

KWAKIUTL BAND COUNCIL

Consolidated Statement of Financial Position

March 31, 2020

2020

2019

\$

\$
(Note 14)

FINANCIAL ASSETS

Cash and Cash Equivalents - Unrestricted	3,722,918	1,959,901
Cash and Cash Equivalents - Restricted (Note 2)	1,547,990	2,332,107
Trust Funds Held by Federal Government (Note 3)	67,113	63,521
Accounts Receivable (Note 4)	989,960	800,571
Due from Government and Other Government Organizations (Note 5)	356,487	321,405
Investment in Government Business Enterprise (Note 6)	3,484,603	2,859,322
	<u>10,169,071</u>	<u>8,336,827</u>

LIABILITIES

Accounts Payable (Note 7)	443,921	365,475
Long Term Debt (Note 8)	<u>1,960,906</u>	<u>3,016,266</u>
	<u>2,404,827</u>	<u>3,381,741</u>

NET FINANCIAL ASSETS

7,764,244 4,955,086

NON-FINANCIAL ASSETS


Retail Inventory	-	4,648
Prepaid Expenses	90,154	70,153
Tangible Capital Assets (Notes 8 and 9)	<u>14,173,474</u>	<u>14,210,805</u>
	<u>14,263,628</u>	<u>14,285,606</u>

ACCUMULATED SURPLUS (Note 11)

22,027,872 19,240,692

Contingent Liabilities (Note 10)

Approved by:


Councillor


Councillor

KWAKIUTL BAND COUNCIL

Consolidated Statement of Operations

Year Ended March 31, 2020

	2020		2019
	Actual	Budget	
	\$	\$	\$
	(Note 15)		
Revenues			
Indigenous Services Canada	2,692,011	-	2,594,239
Provincial Government Transfers	474,001	-	318,721
Fisheries and Oceans Canada	293,925	-	133,098
First Nation Health Authority	1,164,316	-	1,221,592
Rent	79,026	-	41,240
Amounts Earned and Held in Trust (Note 3)	3,592	-	2,524
Enterprise Revenues	1,712,033	-	1,940,625
North Vancouver Island Aboriginal Training Society	63,420	-	98,868
First Nations Education Steering Committee	271,675	-	348,566
Earnings from Government Business Enterprise (Note 6)	219,300	-	501,655
Other	1,319,735	-	904,279
	<u>8,293,034</u>	<u>-</u>	<u>8,105,407</u>
Expenditures			
Administration	1,132,823	-	895,747
Health	978,547	-	930,822
Education	2,355,004	-	2,271,393
Social Development	470,674	-	342,830
Land and Resources	208,141	-	54,705
Daycare	261,074	-	198,272
Fisheries Management	181,961	-	173,626
Community Economic Development	198,726	-	110,930
Band Housing	376,761	-	101,481
Enterprise	77,218	-	35,944
Enterprise - Member Distributions	1,093,500	-	210,141
	<u>7,334,429</u>	<u>-</u>	<u>5,325,891</u>
Annual Surplus from Operations	958,605	-	2,779,516
Indigenous Services Canada			
Forgiveness of Long Term Debt (Note 8)	<u>1,828,575</u>	<u>-</u>	<u>-</u>
Annual Surplus	<u>2,787,180</u>	<u>-</u>	<u>2,779,516</u>

KWAKIUTL BAND COUNCIL

Consolidated Statement of Accumulated Surplus

Year Ended March 31, 2020

	2020		2019
	Actual	Budget	
	\$	\$	\$
		(Note 15)	(Note 14)
Accumulated Surplus - Beginning of Year	19,240,692	-	16,461,176
Annual Surplus	<u>2,787,180</u>	<u>-</u>	<u>2,779,516</u>
Accumulated Surplus - End of Year	<u>22,027,872</u>	<u>-</u>	<u>19,240,692</u>

KWAKIUTL BAND COUNCIL

Consolidated Statement of Change in Net Assets

Year Ended March 31, 2020

	2020	2019
	\$	\$ (Note 14)
Annual Surplus	<u>2,787,180</u>	<u>2,779,516</u>
Tangible Capital Assets Purchased	(628,699)	(894,681)
Amortization of Tangible Capital Assets	<u>666,030</u>	<u>670,071</u>
	<u>37,331</u>	<u>(224,610)</u>
Inventory Purchased	-	(4,648)
Inventory Used	<u>4,648</u>	<u>4,648</u>
	<u>4,648</u>	<u>-</u>
Acquisition of Prepaid Asset	(90,154)	(70,153)
Use of Prepaid Asset	<u>70,153</u>	<u>79,502</u>
	<u>(20,001)</u>	<u>9,349</u>
Increase in Net Financial Assets	2,809,158	2,564,255
Net Financial Assets - Beginning of Year	<u>4,955,086</u>	<u>2,390,831</u>
Net Financial Assets - End of Year	<u>7,764,244</u>	<u>4,955,086</u>

KWAKIUTL BAND COUNCIL

Consolidated Statement of Cash Flows

Year Ended March 31, 2020

	2020	2019
	\$	\$
Cash Flows From Operating Activities:		
Cash Received from ISC and Other Sources	7,845,671	7,572,407
Cash Paid to Suppliers and Employees	(4,710,063)	(4,850,350)
Interest Paid	(66,668)	(64,071)
	<u>3,068,940</u>	<u>2,657,986</u>
Cash Flows From Financing Activities:		
Repayment of Long Term Debt	<u>(1,055,360)</u>	<u>(97,055)</u>
Cash Flows From Investing Activities:		
Advances to KNDC	<u>(405,981)</u>	<u>(40,798)</u>
Cash Flows From Capital Activities:		
Purchase of Tangible Capital Assets	<u>(628,699)</u>	<u>(894,681)</u>
Increase in Cash and Cash Equivalents	978,900	1,625,452
Cash and Cash Equivalents - Beginning of Year	<u>4,292,008</u>	<u>2,666,556</u>
Cash and Cash Equivalents - End of Year	<u>5,270,908</u>	<u>4,292,008</u>
Cash and Cash Equivalents Consist of:		
Cash and Cash Equivalents - Unrestricted	3,722,918	1,959,901
Cash and Cash Equivalents - Restricted	<u>1,547,990</u>	<u>2,332,107</u>
	<u>5,270,908</u>	<u>4,292,008</u>

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2020

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. Works of art and historic treasures are not recorded as assets in the financial statements.

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, 2020

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 November 26, 2019 the Band passed a budget allowing for up to \$2,404,000 of the restricted amount to be transferred to specific programs. At March 31, 2020, of the approved amount of \$2,404,000, approximately \$1,833,172 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, 2020 was \$1,547,990 (2019 - \$2,332,107).

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2020

3. Trust Funds Held by Federal Government:

	<u>2019</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>2020</u>
	\$	\$	\$	\$
Revenue	<u>63,521</u>	<u>3,592</u>	<u>-</u>	<u>67,113</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>2020</u>	<u>2019</u>
	\$	\$
Due from Members		
Rent	299,127	280,782
Band Housing	<u>388,145</u>	<u>390,207</u>
	<u>687,272</u>	<u>670,989</u>
Due from Others		
Royalties	625,806	400,682
Other	<u>402,638</u>	<u>333,633</u>
	<u>1,028,444</u>	<u>734,315</u>
Less: Allowance for Doubtful Accounts	<u>(725,756)</u>	<u>(604,733)</u>
	<u>989,960</u>	<u>800,571</u>

5. Due from Government and Other Government Organizations:

	<u>2020</u>	<u>2019</u>
	\$	\$
Federal Government		
Indigenous Services Canada	143,114	158,707
Fisheries and Oceans Canada	145,845	146,087
Other Government Organizations	<u>67,528</u>	<u>16,611</u>
	<u>356,487</u>	<u>321,405</u>

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2020

6. Investment in Government Business Enterprise:

	<u>2020</u>	<u>2019</u>
	\$	\$
Kwakiutl Nation Development Corporation (100%)		
Shares	3	3
Advances	1,901,317	1,495,336
Accumulated share of surplus	<u>1,583,283</u>	<u>1,363,983</u>
	<u>3,484,603</u>	<u>2,859,322</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, 2020 with comparative information at March 31, 2019 is as follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
Cash	470,939	543,196
Accounts Receivable	632,014	813,663
Inventory	8,756	7,000
Prepaid Expenses	6,135	5,306
Tangible Capital Assets	1,023,203	647,552
Licenses	<u>1,449,950</u>	<u>1,033,106</u>
Total Assets	<u>3,590,997</u>	<u>3,049,823</u>
Accounts Payable	106,397	190,501
Due to Kwakiutl Band Council	<u>1,901,316</u>	<u>1,495,336</u>
Total Liabilities	<u>2,007,713</u>	<u>1,685,837</u>
Equity	<u>1,538,284</u>	<u>1,363,986</u>
Total Liabilities and Equity	<u>3,545,997</u>	<u>3,049,823</u>
Revenues	2,049,097	2,360,622
Expenses	<u>1,829,797</u>	<u>1,858,967</u>
Net Income	<u>219,300</u>	<u>501,655</u>

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2020

7. Accounts Payable:

	<u>2020</u>	<u>2019</u>
	\$	\$
Trade Payables	297,016	225,828
Accrued Benefits Payable	103,824	105,190
Due to Other Government Organizations	<u>43,081</u>	<u>34,457</u>
	<u>443,921</u>	<u>365,475</u>

8. Long Term Debt:

	<u>2020</u>	<u>2019</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.	47,747	108,624
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 \$10,300,157.	971,003	1,043,354
Monthly payments of \$735 including interest at prime per annum; maturing August 2023; secured by school bus with a net book value of \$53,764.	-	35,713
Monthly payments of \$3,574 including interest at .98% per annum; guaranteed by Canada Mortgage and Housing Corporation; maturing April 2045.	942,156	-
Indigenous Services Canada - Treaty Loan	<u>-</u>	<u>1,828,575</u>
	<u>1,960,906</u>	<u>3,016,266</u>

The Band had previously signed promissory notes and First Nation Negotiation Support Agreements totaling \$1,828,575 as at March 31, 2019, representing advances made by Canada for negotiations. As of March 31, 2020 the total amount of \$1,828,575 in comprehensive land claim negotiation loan debt was forgiven by Canada.

Interest paid on long term debt for the year ended March 31, 2020 is \$59,652 (2019 - \$64,071).

The Band has a total of \$70,000 in operating lines of credit available at prime + 0.75%. At March 31, 2020 they had not been utilized.

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2020

8. Long Term Debt (continued):

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

	\$
2021	171,803
2022	127,319
2023	130,681
2024	134,144
2025 and beyond	1,396,959

9. Tangible Capital Assets:

	Cost				Accumulated Amortization				Net Book Value	
	Opening \$	Additions \$	Disposals \$	Closing \$	Opening \$	Amort \$	Disposals \$	Closing \$	2020 \$	2019 \$
Capital:										
Land	572,945	-	-	572,945	-	-	-	-	572,945	572,945
Crown Land	40,259	-	-	40,259	-	-	-	-	40,259	40,259
Physical Dev. Plan	502,588	-	-	502,588	-	-	-	-	502,588	502,588
Boat	60,250	-	-	60,250	45,088	2,270	-	47,358	12,892	15,162
Daycare Centre	628,782	-	-	628,782	420,441	25,160	-	445,601	183,181	208,341
Deposit on Truck	-	39,899	-	39,899	-	-	-	-	39,899	-
Learning Centre	93,833	-	-	93,833	15,010	3,750	-	18,760	75,073	78,823
Vehicles, Equipment and Software	609,108	100,280	-	709,388	394,565	77,720	-	472,285	237,103	214,543
Hydro Project	46,650	-	-	46,650	38,469	2,330	-	40,799	5,851	8,181
Water System	487,829	-	-	487,829	333,144	24,390	-	357,534	130,295	154,685
Website	25,101	-	-	25,101	10,000	5,000	-	15,000	10,101	15,101
Buildings and Housing	566,180	122,138	-	688,318	530,873	1,840	-	532,713	155,605	35,307
Wagulus School	<u>12,229,785</u>	<u>18,920</u>	<u>-</u>	<u>12,248,705</u>	<u>1,458,668</u>	<u>489,880</u>	<u>-</u>	<u>1,948,548</u>	<u>10,300,157</u>	<u>10,771,117</u>
	15,863,310	281,237	-	16,144,547	3,246,258	632,340	-	3,878,598	12,265,949	12,617,052
Band Housing:										
Houses	1,619,529	347,462	-	1,966,991	1,018,709	33,690	-	1,052,399	914,592	600,820
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>18,523,572</u>	<u>628,699</u>	<u>-</u>	<u>19,152,271</u>	<u>4,312,767</u>	<u>666,030</u>	<u>-</u>	<u>4,978,797</u>	<u>14,173,474</u>	<u>14,210,805</u>

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2020

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 2020 total \$251,230. (2019 - \$29,994). As at March 31, 2020 all of the guaranteed loan balances were in good standing.
- d) During the fiscal year 2018, the Band received funds from CMHC totalling \$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, 2020 the potential contingency is \$41,058 (2019 - \$82,117).

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>2020</u>	<u>2019</u>
	\$	\$
Equity in Tangible Capital Assets	12,212,568	13,023,114
Equity in Ottawa Trust	67,113	63,521
Operating Surplus	<u>9,748,191</u>	<u>6,154,057</u>
	<u>22,027,872</u>	<u>19,240,692</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, 2020, the Band received \$234,646 (2019 - \$206,868) in income directly from Gilakas'la Kwa Holdings Ltd.

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2020

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 \$42,762 (2019 - \$37,520).

14. Prior Period Adjustments:

The Band had previously signed promissory notes and First Nation Negotiation Support Agreements under the Loans to First Nations in BC program which provided loans from 1994 to 2019 in the amount of \$1,678,575. The Band also received loans prior to 1994 under the Loans to Indigenous Claimants program in the amount of \$150,000.

As of March 31, 2020 the full amount of \$1,828,575 was forgiven by Canada and should be recognized as revenue when forgiven. The amount of \$150,000 had been previously recognized in the statement of operations as it did not appear on the annual confirmation from ISC which only recorded the outstanding debt from 1994 -2019 and the Band had never reported the amount as debt.

The Band has adjusted its opening accumulated surplus at April 1, 2018 to reflect the obligation to Canada. The following financial statement line items have been restated:

	2019 <u>Original</u> \$	2019 <u>Restated</u> \$
Long Term Debt	2,866,266	3,016,266
Accumulated Surplus - Beginning of Year	16,611,176	16,461,176
Accumulated Surplus - End of Year	19,390,692	19,240,692
Net Financial Assets - Beginning of Year	2,540,831	2,390,831
Net Financial Assets - End of Year	5,105,086	4,955,086

15. 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, 2020.

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2020

16. 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 2020 totaled \$56,109 (2019 - \$99,896).

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.

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.

17. Subsequent Events:

a) COVID - 19

The Band evaluated its March 31, 2020 financial statements for subsequent events to the date the financial statements were issued. As of this date, the global outbreak of the coronavirus disease (COVID-19) has caused economic uncertainties that are likely to have a material negative impact on Government Business Enterprises of the Band for the year ending March 31, 2021.

The extent that the effects of COVID-19 may have on the Nation and its operations during the year ending March 31, 2021 is not determinable at this time.

b) Knob Hill Revenue Sharing Agreement

The Band entered into a revenue sharing agreement with the Province of British Columbia on June 11th, 2020 to share in the available revenue generated from the Knob Hill Windfarm project located within the Traditional Territory of the Kwakiutl First Nation. The Province of British Columbia provided a retroactive payment of \$326,378 on September 28, 2020 for the years of 2011-2019 and will continue to provide payment annually during the term of the project.

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2020

18. Comparative Figures:

Certain 2019 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

19. 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.

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.

Land and Resources:

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

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.

Trust:

Trust contains activities that relate trust funds held by the Federal Government.

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2020

19. Segment Disclosure (continued):

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:

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2020

19. Segment Disclosure (continued):

Year ended March 31, 2020:

	General Administration	Health	Education	Social Development	Land and Resources	Daycare	Fisheries Management	Community Economic Development	Band Housing	Enterprise	Treaty and Trust	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue												
ISC	630,401	-	1,159,151	641,810	118,201	-	-	35,402	107,046	-	-	2,692,011
Federal	-	1,164,316	271,675	-	-	63,420	241,311	-	-	-	-	1,740,722
Provincial	-	-	426,593	30,000	-	77,508	-	-	-	-	-	534,101
Other	<u>827,551</u>	<u>21,610</u>	<u>173,055</u>	<u>-</u>	<u>22,421</u>	<u>114,485</u>	<u>52,614</u>	<u>65,000</u>	<u>79,026</u>	<u>1,966,846</u>	<u>3,592</u>	<u>3,326,200</u>
	<u>1,457,952</u>	<u>1,185,926</u>	<u>2,030,474</u>	<u>671,810</u>	<u>140,622</u>	<u>255,413</u>	<u>293,925</u>	<u>100,402</u>	<u>186,072</u>	<u>1,966,846</u>	<u>3,592</u>	<u>8,293,034</u>
Expenditures												
Salaries and Benefits	359,935	439,310	827,426	130,791	181,086	197,497	110,875	76,868	59,304	-	-	2,383,092
Interest	17,426	651	47,729	537	-	7	-	-	277	40	-	66,667
Amortization	68,750	14,280	517,440	-	2,030	25,160	2,610	-	35,760	-	-	666,030
Other	<u>686,712</u>	<u>524,306</u>	<u>962,409</u>	<u>339,346</u>	<u>25,025</u>	<u>38,410</u>	<u>68,476</u>	<u>121,858</u>	<u>281,420</u>	<u>1,170,678</u>	<u>-</u>	<u>4,218,640</u>
	<u>1,132,823</u>	<u>978,547</u>	<u>2,355,004</u>	<u>470,674</u>	<u>208,141</u>	<u>261,074</u>	<u>181,961</u>	<u>198,726</u>	<u>376,761</u>	<u>1,170,718</u>	<u>-</u>	<u>7,334,429</u>
Annual Surplus (Deficit) from Operations	325,129	207,379	(324,530)	201,136	(67,519)	(5,661)	111,964	(98,324)	(190,689)	796,128	3,592	958,605
ISC Loan Forgiveness	-	-	-	-	-	-	-	-	-	-	1,828,575	1,828,575
Annual Surplus (Deficit)	<u>325,129</u>	<u>207,379</u>	<u>(324,530)</u>	<u>201,136</u>	<u>(67,519)</u>	<u>(5,661)</u>	<u>111,964</u>	<u>(98,324)</u>	<u>(190,689)</u>	<u>796,128</u>	<u>1,832,167</u>	<u>2,787,180</u>

KWAKIUTL BAND COUNCIL

Notes to the Consolidated Financial Statements

March 31, 2020

19. Segment Disclosure (continued):

Year ended March 31, 2019:

	General Administration	Health	Education	Social Development	Land and Resources	Daycare	Fisheries Management	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	<u>620,367</u>	<u>27,997</u>	<u>143,796</u>	<u>-</u>	<u>54,228</u>	<u>30,377</u>	<u>24,152</u>	<u>-</u>	<u>41,240</u>	<u>2,465,536</u>	<u>2,524</u>	<u>3,410,217</u>
	<u>1,383,192</u>	<u>1,249,591</u>	<u>1,739,910</u>	<u>400,160</u>	<u>129,228</u>	<u>181,570</u>	<u>157,250</u>	<u>77,432</u>	<u>319,014</u>	<u>2,465,536</u>	<u>2,524</u>	<u>8,105,407</u>
Expenditures												
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	<u>564,948</u>	<u>526,088</u>	<u>863,746</u>	<u>233,700</u>	<u>7,037</u>	<u>20,809</u>	<u>54,887</u>	<u>45,701</u>	<u>35,579</u>	<u>240,612</u>	<u>-</u>	<u>2,593,107</u>
	<u>895,747</u>	<u>930,822</u>	<u>2,271,393</u>	<u>342,830</u>	<u>54,705</u>	<u>198,272</u>	<u>173,626</u>	<u>110,930</u>	<u>101,481</u>	<u>246,085</u>	<u>-</u>	<u>5,325,891</u>
Annual Surplus (Deficit)	<u>487,445</u>	<u>318,769</u>	<u>(531,483)</u>	<u>57,330</u>	<u>74,523</u>	<u>(16,702)</u>	<u>(16,376)</u>	<u>(33,498)</u>	<u>217,533</u>	<u>2,219,451</u>	<u>2,524</u>	<u>2,779,516</u>