

**Kitsumkalum Indian Band**  
**Consolidated Financial Statements**

*March 31, 2021*

# **Kitsumkalum Indian Band Contents**

*For the year ended March 31, 2021*

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## Management's Responsibility

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To the Members of Kitsumkalum Indian Band:

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

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Kitsumkalum Indian Band Chief and Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Chief and Council fulfills these responsibilities by reviewing the consolidated financial information prepared by management and discussing relevant matters with management and the external auditor. Chief and Council is also responsible for recommending the appointment of the Band's external auditors.

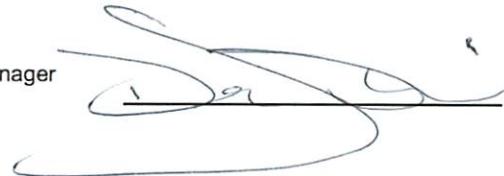
MNP LLP is appointed by the Chief and Council on behalf of the members to audit the consolidated financial statements and report directly to them; their report follows. The external auditor has full and free access to, and meet periodically and separately with, both Chief and Council and management to discuss their audit findings.

April 29, 2022



Band Manager

Director of Finance



# Independent Auditor's Report

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To the Members of Kitsumkalum Indian Band:

## Qualified Opinion

We have audited the consolidated financial statements of Kitsumkalum Indian Band (the "Band"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Band as at March 31, 2021, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Basis for Qualified Opinion

Kitsumkalum Indian Band did not prepare an approved budget for the year ended March 31, 2021. Canadian public sector accounting standards requires the approved budget to be presented in the consolidated statement of operations and accumulated surplus and changes in net financial assets. Our audit opinion on the consolidated financial statements for the year ended March 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

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 Consolidated 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 consolidated 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 for our qualified opinion.

## Responsibilities of Management for the Consolidated 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 the 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 either intends to liquidate the Band or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Band's financial reporting process.

## Auditor's 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 users taken on the basis of these consolidated financial statements.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Band to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

Terrace, British Columbia

April 29, 2022

*MNP LLP*

Chartered Professional Accountants

**MNP**

**Kitsumkalum Indian Band**  
**Consolidated Statement of Financial Position**  
As at March 31, 2021

	2021	2020
<b>Financial assets</b>		
Cash	15,152,744	9,631,753
Accounts receivable (Note 3)	2,874,722	533,135
Restricted cash (Note 4)	3,751,977	3,096,287
Inventory for resale (Note 5)	214,527	188,634
Funds held in trust (Note 6)	1,748	-
Portfolio investments (Note 7)	3,654,443	3,526,642
Kitsumkalum Port Economic Trust Funds (Note 8)	549,722	525,327
Investments in government business enterprises (Note 9)	32,196,007	24,029,509
<b>Total financial assets</b>	<b>58,395,890</b>	<b>41,531,287</b>
<b>Liabilities</b>		
Accounts payable and accruals (Note 10)	1,103,878	1,370,361
Deferred revenue (Note 11)	4,983,836	114,993
Long-term debt (Note 12)	6,934,139	5,110,948
<b>Total liabilities</b>	<b>13,021,853</b>	<b>6,596,302</b>
<b>Net financial assets</b>	<b>45,374,037</b>	<b>34,934,985</b>
<b>Contingencies (Note 15)</b>		
<b>Commitments (Note 16)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	14,703,233	14,255,083
Prepaid expenses	141,556	153,946
<b>Total non-financial assets</b>	<b>14,844,789</b>	<b>14,409,029</b>
<b>Accumulated surplus (Note 18)</b>	<b>60,218,826</b>	<b>49,344,014</b>

Approved on behalf of the Chief and Council



Chief



Councilor

**Kitsumkalum Indian Band**  
**Consolidated Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2021*

	<i>Schedules</i>	<b>2021</b>	<b>2020</b>
<b>Revenue</b>			
Province of British Columbia		10,118,024	16,516,495
Indigenous Services Canada (Note 19)		6,201,317	5,180,761
Other revenue		1,302,415	2,160,234
First Nations Health Authority		1,050,588	947,719
Department of Fisheries and Oceans Canada		553,423	330,123
Transport Canada		-	4,600,000
Economic activities		2,225,912	2,433,343
Earnings from investments in government business enterprises (Note 9)		1,218,796	597,875
Rental income		264,847	247,968
Investment income		231,428	347,230
Canada Mortgage and Housing Corporation		209,629	186,610
		<b>23,376,379</b>	33,548,358
<b>Expenses</b>			
Administration and Governance	3	2,286,754	1,966,654
Social Development	4	626,459	495,359
Public Works	5	709,296	786,714
Education	6	2,339,258	2,626,478
Consultations and Impact Benefits	7	1,499,724	1,513,147
Economic Development	8	1,391,264	1,705,222
Fisheries	9	1,013,259	1,381,504
Health Services	10	831,674	778,639
Capital Projects	11	3,465	10,463
Social Housing	12	415,041	481,179
Cultural/Title/Rights	13	1,385,373	1,563,252
<b>Total expenses</b>		<b>12,501,567</b>	13,308,611
<b>Annual surplus before other items</b>		<b>10,874,812</b>	20,239,747
<b>Other income (expenses)</b>			
Write down of investment in Treaty		-	(9,253,335)
Treaty loan forgiveness		-	9,326,024
		-	72,689
<b>Annual surplus</b>		<b>10,874,812</b>	20,312,436
<b>Accumulated surplus, beginning of year</b>		<b>49,344,014</b>	29,031,578
<b>Accumulated surplus, end of year</b>		<b>60,218,826</b>	49,344,014

**Kitsumkalum Indian Band**  
**Consolidated Statement of Changes in Net Financial Assets**  
*For the year ended March 31, 2021*

	<b>2021</b>	<b>2020</b>
<b>Annual surplus</b>	<b>10,874,812</b>	20,312,436
Purchases of tangible capital assets	(1,062,022)	(1,373,343)
Amortization of tangible capital assets	613,872	640,907
Use of prepaid expenses	12,390	53,523
<b>Increase in net financial assets</b>	<b>10,439,052</b>	19,633,523
<b>Net financial assets, beginning of year</b>	<b>34,934,985</b>	15,301,462
<b>Net financial assets, end of year</b>	<b>45,374,037</b>	34,934,985

**Kitsumkalum Indian Band**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2021*

	<b>2021</b>	<b>2020</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual surplus	10,874,812	20,312,436
Non-cash items		
Amortization	613,872	640,907
Earnings from investments in government business enterprises	(1,218,796)	(597,875)
Increase (decrease) in inventory for resale	(25,893)	8,011
Write down of investment in Treaty	-	9,253,335
Treaty loan payable forgiveness	-	(9,326,024)
	<b>10,243,995</b>	20,290,790
Changes in working capital accounts		
Accounts receivable	(2,341,587)	793,234
Funds held in trust	(1,748)	1,349,800
Kitsumkalum Port Economic Trust Funds	(24,395)	(23,125)
Accounts payable and accruals	(266,483)	(73,378)
Prepaid expenses	12,390	53,523
Deferred revenue	4,868,843	17,726
Transfer from restricted cash	(655,690)	(2,564,505)
	<b>11,835,325</b>	19,844,065
<b>Financing activities</b>		
Advances of long-term debt	2,143,667	414,285
Repayment of long-term debt	(320,476)	(295,242)
Increase in portfolio investments	(127,801)	(183,948)
Advances to government business enterprises	(7,197,702)	(10,592,071)
Distribution from government business enterprises	250,000	-
	<b>(5,252,312)</b>	(10,656,976)
<b>Capital activities</b>		
Purchases of tangible capital assets	(1,062,022)	(1,373,343)
<b>Increase in cash resources</b>	<b>5,520,991</b>	7,813,746
<b>Cash resources, beginning of year</b>	<b>9,631,753</b>	1,818,007
<b>Cash resources, end of year</b>	<b>15,152,744</b>	9,631,753

**Kitsumkalum Indian Band**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

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**1. Operations**

The Kitsumkalum Indian Band (the "Band") is located in the province of British Columbia, and provides various services to its members. Kitsumkalum Indian Band includes the Band's members, government and all related entities that are accountable to the Band and are either owned or controlled by the Band.

**2. Significant accounting policies**

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

***Reporting entity***

The financial statements consolidate the financial activities of all entities and departments comprising the Band reporting entity, except for Band business entities. Trusts administered on behalf of third parties by Kitsumkalum Indian Band are excluded from the Band reporting entity.

The Band has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Kitsumkalum Treaty Administration
- Kitsumkalum Social Housing
- House of Sim-Oi-Ghets

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Kitsumkalum Indian Band business entities, owned or controlled by the Band's Council but not dependent on the Band for their continuing operations, are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the Band. Thus, the Band's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Kalum Ventures Ltd.
- Kalum Ventures Limited Partnership
- Kalum Quarry Limited Partnership
- Kitsumkalum Development Limited Partnership
- Kalum Gas Bar Limited Partnership
- Kitsumkalum Economic Development Group Ltd.
- Kalum Logistics Park Limited Partnership

Inactive Band business entities are not recorded.

***Basis of presentation***

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

**Kitsumkalum Indian Band**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

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**2. Significant accounting policies** *(Continued from previous page)*

***Cash***

Cash includes balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

***Inventory for resale***

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

***Portfolio investments***

Marketable securities with an original maturity date of more than one year are reported as portfolio investments. Investments are recorded using the cost method. Provisions for declines in the market value of investments are recorded when they are considered to be other than temporary.

***Tangible capital assets***

Tangible capital assets are initially recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible assets are recorded at their fair value at the date of contribution.

All intangible assets, historical artifacts, works of art and items inherited by the rights of the Band, such as reserve land, forests, water and mineral resources are not recognized in the Band's consolidated financial statements.

Tangible capital assets are amortized over their expected useful life using the straight-line method at the following rates.

Construction in progress is not amortized.

Amortization is provided on buildings purchased from loans insured by CMHC at a rate equal to the annual principal reduction of the loan.

	<b>Rate</b>
Land improvements	1 to 80 years
Buildings	20 to 50 years
Social housing infrastructure	20 to 25 years
Vehicle and boat equipment	5 to 30 years
Furniture, equipment and technology	3 to 30 years
Road infrastructure	70 years
Sewer infrastructure	25 to 80 years
Water infrastructure	25 to 80 years

***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 normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

**Kitsumkalum Indian Band**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

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**2. Significant accounting policies** *(Continued from previous page)*

***Funds held in trust***

Funds held in trust on behalf of Band members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on land or other Band tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

***Liability for contaminated site***

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Band is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2021.

At each financial reporting date, the Band reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Band continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

As at March 31, 2021, no liability for contaminated sites exists.

***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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets.

A liability for contaminated sites reflects management's best estimate of the amount required to remediate the contaminated sites. The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future site remediation.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in surplus in the periods in which they become known.

***Net financial assets***

The Band's consolidated financial statements are presented so as to highlight net financial assets as the measurement of consolidated financial position. The net financial assets of the Band are determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of consolidated financial position, accumulated surplus.

**Kitsumkalum Indian Band**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

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**2. Significant accounting policies (Continued from previous page)**

**Revenue recognition**

i) Government funding

The Band recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Band recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

ii) Band Capital and Revenue Trust Funds

The Band recognizes revenue of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

iii) Canada Mortgage and Housing Corporation "CMHC"

CMHC revenue is recognized as it becomes receivable under the terms of the applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the consolidated statement of financial position in the year of receipt.

iv) Housing rental income

Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

v) Other revenue

Other revenue is recognized when performance is completed, amounts are measurable and collection can be reasonably assured.

vi) Investment income

Investment income is recognized by the Band when earned.

**Segments**

The Band conducts its business through a number of reportable segments as described in Note 20. These operating segments are established by senior management to facilitate the achievement of the Band's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

**3. Accounts receivable**

	2021	2020
Federal contributions receivable	2,392,573	80,934
Provincial contributions receivable	50,000	29,775
Other contributions receivable	69,205	93,033
Rent receivable	324,649	307,280
GST recoverable	116,153	94,698
Trade and other receivables	26,159	30,352
	<hr/>	<hr/>
	2,978,739	636,072
Less: Allowance for doubtful accounts	104,017	102,937
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	2,874,722	533,135

**Kitsumkalum Indian Band**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

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**4. Restricted cash**

Under the terms of an agreement with Canada Mortgage and Housing Corporation ("CMHC"), the replacement reserve account is to be credited in the amount of \$49,137 (2020 - \$46,430) annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. At year end, the replacement reserve was adequately funded.

Under the terms of an agreement with CMHC, excess revenue over expenditures for the Post 1996 phases may be retained in an operating reserve. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by CMHC from time to time. At year end, the operating reserve was adequately funded.

Under the terms of an agreement with the British Columbia Treaty Commission and the federal and provincial governments, the Band receives funding to prepare for and administer the treaty negotiations process. The treaty funds received must be held in a separate bank account and can only be used to pay for expenditures related to the treaty negotiations process.

Under the terms of an agreement with the British Columbia First Nations Gaming Revenue Sharing Limited Partnership, the Band receives funding to administer, manage and distribute funds under the second amended BCFN GRS LP Agreement. The gaming funds received can only be used to pay for eligible expenditures under the agreement.

Under the Land Title and Survey Authority Act, the Band receives royalties and interest on use of Band land.

Restricted cash consists of the following:

	<b>2021</b>	2020
Replacement reserve	431,354	391,293
Operating reserve	155,581	131,441
Treaty administration funds	356,907	101,909
Gaming funds	753,415	353,546
Land title funds	2,054,720	2,118,098
	<b>3,751,977</b>	3,096,287

**5. Inventory for resale**

	<b>2021</b>	2020
Craft and grocery inventory	214,527	188,634

**6. Funds held in trust**

Revenue trust monies are transferred to the Band on the authorization of the Minister of Indigenous Services Canada, with the consent of the Band's Chief and Council.

	<b>2021</b>	2020
<b>Revenue Trust</b>		
Interest	12	-
Special (BC)	1,736	-
Balance - end of year	1,748	-

Ottawa Trust Funds

The Ottawa Trust accounts 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*.

**Kitsumkalum Indian Band**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

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**7. Portfolio investments**

Portfolio investment securities include a diverse mix of equities, bonds, bank savings instruments, equity and index funds which are invested primarily in the North American market. The carrying value of the portfolio investment securities is based on the cost method whereby the cost of the security is adjusted to reflect investment income that is accruing and any permanent decline in market value.

Carrying values and market values of the Band's portfolio investments are as follows:

	<b>2021</b>	<b>2020</b>
<b>Carrying value</b>		
Internally restricted	3,307,604	3,191,641
Unrestricted	346,839	335,001
	<hr/>	<hr/>
	3,654,443	3,526,642
<b>Market value</b>		
Internally restricted	4,269,807	3,380,440
Unrestricted	366,779	246,279
	<hr/>	<hr/>
	4,636,586	3,626,719

**8. Kitsumkalum Port Economic Trust Funds**

The Band entered into the Port of Prince Rupert Container Terminal Project Agreement ("the Port Agreement") with Canada and the Prince Rupert Port Authority which contains terms and conditions of a settlement related to the completion of certain phases of the Prince Rupert Port expansion project. In accordance with the Port Agreement, the Band established a trust to which the moneys paid by Canada to the Band are to be managed, administered and paid out for economic development purposes for the benefit of the Band.

	<b>2020</b>	<b>2019</b>
Balance, beginning of year	525,327	502,202
Investment income earned	28,333	27,842
Trust fund broker and other charges	(3,938)	(4,717)
	<hr/>	<hr/>
	549,722	525,327

**Kitsumkalum Indian Band**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

**9. Investments in government business enterprises**

The Band has investments in the following entities:

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Earnings (loss)</i>	<i>Distribution</i>	<i>2021 Total Investment</i>
<b>Wholly-owned Businesses:</b>					
Kitsumkalum Economic Development Group Ltd.	<b>10,873,411</b>	<b>5,309,825</b>	<b>(12,896)</b>	-	<b>16,170,340</b>
Kalum Ventures Ltd.	(111)	-	-	-	(111)
	<b>10,873,300</b>	<b>5,309,825</b>	<b>(12,896)</b>	-	<b>16,170,229</b>
<b>First Nation Business Partnerships:</b>					
Kalum Quarry Limited Partnership - 99.9%	<b>6,213,136</b>	<b>28,694</b>	<b>(463,286)</b>	-	<b>5,778,544</b>
Kalum Gas Bar Limited Partnership - 99.9%	<b>4,849,099</b>	<b>(8,426)</b>	<b>(156,273)</b>	-	<b>4,684,400</b>
Kitsumkalum Development Limited Partnership - 99.9%	<b>1,796,127</b>	<b>17,641</b>	<b>(85,407)</b>	-	<b>1,728,361</b>
Kalum Ventures Limited Partnership - 99.9%	<b>297,847</b>	<b>(32)</b>	<b>1,936,658</b>	<b>(250,000)</b>	<b>1,984,473</b>
Kalum Logistics Park Limited Partnership - 99.9%	-	<b>1,850,000</b>	-	-	<b>1,850,000</b>
	<b>13,156,209</b>	<b>1,887,877</b>	<b>1,231,692</b>	<b>(250,000)</b>	<b>16,025,778</b>
	<b>24,029,509</b>	<b>7,197,702</b>	<b>1,218,796</b>	<b>(250,000)</b>	<b>32,196,007</b>
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Earnings (loss)</i>	<i>Distribution</i>	<i>2020 Total investment</i>
<b>Wholly-owned Businesses:</b>					
Kitsumkalum Economic Development Group Ltd.	<b>71,604</b>	<b>10,983,414</b>	<b>(181,607)</b>	-	<b>10,873,411</b>
Kalum Ventures Ltd.	(34,138)	-	34,027	-	(111)
	<b>37,466</b>	<b>10,983,414</b>	<b>(147,580)</b>	-	<b>10,873,300</b>
<b>First Nation Business Partnerships:</b>					
Kalum Quarry Limited Partnership - 99.9%	<b>2,349,642</b>	<b>3,499,774</b>	<b>363,720</b>	-	<b>6,213,136</b>
Kalum Gas Bar Limited Partnership - 99.9%	<b>4,064,794</b>	<b>17,439</b>	<b>766,866</b>	-	<b>4,849,099</b>
Kitsumkalum Development Limited Partnership - 99.9%	<b>2,247,181</b>	<b>(164,147)</b>	<b>(286,907)</b>	-	<b>1,796,127</b>
Kalum Ventures Limited Partnership - 99.9%	<b>396,071</b>	-	<b>(98,224)</b>	-	<b>297,847</b>
	<b>9,057,688</b>	<b>3,353,066</b>	<b>745,455</b>	-	<b>13,156,209</b>
	<b>9,095,154</b>	<b>14,336,480</b>	<b>597,875</b>	-	<b>24,029,509</b>

**Kitsumkalum Indian Band**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

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**9. Investments in government business enterprises** *(Continued from previous page)*

Summary financial information for each government business enterprise, accounted for using the modified equity method, for their respective year-end is as follows:

	<i>Kalum Ventures Ltd.</i> <i>As at March 31, 2021 (Unaudited)</i>	<i>Kalum Ventures Limited Partnership</i> <i>As at March 31, 2021 (Unaudited)</i>	<i>Kalum Quarry Limited Partnership</i> <i>As at December 31, 2020 (Unaudited)</i>	<i>Kitsumkalum Development Limited Partnership</i> <i>As at December 31, 2020 (Unaudited)</i>
<b>Assets</b>				
Cash	13,078	740,703	-	68,647
Accounts receivable	1,637	121,201	1,190,716	72,154
Inventory	-	-	838,563	-
Investments	-	-	-	125,000
Marketable securities	-	1,765,256	-	-
Prepaid expenses	12,128	19,166	24,094	4,474
Advances to Kitsumkalum Indian Band	-	-	-	202,568
Advances to related parties	8,877	-	302,288	1,829,898
Restricted assets	-	368,077	361,000	-
Other assets	-	-	-	-
Property, plant, and equipment	-	122,815	9,304,754	169,682
<b>Total assets</b>	<b>35,720</b>	<b>3,137,218</b>	<b>12,021,415</b>	<b>2,472,423</b>
<b>Liabilities</b>				
Bank indebtedness	-	-	1,116,155	-
Accounts payable	35,832	113,581	3,019,267	246,267
Callable debt	-	-	313,549	-
Other liabilities	-	1,030,060	-	-
Obligations under capital lease	-	-	687,266	-
Deferred revenue	-	-	474,406	249,489
Advances from Kitsumkalum Indian Band	-	-	-	-
Advances from related parties	-	8,877	4,160,595	101,597
<b>Total liabilities</b>	<b>35,832</b>	<b>1,152,518</b>	<b>9,771,238</b>	<b>597,353</b>
<b>Net assets</b>	<b>(112)</b>	<b>1,984,700</b>	<b>2,250,177</b>	<b>1,875,070</b>
<b>Total revenue</b>	<b>361,683</b>	<b>9,427,432</b>	<b>9,439,527</b>	<b>283,035</b>
<b>Total expenses</b>	<b>361,683</b>	<b>7,490,580</b>	<b>9,902,854</b>	<b>368,451</b>
<b>Net income (loss)</b>	<b>-</b>	<b>1,936,852</b>	<b>(463,327)</b>	<b>(85,416)</b>

**Kitsumkalum Indian Band**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

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**9. Investments in government business enterprises (Continued from previous page)**

	<i>Kalum Gas Bar Limited Partnership As at December 31, 2020 (Unaudited)</i>	<i>Kitsumkalum Economic Development Group Ltd. As at December 31, 2020 (Unaudited)</i>
<b>Assets</b>		
Cash	1,713,613	234,801
Accounts receivable	70,297	316,503
Inventory	182,018	-
Investments	-	-
Marketable securities	-	-
Prepaid expenses	-	-
Advances to Kitsumkalum Indian Band	-	-
Advances to related parties	240,553	-
Restricted assets	-	-
Other assets	641,508	3,491
Property, plant, and equipment	1,994,046	17,470,157
<b>Total assets</b>	<b>4,842,035</b>	<b>18,024,952</b>
<b>Liabilities</b>		
Bank indebtedness	-	-
Accounts payable	157,215	321,914
Callable debt	-	62,000
Other liabilities	-	21,423
Obligations under capital lease	-	-
Deferred revenue	-	-
Advances from Kitsumkalum Indian Band	9,221	16,318,921
Advances from related parties	-	1,408,846
<b>Total liabilities</b>	<b>166,436</b>	<b>18,133,104</b>
<b>Net assets</b>	<b>4,675,599</b>	<b>(108,152)</b>
<b>Total revenue</b>	<b>5,593,105</b>	<b>391,457</b>
<b>Total expenses</b>	<b>5,749,401</b>	<b>376,879</b>
<b>Net income (loss)</b>	<b>(156,296)</b>	<b>14,578</b>

The Band's investee's have a different year-end than March 31, 2021. The Band uses the investee's year-end financial statements to account for its investment in this investee. No significant events or transactions were noted from January 1, 2021 to March 31, 2021.

Kalum Logistics Park Limited Partnership was established in February 2021. The partnership was not operational as at March 31, 2021. During the year, the Band advanced \$1,850,000 to the partnership to pay for the extension of the rail spur in the logistic park.

**10. Accounts payable and accruals**

	2021	2020
Trade payables	539,347	933,311
Accrued salaries and employee benefits payable	357,983	287,404
Other accrued liabilities	206,548	149,646
	<b>1,103,878</b>	<b>1,370,361</b>

**Kitsumkalum Indian Band**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

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**11. Deferred revenue**

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Amount spent</i>	<i>Balance, end of year</i>
Province of British Columbia - education funding	111,427	101,976	111,427	101,976
Indigenous Services Canada - ICMS #9-00128513	-	1,540,743	-	1,540,743
CMHC - rapid housing funding	-	3,333,859	-	3,333,859
Social housing	3,566	7,258	3,566	7,258
	<b>114,993</b>	<b>4,983,836</b>	<b>114,993</b>	<b>4,983,836</b>

**12. Long-term debt**

	<b>2021</b>	<b>2020</b>
Royal Bank of Canada; term loan repayable in monthly installments of \$10,210 per month, including interest at 2.94% per annum, maturing March 2024; secured by a general security agreement covering all Band assets.	1,850,000	-
All Nations Trust Company; repayable in monthly installments of \$10,323 per month including interest at 1.14% per annum, maturing June 2036; (Project 10); secured by Ministerial Guarantees from Indigenous Services Canada.	1,742,221	1,845,689
Royal Bank of Canada; demand loan repayable in monthly installments of \$11,708 per month, including interest at prime plus 1.35% per annum, maturing September 2021; secured by a general security agreement covering all Band assets.	951,971	1,053,969
All Nations Trust Company; repayable in monthly installments of \$4,061 per month including interest at 1.21% per annum, maturing May 2041; (Project 12); secured by Ministerial Guarantees from Indigenous Services Canada.	871,878	909,861
All Nations Trust Company; repayable in monthly installments of \$2,607 per month including interest at 0.68% per annum, maturing August 2045; (Project 13); secured by Ministerial Guarantees from Indigenous Services Canada.	703,578	414,284
All Nations Trust Company; repayable in monthly installments of \$2,945 per month including interest at 2.68% per annum, maturing October 2038; (Project 11); secured by Ministerial Guarantees from Indigenous Services Canada.	495,640	517,483
All Nations Trust Company; repayable in monthly installments of \$2,534 per month including interest at 1.97% per annum, maturing December 2032; (Project 9); secured by Ministerial Guarantees from Indigenous Services Canada.	318,851	342,761
All Nations Trust Company - fully repaid during the year.	-	26,901
	<b>6,934,139</b>	<b>5,110,948</b>

**Kitsumkalum Indian Band**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

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**12. Long-term debt** *(Continued from previous page)*

RBC has a prime rate of 2.45% as at March 31, 2021 (2020 - 2.45%)

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

2022	3,018,813
2023	219,477
2024	222,354
2025	225,275
2026	228,240

**13. Pension plan**

Kitsumkalum Indian Band provides a defined contribution plan for eligible members of its staff. The Band contributes 5% of the member's base salary which contributions are directed to the member's contribution account. Members are required to contribute a minimum of 5% of their salary. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. Kitsumkalum Indian Band contributed \$44,787 (2020 - \$46,563) during the year for retirement benefits. There have been no changes to the plan during the year.

**14. Economic dependence**

The Kitsumkalum Indian Band receives a significant portion of its revenue pursuant to funding agreements with Indigenous Services Canada and the Province of British Columbia. The nature and extent of this revenue is of such significance that Kitsumkalum Indian Band is economically dependent on this source of revenue, as guaranteed by these agreements.

**15. Contingencies**

Kitsumkalum Indian Band has entered into contribution agreements with various federal and provincial government departments. Funding received under these contribution agreements may be subject to repayment if the Band fails to comply with the terms and conditions of the agreements.

In addition, in the normal course of its operations, Kitsumkalum Indian Band becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense is recorded on Kitsumkalum Indian Band's consolidated financial statements.

Kitsumkalum Indian Band is contingently liable for band member housing loans which it has guaranteed. In the event of borrower default, any deficiency is payable by the Band. The total contingent liability in loan guarantees related to these loans is \$816,653 (2020 - \$562,230). No amount is recorded in these consolidated financial statements related to these guarantees.

**Kitsumkalum Indian Band**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

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**16. Commitments**

Kitsumkalum Indian Band is committed to vehicle and office equipment lease payments as follows:

2022	\$ 43,815
2023	\$ 39,594
2024	<u>\$ 36,295</u>
	<u>\$ 119,704</u>

**17. Significant event**

In early 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Band as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

**18. Accumulated surplus**

	<b>2021</b>	<b>2020</b>
Operating surplus	16,864,820	14,593,670
Invested in tangible capital assets	10,571,065	10,198,101
Replacement and operating reserves	586,935	522,734
Investments in government business enterprises	32,196,006	24,029,509
	<hr/>	<hr/>
	60,218,826	49,344,014

**19. Indigenous Services Canada funding reconciliation**

	<b>2021</b>	<b>2020</b>
Revenue per confirmation	7,779,229	5,224,703
Deferred revenue	(1,540,743)	-
Recoveries in Social Development	(3,098)	(23,790)
Recoveries in Consultations and Impact Benefits	(23,995)	-
Recoveries in Public Works	(10,076)	(20,152)
	<hr/>	<hr/>
	6,201,317	5,180,761

**Kitsumkalum Indian Band**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2021*

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**20. Segments**

The Band receives revenue and incurs expenses from many different projects and sources. For management and reporting purposes, the revenue, expenses and surplus or deficits are organized by segments. Schedules 3-13 disclose the details of the Band's revenue and expenses by segment. The Band is organized into the following segments:

*Administration and Governance*

Includes general operations, support, and financial management of the Band.

*Social Development*

Includes revenue and expenses relating to the social assistance of the members of Kitsumkalum Indian Band.

*Public Works*

Includes maintenance of infrastructure owned by the Band.

*Education*

Includes revenue and expenses related to education.

*Consultations and Impact Benefits*

Includes revenue and expenses related to consultations and impact benefit agreements between a project proponent and Kitsumkalum Indian Band.

*Economic Development*

Includes activities related to the growth of revenue producing projects with the Band.

*Fisheries*

Includes revenue and expenses related to the conservation and stewardship of the Band's fisheries.

*Health Services*

Includes activities related to the provision of health services within the Band.

*Capital Projects*

Includes revenue and expenses related to capital projects.

*Social Housing*

Includes revenue and expenses related to social housing programs carried on by the Band.

*Cultural/Title/Rights*

Includes revenue and expenses related to cultural and title rights negotiations.

**Kitsumkalum Indian Band**  
**Schedule 1 - Consolidated Schedule of Tangible Capital Assets**  
For the year ended March 31, 2021

	<i>Land improvements</i>	<i>Buildings</i>	<i>Social housing infrastructure</i>	<i>Vehicle &amp; boat equipment</i>	<i>Furniture equipment &amp; technology</i>	<i>Road infrastructure</i>	<i>Subtotal</i>
<b>Cost</b>							
Balance, beginning of year	1,317,454	5,647,425	7,145,172	1,518,044	761,411	2,015,796	18,405,302
Acquisition of tangible capital assets	-	-	149,405	70,772	65,516	-	285,693
Balance, end of year	1,317,454	5,647,425	7,294,577	1,588,816	826,927	2,015,796	18,690,995
<b>Accumulated amortization</b>							
Balance, beginning of year	93,638	1,803,808	1,722,896	958,825	621,388	801,997	6,002,552
Annual amortization	8,080	129,746	219,697	119,683	74,792	27,407	579,405
Balance, end of year	101,718	1,933,554	1,942,593	1,078,508	696,180	829,404	6,581,957
<b>Net book value of tangible capital assets</b>	<b>1,215,736</b>	<b>3,713,871</b>	<b>5,351,984</b>	<b>510,308</b>	<b>130,747</b>	<b>1,186,392</b>	<b>12,109,038</b>
2020 Net book value of tangible capital assets	1,223,816	3,843,617	5,422,276	559,219	140,023	1,213,799	12,404,770

**Kitsumkalum Indian Band**  
**Schedule 1 - Consolidated Schedule of Tangible Capital Assets**  
*For the year ended March 31, 2021*

	<i>Subtotal</i>	<i>Sewer infrastructure</i>	<i>Water infrastructure</i>	<i>Construction in progress</i>	<b>2021</b>	<b>2020</b>
<b>Cost</b>						
Balance, beginning of year	18,405,302	1,191,325	2,351,119	691,085	22,638,831	21,265,488
Acquisition of tangible capital assets	285,693	-	-	776,329	1,062,022	1,373,343
Balance, end of year	<b>18,690,995</b>	<b>1,191,325</b>	<b>2,351,119</b>	<b>1,467,414</b>	<b>23,700,853</b>	<b>22,638,831</b>
<b>Accumulated amortization</b>						
Balance, beginning of year	6,002,552	547,530	1,833,666	-	8,383,748	7,742,841
Annual amortization	579,405	23,838	10,629	-	613,872	640,907
Balance, end of year	<b>6,581,957</b>	<b>571,368</b>	<b>1,844,295</b>	<b>-</b>	<b>8,997,620</b>	<b>8,383,748</b>
<b>Net book value of tangible capital assets</b>	<b>12,109,038</b>	<b>619,957</b>	<b>506,824</b>	<b>1,467,414</b>	<b>14,703,233</b>	<b>14,255,083</b>
2020 Net book value of tangible capital assets	12,404,770	643,795	517,453	691,085	14,255,083	

**Kitsumkalum Indian Band**  
**Schedule 2 - Schedule of Consolidated Expenses by Object**  
*For the year ended March 31, 2021*

	<b>2021</b>	<b>2020</b>
<b>Consolidated expenses by object</b>		
Academic programs	54,372	34,824
Administration	70,192	71,549
Advertising	26,658	21,027
Amortization	613,872	640,907
Bad debts	1,080	76,759
Bank charges and interest	60,025	65,694
Consulting	2,240,410	3,102,775
Cultural enrichment	120	18,200
Fuel and mileage	107,901	103,478
Funeral	18,000	21,263
Furniture and equipment	75,383	91,498
Homemakers	21,771	-
Honourarium	316,182	152,947
Insurance	234,879	93,258
Interest on long-term debt	225,326	54,258
Living allowances	280,441	243,022
Lunch program	12,948	27,157
Professional fees	370,940	498,759
Program expense	2,052	-
Purchases	874,303	1,105,249
Rent	264,115	198,047
Repairs and maintenance	175,613	179,883
Salaries, wages and benefits	4,302,328	4,479,160
Social assistance	502,406	367,340
Supplies	865,120	533,613
Telephone	63,938	78,268
Training	1,076	7,425
Travel	36,340	296,630
Tuition	574,446	644,448
Utilities	109,330	101,173
	<b>12,501,567</b>	<b>13,308,611</b>