funds Held by Federal Government (Note 3)	63,521	60,997
Accounts Receivable (Note 4)	800,571	970,177
Due from Government and Other Government Organizations (Note 5)	321,405	122,979
Investment in Government Business Enterprise (Note 6)	<u>2,859,322</u>	<u>2,316,868</u>
	<u>8,336,827</u>	<u>6,137,577</u>

LIABILITIES

Accounts Payable (Note 7)	365,475	633,425
Long Term Debt (Note 8)	<u>2,866,266</u>	<u>2,963,321</u>
	<u>3,231,741</u>	<u>3,596,746</u>

NET FINANCIAL ASSETS

5,105,086

2,540,831

NON-FINANCIAL ASSETS

Retail Inventory	4,648	4,648
Prepaid Expenses	70,153	79,502
Tangible Capital Assets (Notes 8 and 9)	<u>14,210,805</u>	<u>13,986,195</u>
	<u>14,285,606</u>	<u>14,070,345</u>

ACCUMULATED SURPLUS (Note 11)

19,390,692

16,611,176

Contingent Liabilities (Note 10)

Approved by:


Councillor


Councillor

KWAKIUTL BAND COUNCIL

Consolidated Statement of Operations

Year Ended March 31, 2019

	2019		2018
	Actual	Budget	
	\$	\$	\$
	(Note 14)		
Revenues			
Indigenous Services Canada	2,594,239	-	2,296,172
Provincial Government Transfers	318,721	-	294,665
Canada Mortgage and Housing Corporation	-	-	19,782
Fisheries and Oceans Canada	133,098	-	79,094
First Nation Health Authority	1,221,592	-	1,025,397
Rent	41,240	-	50,481
Amounts Earned and Held in Trust (Note 3)	2,524	-	3,147
Enterprise Revenues	1,940,625	-	1,471,656
North Vancouver Island Aboriginal Training Society	98,868	-	159,629
First Nations Education Steering Committee	348,566	-	144,539
Earnings from Government Business Enterprise (Note 6)	501,655	-	596,627
Other	904,279	-	293,558
	<u>8,105,407</u>	<u>-</u>	<u>6,434,747</u>
Expenditures			
Administration	1,105,888	-	1,453,123
Health	930,822	-	853,220
Education	2,271,393	-	1,868,938
Social Development	342,830	-	356,241
Land and Resources	54,705	-	1,962
Daycare	198,272	-	202,868
Fisheries Management	173,626	-	113,388
Community Economic Development	110,930	-	46,628
Band Housing	101,481	-	123,220
Enterprise	35,944	-	90,103
	<u>5,325,891</u>	<u>-</u>	<u>5,109,691</u>
Annual Surplus Prior to ISC Recoveries	2,779,516	-	1,325,056
ISC Recoveries	-	-	(24,216)
Annual Surplus	<u>2,779,516</u>	<u>-</u>	<u>1,300,840</u>

KWAKIUTL BAND COUNCIL

Consolidated Statement of Accumulated Surplus

Year Ended March 31, 2019

	2019		2018
	Actual	Budget	
	\$	\$	\$
		(Note 14)	
Accumulated Surplus - Beginning of Year	16,611,176	-	15,310,336
Annual Surplus	<u>2,779,516</u>	<u>-</u>	<u>1,300,840</u>
Accumulated Surplus - End of Year	<u>19,390,692</u>	<u>-</u>	<u>16,611,176</u>

KWAKIUTL BAND COUNCIL

Consolidated Statement of Change in Net Assets

Year Ended March 31, 2019

	2019	2018
	\$	\$
Annual Surplus	<u>2,779,516</u>	<u>1,300,840</u>
Tangible Capital Assets Purchased	(894,681)	(329,665)
Amortization of Tangible Capital Assets	<u>670,071</u>	<u>644,870</u>
	<u>(224,610)</u>	<u>315,205</u>
Inventory Purchased	(4,648)	(4,648)
Inventory Used	<u>4,648</u>	<u>6,706</u>
	<u>-</u>	<u>2,058</u>
Acquisition of Prepaid Asset	(70,153)	(79,502)
Use of Prepaid Asset	<u>79,502</u>	<u>32,976</u>
	<u>9,349</u>	<u>(46,526)</u>
Increase in Net Financial Assets	2,564,255	1,571,577
Net Financial Assets - Beginning of Year	<u>2,540,831</u>	<u>969,254</u>
Net Financial Assets - End of Year	<u>5,105,086</u>	<u>2,540,831</u>

KWAKIUTL BAND COUNCIL

Consolidated Statement of Cash Flows

Year Ended March 31, 2019

	2019	2018
	\$	\$
Cash Flows From Operating Activities:		
Cash Received from ISC and Other Sources	7,572,407	5,439,941
Cash Paid to Suppliers and Employees	(4,850,350)	(4,196,420)
Interest Paid	(64,071)	(51,379)
	<u>2,657,986</u>	<u>1,192,142</u>
Cash Flows From Financing Activities:		
Repayment of Long Term Debt	<u>(97,055)</u>	<u>(137,447)</u>
Cash Flows From Investing Activities:		
Advances to KNDC	<u>(40,798)</u>	<u>(226,690)</u>
Cash Flows From Capital Activities:		
Purchase of Tangible Capital Assets	<u>(894,681)</u>	<u>(329,665)</u>
Increase in Cash and Cash Equivalents	1,625,452	498,340
Cash and Cash Equivalents - Beginning of Year	<u>2,666,556</u>	<u>2,168,216</u>
Cash and Cash Equivalents - End of Year	<u>4,292,008</u>	<u>2,666,556</u>
Cash and Cash Equivalents Consist of:		
Cash and Cash Equivalents - Unrestricted	1,959,901	1,098,459
Cash and Cash Equivalents - Restricted	<u>2,332,107</u>	<u>1,568,097</u>
	<u>4,292,008</u>	<u>2,666,556</u>

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2019

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, Kwakiutl National Development Corporation. This corporation 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:

Boat	15%	declining balance
Daycare Centre and Learning Centre	25 years	straight-line
Equipment	5 years	straight-line
Computer Equipment	45%	declining balance
Vehicles	30%	declining balance
Computer Software	100%	declining balance
Xyntax Software and Server	10 years	straight-line
Hydro Project	20 years	straight-line
Water System	20 years	straight-line
Website	20%	declining balance
Buildings, Housing and Schools	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, 2019

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.

On August 26, 2018 the Band passed a budget allowing for up to \$1,800,000 of the restricted amount to be transferred to specific programs. At March 31, 2019, of the approved amount of \$1,800,000, approximately \$1,204,697 of the approved amount had been spent or had been transferred as part of a reserve for future program spending. The restricted balance at March 31, 2019 was \$2,332,107 (2018 - \$1,568,097).

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2019

3. Trust Funds Held by Federal Government:

	<u>2018</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>2019</u>
	\$	\$	\$	\$
Revenue	<u>60,997</u>	<u>2,524</u>	<u>-</u>	<u>63,521</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>2019</u>	<u>2018</u>
	\$	\$
Due from Members		
Rent	280,782	295,863
Band Housing	<u>390,207</u>	<u>538,013</u>
	<u>670,989</u>	<u>833,876</u>
Due from Others		
Royalties	400,682	405,933
Other	<u>333,633</u>	<u>346,621</u>
	<u>734,315</u>	<u>752,554</u>
Less: Allowance for Doubtful Accounts	<u>(604,733)</u>	<u>(616,253)</u>
	<u>800,571</u>	<u>970,177</u>

5. Due from Government and Other Government Organizations:

	<u>2019</u>	<u>2018</u>
	\$	\$
Federal Government		
Indigenous Services Canada	158,707	63,830
Fisheries and Oceans Canada	146,087	39,989
Other Government Organizations	<u>16,611</u>	<u>19,160</u>
	<u>321,405</u>	<u>122,979</u>

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2019

6. Investment in Government Business Enterprise:

	<u>2019</u>	<u>2018</u>
	\$	\$
Kwakiutl Nation Development Corporation (100%)		
Shares	3	3
Advances	1,495,336	1,454,538
Accumulated share of surplus	<u>1,363,983</u>	<u>862,327</u>
	<u>2,859,322</u>	<u>2,316,868</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, 2019 with comparative information at March 31, 2018 is as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Cash	543,196	574,513
Accounts Receivable	813,663	517,111
Inventory	7,000	98,445
Prepaid Expenses	5,306	41,618
Tangible Capital Assets	647,552	821,018
Licenses	<u>1,033,106</u>	<u>558,106</u>
Total Assets	<u>3,049,823</u>	<u>2,610,811</u>
Accounts Payable	190,501	293,943
Due to Kwakiutl Band Council	<u>1,495,336</u>	<u>1,454,538</u>
Total Liabilities	<u>1,685,837</u>	<u>1,748,481</u>
Equity	<u>1,363,986</u>	<u>862,330</u>
Total Liabilities and Equity	<u>3,049,823</u>	<u>2,610,811</u>
Revenues	2,360,622	2,402,021
Expenses	<u>1,858,967</u>	<u>1,805,394</u>
Net Income	<u>501,655</u>	<u>596,627</u>

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2019

7. Accounts Payable:

	<u>2019</u>	<u>2018</u>
	\$	\$
Trade Payables	225,828	470,457
Accrued Benefits Payable	105,190	136,549
Due to Other Government Organizations	<u>34,457</u>	<u>26,419</u>
	<u>365,475</u>	<u>633,425</u>

8. Long Term Debt:

	<u>2019</u>	<u>2018</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.	108,624	169,501
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.	1,043,354	1,115,245
Monthly payments of \$735 including interest at prime per annum; maturing August 2023; secured by school bus with a net book value of \$109,724.	35,713	-
Indigenous Services Canada - Treaty Loan	<u>1,678,575</u>	<u>1,678,575</u>
	<u>2,866,266</u>	<u>2,963,321</u>

As part of the 2019 Federal Budget announced on March 19, 2019, the Federal Government (the "Government") stated that all outstanding Treaty loans would be forgiven. As at March 31, 2019, as well as the date of the audit report on these financial statements, the Government has not yet formally approved and enacted legislation around the forgiveness of outstanding Treaty loans and balances owing.

Interest paid on long term debt for the year ended March 31, 2019 is \$64,071 (2018 - \$51,379).

The Band has a total of \$70,000 in operating lines of credit available at prime + 0.75%. At March 31, 2019 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:

	\$
2020	140,821
2021	131,471
2022	87,684
2023	91,831
2024 and beyond	2,414,459

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2019

9. Tangible Capital Assets:

	Cost				Accumulated Amortization				Net Book Value	
	Opening \$	Additions \$	Disposals \$	Closing \$	Opening \$	Amort \$	Disposals \$	Closing \$	2019 \$	2018 \$
Capital:										
Land	572,945	-	-	572,945	-	-	-	-	572,945	572,945
Crown Land	40,259	-	-	40,259	-	-	-	-	40,259	40,259
Physical Dev. Plan	493,363	9,225	-	502,588	-	-	-	-	502,588	493,363
Boat	60,250	-	-	60,250	42,408	2,680	-	45,088	15,162	17,842
Daycare Centre	628,782	-	-	628,782	395,281	25,160	-	420,441	208,341	233,501
Learning Centre	93,833	-	-	93,833	11,260	3,750	-	15,010	78,823	82,573
Vehicles, Equipment and Software	383,311	225,797	-	609,108	302,075	92,490	-	394,565	214,543	81,236
Hydro Project	46,650	-	-	46,650	36,139	2,330	-	38,469	8,181	10,511
Water System	487,829	-	-	487,829	308,703	24,441	-	333,144	154,685	179,126
Website	25,101	-	-	25,101	5,000	5,000	-	10,000	15,101	25,101
Buildings and Housing	561,680	4,500	-	566,180	529,373	1,500	-	530,873	35,307	32,307
Wagulus School	<u>12,189,785</u>	<u>40,000</u>	<u>-</u>	<u>12,229,785</u>	<u>971,078</u>	<u>487,590</u>	<u>-</u>	<u>1,458,668</u>	<u>10,771,117</u>	<u>11,218,707</u>
	15,583,788	279,522	-	15,863,310	2,601,317	644,941	-	3,246,258	12,617,052	12,982,471
Band Housing:										
Houses	1,004,370	615,159	-	1,619,529	993,579	25,130	-	1,018,709	600,820	10,791
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>17,628,891</u>	<u>894,681</u>	<u>-</u>	<u>18,523,572</u>	<u>3,642,696</u>	<u>670,071</u>	<u>-</u>	<u>4,312,767</u>	<u>14,210,805</u>	<u>13,986,195</u>

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2019

10. Contingent Liabilities and Commitments:

- a) The Department of Indigenous Services 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) 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 2019 total \$29,994 (2018 - \$44,691). As at March 31, 2019 all of the guaranteed loan balances were in good standing.
- d) During the year, the Band received no funds from CMHC (2018 - \$126,694) 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, 2019 the potential contingency is \$82,117 (2018 - \$123,175).

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>2019</u>	<u>2018</u>
	\$	\$
Equity in Tangible Capital Assets	13,023,114	12,701,449
Equity in Ottawa Trust	63,521	60,997
Operating Surplus	<u>6,304,057</u>	<u>3,848,730</u>
	<u>19,390,692</u>	<u>16,611,176</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 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, 2019, the Band received \$206,868 (2018 - \$215,662) in income directly from Gilakas'la Kwa Holdings Ltd.

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

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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 \$37,520 (2018 - \$38,781).

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, 2019.

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 2019 totaled \$99,896 (2018 - \$50,743).

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 long term debt. It is management's opinion that the Band is not exposed to significant interest rate risk as it holds adequate cash to resolve outstanding long term debt should interest rates vary significantly.

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Notes to the Consolidated Financial Statements

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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. 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 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.

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2019

16. 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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16. Segment Disclosure (continued):

Year ended March 31, 2019:

	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														
ISC	762,825	-	-	1,001,048	400,160	-	75,000	-	-	77,432	277,774	-	-	2,594,239
Federal	-	-	1,221,594	348,566	-	-	-	78,972	133,098	-	-	-	-	1,782,230
Provincial	-	-	-	246,500	-	-	-	72,221	-	-	-	-	-	318,721
Other	620,367	-	27,997	143,796	-	-	54,228	30,377	24,152	-	41,240	2,465,536	2,524	3,410,217
	1,383,192	-	1,249,591	1,739,910	400,160	-	129,228	181,570	157,250	77,432	319,014	2,465,536	2,524	8,105,407
Expenses														
Salaries and Benefits	252,943	-	388,099	827,644	108,477	-	47,668	152,303	115,579	65,229	40,699	-	-	1,998,641
Interest	1,204	-	1,175	55,493	653	-	-	-	-	-	73	5,473	-	64,071
Amortization	76,652	-	15,460	524,510	-	-	-	25,160	3,160	-	25,130	-	-	670,072
Other	775,089	-	526,088	863,746	233,700	-	7,037	20,809	54,887	45,701	35,579	30,471	-	2,593,107
	1,105,888	-	930,822	2,271,393	342,830	-	54,705	198,272	173,626	110,930	101,481	35,944	-	5,325,891
Transfers	651,928	-	1,392	160,000	-	-	-	-	-	317,746	7,706	(1,138,772)	-	-
Annual Surplus (Deficit)	929,232	-	318,769	(371,483)	57,330	-	74,523	(16,702)	(16,376)	284,248	225,239	1,290,820	2,524	2,779,516

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Notes to the Consolidated Financial Statements

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16. 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														
ISC	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	98,413	-	49,732	60,586	-	-	20,900	39,175	28,156	-	50,481	2,064,879	3,147	2,415,469
	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	1,191,101	-	533,619	673,838	261,560	-	1,962	46,458	29,696	-	31,017	37,515	-	2,806,766
	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
ISC Recovery	-	-	-	-	(24,216)	-	-	-	-	-	-	-	-	(24,216)
Transfers	1,239,000	-	-	-	-	-	-	-	-	-	-	(1,239,000)	-	-
Annual Surplus (Deficit)	680,760	-	251,909	(290,221)	(26,475)	-	18,938	(4,064)	(6,138)	(9,835)	(52,957)	735,776	3,147	1,300,840