

KWIAKAH INDIAN BAND

FINANCIAL STATEMENTS

MARCH 31, 2018

**KWIKAH INDIAN BAND
FINANCIAL STATEMENTS
MARCH 31, 2018**

Management's Responsibility for Financial Reporting	1
Independent Auditors' Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Revenue, Expenditures and Accumulated Surplus	4
Statement of Change in Net Financial Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 15

KWIKAH INDIAN BAND
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
MARCH 31, 2018

The accompanying financial statements of Kwiakah Indian Band are the responsibility of management and have been approved by Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of CPA Canada and as such include amounts that are the best estimates and judgments of management.

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

The 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 financial statements.

The 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 financial statements and the external auditor's report.

The external auditors, Moeller Matthews, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Kwiakah Indian Band and meet when required.

On behalf of Kwiakah Indian Band:

Steve Dick
Chief Councillor
Andrea Dick
Councillor

August 2, 2018
Date
August 2, 2018
Date

590 Eleventh Avenue
Campbell River, BC
V9W 4G4

250-286-0631
admin@moellermatthews.ca
www.moellermatthews.ca

Kent A. Moeller, CPA, CA*
Kyle E. Matthews, CPA, CA*
* Incorporated Professional

Independent Auditors' Report

To the Members of Kwiakah Indian Band

We have audited the accompanying financial statements of Kwiakah Indian Band, which comprise the statement of financial position as at March 31, 2018, and the statements of revenue, expenditures and accumulated surplus, change in net financial assets, cash flows and the related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the First Nation's preparation and fair presentation of the 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 First Nation'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 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 financial statements present fairly, in all material respects, the financial position of Kwiakah Indian Band as at March 31, 2018, and the results of its operations, the changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants

Campbell River, British Columbia
July 31, 2018

KWIAKAH INDIAN BAND
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018

	2018	2017
	\$	\$
Financial Assets		
Cash	660,054	927,556
Accounts receivable (Note 2)	34,316	50,484
Loans receivable (Note 3)	24,230	21,161
Investments in government business enterprises (Note 4)	100	100
Investments in government business partnerships (Note 5)	429,517	351,228
Trust funds held by Federal Government (Note 6)	7,158	6,959
	1,155,375	1,357,488
Liabilities		
Accounts payable (Note 7)	16,430	20,886
Deferred revenue (Note 8)	225,000	250,000
	241,430	270,886
Net financial assets	913,945	1,086,602
Non-financial Assets		
Tangible capital assets (Note 9)	259,516	88,823
Prepaid expenses (Note 10)	12,986	19,970
	272,502	108,793
Accumulated Surplus	1,186,447	1,195,395

Approved on behalf of the Kwiakah Indian Band

Steve Duk, Chief Councillor
Andrea Duk, Councillor

The accompanying notes are an integral part of these financial statements.

KWIAKAH INDIAN BAND
STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2018

	2018 Budget	2018 Actual	2017 Actual
Revenue	\$	\$	\$
Federal Government:			
Indigenous and Northern Affairs Canada	84,927	84,542	102,467
Ottawa Trust	-	199	177
A-Tlegay Fisheries Limited Partnership - income	-	78,289	82,821
Tides	55,000	50,000	25,000
Province of BC	35,000	36,496	35,000
London Drugs	50,000	25,000	50,000
Nanwakolas	20,000	20,000	30,000
Kwakiutl District Council	5,531	7,077	6,180
Saaiyouck Development Corporation - net income (loss)	-	(12,408)	(11,697)
Other	67,356	107,256	109,453
	317,814	396,451	429,401
Expenditures			
Band Government	84,585	123,943	87,750
Education	7,356	7,356	2,583
Health	5,531	2,972	3,931
Economic Development	220,400	254,128	322,259
Employment Programs	17,000	17,000	20,000
	334,872	405,399	436,523
Annual deficit	(17,058)	(8,948)	(7,122)
Accumulated surplus at beginning of year	1,195,395	1,195,395	1,202,517
Accumulated surplus at end of year	1,178,337	1,186,447	1,195,395

The accompanying notes are an integral part of these financial statements.

KWIAKAH INDIAN BAND
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2018

	2018 Budget (unaudited)	2018 Actual	2017
	\$	\$	\$
Annual deficit	(17,058)	(8,948)	(7,122)
Acquisition of tangible capital assets	-	(178,000)	-
Amortization of tangible capital assets	-	7,307	3,964
	-	(170,693)	-
Acquisition of prepaid asset	-	(12,986)	(18,403)
Use of prepaid asset	-	19,970	21,245
	6,984	6,984	2,842
Decrease in net financial assets	(10,074)	(172,657)	(316)
Net financial assets at beginning of year	1,086,602	1,086,602	1,086,918
Net financial assets at end of year	1,076,528	913,945	1,086,602

The accompanying notes are an integral part of these financial statements.

KWIAKAH INDIAN BAND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
	\$	\$
Cash flows from		
Operating activities		
Annual deficit	(8,948)	(7,122)
Items not affecting cash		
Amortization of tangible capital assets	7,307	3,964
Income from investments in government business partnerships	(78,289)	(82,821)
Loss from investment in Saaiyouck Development Corporation	12,408	11,697
	(67,522)	(74,282)
Change in non-cash operating working capital		
Accounts receivable	16,168	(42,798)
Loans receivable	(3,069)	9,314
Prepaid expenses	6,984	2,842
Accounts payable	(4,456)	14,658
Deferred revenue	(25,000)	250,000
	(76,895)	159,734
Capital activities		
Capital asset purchases	(178,000)	-
Investing activities		
Ottawa Trust revenue	(199)	(177)
Investment in Saaiyouck Development Corporation	(12,408)	(11,697)
	(12,607)	(11,874)
Increase (decrease) in cash and cash equivalents	(267,502)	147,860
Cash and cash equivalents, beginning of year	927,556	779,696
Cash and cash equivalents, end of year	660,054	927,556

The accompanying notes are an integral part of these financial statements.

KWIKAH INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

1. Basis of Presentation and Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of CPA Canada.

(a) Principles of consolidation

The Kwiakah Indian Band reporting entity includes the Kwiakah Indian Band government and all related entities that are controlled by the First Nation. The Kwiakah Indian Band has made investments in entities that are included in the financial statements using the modified equity basis of accounting.

Under the modified equity method of accounting, only Kwiakah Indian Band's investment in the entity and the entity's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the entity that are different from those of Kwiakah Indian Band.

Government business enterprises and partnerships accounted for using the modified equity basis include:

1. Saaiyouck Development Corporation (100% ownership)
2. A-Tlegay Fisheries Limited Partnership (12.99% ownership)

Organizations accounted for on a modified equity basis include:

(b) 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 on a declining balance over their estimated useful lives as follows:

Buildings	4% Declining balance
Automotive equipment	30% Declining balance
Equipment	20% Declining balance

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

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

KWIAKAH INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

1. Basis of Presentation and Significant Accounting Policies (continued)

(c) Loans receivable

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectable.

(d) 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 an 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 stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

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

(e) Measurement uncertainty

In preparing the financial statements for the First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include amortization and allowance for doubtful accounts. Actual results could differ from these estimates.

2. Accounts receivable

	2018	2017
	\$	\$
Kwakiutl District Council	1,647	-
Nuu-Chah-Nulth Economic Development Corporation	-	39,370
New Relationship Trust	5,000	5,000
Wewaikum Kwiakah Treaty Society	2,320	-
Government remittance receivable	7,587	6,114
FNESC	1,165	-
Indigenous Perspectives Society	5,000	-
C. Smith	11,597	-
	<hr/>	<hr/>
	34,316	50,484

KWIKAH INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

3. Loans receivable

	2018	2017
	\$	\$
Saaiyouck Development Corporation, no specified terms of repayment or stated interest rate.	61,809	46,331
<u>Less - allowance</u>	<u>(37,579)</u>	<u>(25,170)</u>
	<u>24,230</u>	<u>21,161</u>

4. Investments in government business enterprises

	2018	2017
	\$	\$
Saaiyouck Development Corporation - shares	100	100

Saaiyouck Development Corporation is an economic development corporation which investigates and pursues various business opportunities within the Kwiakah Indian Band's traditional territories.

	Saaiyouck Development Corporation
	\$
<u>Total Assets</u>	<u>27,068</u>
Total Liabilities	64,547
<u>Equity</u>	<u>(37,479)</u>
<u>Total liabilities and equity</u>	<u>27,068</u>
	Saaiyouck Development Corporation
	\$
Revenue	21,581
<u>Expenses</u>	<u>33,989</u>
<u>Net income (loss)</u>	<u>(12,408)</u>

KWIAKAH INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

5. Investments in government business partnerships

	2018	2017
	\$	\$
<u>A-Tlegay Fisheries Limited Partnership (12.99% ownership)</u>	<u>429,517</u>	<u>351,228</u>

A-Tlegay Fisheries Limited Partnership acquires and manages various fishing licenses and quota.

	A-Tlegay Fisheries Limited Partnership
<u>Total Assets</u>	<u>\$ 3,321,254</u>
<u>Total Liabilities</u>	<u>\$ 16,953</u>
<u>Equity</u>	<u>3,304,301</u>
<u>Total liabilities and equity</u>	<u>3,321,254</u>
	A-Tlegay Fisheries Limited Partnership
<u>Revenue</u>	<u>\$ 816,666</u>
<u>Expense</u>	<u>214,384</u>
<u>Net income</u>	<u>602,282</u>

KWIKAH INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

6. Trust funds held by federal government

	March 31, 2017	Additions, 2018	Withdrawals, 2018	March 31, 2018
Revenue	\$ 2,961	\$ 177	\$ 22	\$ 3,160
Capital	3,998	-	-	3,998
	6,959	177	22	7,158

The trust funds 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

7. Accounts payable

	2018	2017
Trade payables	\$ 16,430	\$ 20,886

8. Deferred revenue

	March 31, 2017	Revenue recognized, 2018	March 31, 2018
	\$	\$	\$
Federal government			
London Enterprises Limited	250,000	(25,000)	225,000

The Kwiakah Band received \$250,000 on March 15, 2017 from London Enterprises Limited for access to their lands for certain activities. The revenue will be recognized over the next ten years, ending March 31, 2027.

KWIAKAH INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

9. Tangible Capital Assets

	Cost			Accumulated amortization			2018 net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
Buildings	128,608	178,000	306,608	40,864	7,070	47,934	258,674
Automotive equipment	6,099	-	6,099	5,890	63	5,953	146
Equipment	15,018	-	15,018	14,148	174	14,322	696
	149,725	178,000	327,725	60,902	7,307	68,209	259,516

	Cost			Accumulated amortization			2017 Net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
Buildings	128,608	-	128,608	37,208	3,656	40,864	87,744
Automotive equipment	6,099	-	6,099	5,800	90	5,890	209
Equipment	15,018	-	15,018	13,930	218	14,148	870
	149,725	-	149,725	56,938	3,964	60,902	88,823

During the year, the Kwiakah Indian Band purchased a condominium and disposed of no assets.

KWIKAH INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

10. Prepaid expenses

	2018	2017
	\$	\$
Ministry of Forests - security deposit	4,244	5,250
Woodward and Company - retainer	8,192	14,170
Moeller Matthews - retainer	550	550
	<hr/> 12,986	<hr/> 19,970

11. Contingent Liabilities

Kwiakah Indian Band has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

In addition, the Kwiakah Indian Band is contingently liable for \$4,391,870 in loans from Indigenous and Northern Affairs Canada for treaty negotiations. This amount represents the Band's portion of the total loan obligation and is repayable only when a treaty settlement is finalized.

12. Budgeted Figures

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Band Council.

13. Economic Dependence

Kwiakah Indian Band receives a significant portion of its revenue pursuant to a funding agreement with Indigenous and Northern Affairs Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependant on this source of revenue.

**KWIAKAH INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

14. Segmented information

Kwiakah Indian Band provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by function. For each segment separately reported, the segment revenue and expenses 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:

	Band Government		2018 Budget	2018 Actual	2017 Actual	Education		2018 Budget	2018 Actual	2017 Actual
	\$	\$				2018 Budget	2018 Actual			
Revenues										
Indigenous and Northern Affairs Canada	57,927	57,542	72,467	-	-	-	-	-	-	-
Kwakiutl District Council	-	-	-	-	-	-	-	5,531	5,531	5,180
Other revenue	-	23,200	-	7,356	7,356	5,083	-	-	-	-
Total revenue	57,927	80,742	72,467	7,356	7,356	5,083	5,531	5,531	5,180	
Expenses										
Wages and benefits	-	-	2,050	-	-	-	-	-	-	-
Honorarium	49,200	52,200	49,200	-	-	-	-	-	-	1,583
Program delivery	-	-	-	7,356	7,356	2,583	5,531	2,972	2,972	2,348
Contract fees	-	22,605	12,500	-	-	-	-	-	-	-
Other expenses	35,385	49,138	24,000	-	-	-	-	-	-	-
Total expenses	84,585	123,943	87,750	7,356	7,356	2,583	5,531	2,972	3,931	
Annual surplus (deficit)	(26,658)	(43,201)	(15,283)	-	-	2,500	-	2,559	1,249	

KWIAKAH INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

14. Segmented information, continued

	Economic Development			Employment Programs			Consolidated totals		
	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual
Revenues									
Indigenous and Northern Affairs Canada	10,000	10,000	10,000	17,000	17,000	20,000	84,927	84,542	102,467
Ottawa Trust	-	199	177	-	-	-	-	199	177
Kwakiutl District Council	-	1,546	1,000	-	-	-	5,531	7,077	6,180
Province of BC	35,000	36,496	35,000	-	-	-	35,000	36,496	35,000
London Drugs	50,000	25,000	50,000	-	-	-	50,000	25,000	50,000
A-Tlegay Fisheries Limited Partnership - income	-	78,289	82,821	-	-	-	-	78,289	82,821
Saaiyouck Development Corporation - net income (lo	-	(12,408)	(11,697)	-	-	-	-	(12,408)	(11,697)
Other revenue	135,000	146,700	159,370	-	-	-	142,356	177,256	164,453
Total revenue	230,000	285,822	326,671	17,000	17,000	20,000	317,814	396,451	429,401
Expenses									
Wages and benefits	-	-	-	-	-	-	-	-	2,050
Amortization	-	7,307	3,963	-	-	-	-	7,307	3,963
Honorarium	9,500	9,500	19,000	-	-	-	58,700	61,700	69,783
Program delivery	21,150	20,250	19,650	-	-	-	34,037	30,578	24,581
Contract fees	146,625	159,015	180,629	11,000	11,000	20,000	157,625	192,620	213,129
Other expenses	43,125	58,056	99,017	6,000	6,000	-	84,510	113,194	123,017
Total expenses	220,400	254,128	322,259	17,000	17,000	20,000	334,872	405,399	436,523
Annual surplus (deficit)	9,600	31,694	4,412	-	-	-	(17,058)	(8,948)	(7,122)

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To Kwiakah Indian Band:

At the request of the Kwiakah Indian Band, we have reviewed the Schedule of Remuneration and Expenses of Chief and Councillors of the Kwiakah Indian Band for the year ended March 31, 2018 prepared in accordance with the provisions of Section 7.3 of the Indigenous and Northern Affairs Canada Reporting Guide - Financial Reporting Requirements. The schedule has been prepared by management of the Kwiakah Indian Band.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this schedule in accordance with the expenses described in Note 14, and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying schedule based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on this schedule.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that this Schedule is not, in all material respects, in accordance with the provisions of Section 7.3 of the Indigenous and Northern Affairs Canada Reporting Guide - Financial Reporting Requirements.

Campbell River, B.C.
July 31, 2018

Moeller Matthews
Chartered Professional Accountants

KWIAKAH INDIAN BAND
SCHEDULE OF REMUNERATION AND EXPENSES
(CHIEF AND COUNCILLORS)
YEAR ENDED MARCH 31, 2018

<u>Name of Individual</u>	<u>Position Title</u>	<u>Number of Months</u>	<u>Remuneration</u>	<u>Expenses</u>
Steven Dick	Chief	12	52,100	10,509
Andrean Dick	Councillor	12	18,400	1,101

**RECONCILIATION OF
INDIGENOUS AND NORTHERN AFFAIRS CANADA (INAC)
FUNDING CONFIRMATION REPORT REVENUE WITH
STATEMENT OF OPERATIONS/INCOME STATEMENT REVENUE
2017/2018 FISCAL YEAR**

Recipient Name

Recipient #

INAC Revenue per Consolidated Statement of Operations / Income Statement

\$84,542

Explanations:

Adjustments:

less: Prior Year Deferred Revenue

add: Current Year Deferred Revenue

ANSWER

Net Adjustments

\$0

INAC Funding Confirmation Report - Net Funding Arrangement Budget (see Note 1)

\$84,542

Note 1: Includes INAC Current Payable At Year End (PAYE)

Excludes BCTC Treaty Loans

Excludes Recoveries for the prior year

Includes Reimbursements for the prior year

An Excel electronic copy is available for download at www.afoabc.org