

KITSUMKALUM INDIAN BAND
Consolidated Financial Statements
As at March 31, 2016

KITSUMKALUM INDIAN BAND

Index To Consolidated Financial Statements As At March 31, 2016

I N D E X

Management's Report	Page 1
Auditors' Report	Page 2
Consolidated Statement of Financial Position	Page 3
Consolidated Statement of Operations	Page 4
Consolidated Statement of Changes in Net Financial Assets (Debt)	Page 5
Consolidated Statement of Cash Flows	Page 6
Notes to Consolidated Financial Statements	Pages 7 - 19
Consolidated Schedule of Segmented Revenue and Expense	Schedule 1
Consolidated Schedule of Revenue, Expense and Accumulated Surplus (Deficit) by Program	Schedule 2
Consolidated Schedule of Tangible Capital Assets	Schedule 3

November 21, 2016

Management's Statement of Responsibility

The accompanying financial statements of the Kitsumkalum Indian Band for the year ended March 31, 2016 are the responsibility of management and have been approved by the Chief and Council.

These financial statements have been prepared in conformity with Canadian Public Sector Accounting Standards and, where appropriate, include amounts that are based on management's best estimates and judgements. Management has established internal control systems to ensure that the financial information is objective and reliable and that Band assets are safeguarded.

The financial statements have been audited by the independent auditors, MNP LLP, whose report outlines the scope of their examination and their opinion on the financial statements.

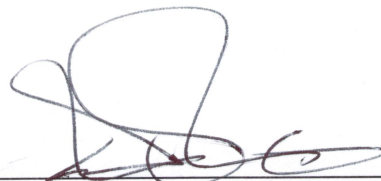
The Chief and Council carries out its responsibility for the financial statements through the Office of Chief and Council, which is comprised of a quorum of Council. The Chief and Council meet with the auditors to satisfy itself on the adequacy of internal controls and to review the financial statements and auditors' report.

The Chief and Council reviews the audited financial statements with the external auditors before making recommendations for presentation to the band membership.



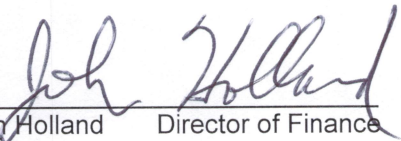
Cynthia Bohn

Councillor



Steve Roberts

Band Manager



John Holland

Director of Finance

INDEPENDENT AUDITOR'S REPORT

To the Members of the Kitsumkalum Indian Band

We have audited the accompanying consolidated financial statements of the Kitsumkalum Indian Band, which comprise the statement of financial position as at March 31, 2016 and the consolidated statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Budget information has not been reported in the consolidated statement of operations. Canadian public sector accounting standards require the reporting of budget figures for comparative purposes.

Qualified Opinion

In our opinion, except for the effects of not providing budget information as described in the preceding paragraph, the consolidated financial statements present fairly, in all material respects the financial position of Kitsumkalum Indian Band as at March 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

The consolidated financial statements of the Kitsumkalum Indian Band for the year ended March 31, 2016 were audited by McAlpine & Co. of Terrace, BC, prior to its merger with MNP LLP. McAlpine & Co. expressed an unmodified opinion on those statements on October 19, 2015.

Terrace, BC
November 21, 2016

MNP LLP
Chartered Professional Accountants

KITSUMKALUM INDIAN BAND
**Consolidated Statement of Financial Position
As At March 31, 2016**

	2016	2015 (restated)
Financial assets		
Cash - (Note 2)	\$ 861,402	\$ 969,748
Portfolio investments - (Note 3)	4,874,126	4,840,134
Accounts receivable - (Note 4)	959,098	1,274,682
Inventory for resale - (Note 5)	197,459	153,478
Deferred treaty negotiation costs - (Note 6)	7,696,052	7,069,784
Kitsumkalum Port Economic Trust funds - (Note 7)	447,159	427,442
Trust funds held by federal government - (Note 8)	862,684	460,038
Investments in government business enterprises - (Note 9)	9,554,479	10,647,562
	25,452,459	25,842,868
Liabilities		
Accounts payable and accrued liabilities - (Note 10)	1,655,795	1,470,585
Deferred revenue - (Note 11)	1,654,461	1,197,300
Debt - (Note 12)	13,927,555	12,570,743
Replacement reserve - (Notes 1, 13)	231,165	192,445
	17,468,976	15,431,073
Net financial assets	7,983,483	10,411,795
Non-financial assets		
Prepaid expenses and other assets	252,598	264,328
Tangible capital assets - (Note 14)	14,875,817	14,124,175
	15,128,415	14,388,503
	\$ 23,111,898	\$ 24,800,298
Accumulated surplus comprised of:		
Operating surplus	\$ 11,735,754	\$ 13,792,283
Invested in tangible capital assets - (Note 15)	10,513,460	10,547,977
Trust funds held by federal government	862,684	460,038
	\$ 23,111,898	\$ 24,800,298

Contingencies - (Note 16)
Lease commitments - (Note 17)
Loan guarantees - (Note 18)

APPROVED ON BEHALF OF CHIEF AND COUNCIL


Councillor


Councillor

KITSUMKALUM INDIAN BAND
**Consolidated Statement of Operations
Year Ended March 31, 2016**

	2016	2015 (restated)
Revenue		
Contributions - Indigenous and Northern Affairs Canada	\$ 2,465,092	\$ 2,008,573
- First Nations Health Authority	536,076	511,325
- Provincial	306,125	352,735
- Federal	107,436	108,046
- Other	1,872,307	1,401,445
Economic activities	2,423,651	2,496,470
Net income (loss) from investments in government business enterprises - (Note 9)	(922,771)	(523,347)
Social housing rents and C.M.H.C. subsidies	366,237	361,905
Investment income	246,736	444,045
	7,400,889	7,161,197
Expense		
Administration and governance	1,125,582	1,015,194
Social development	322,310	330,550
Public works	561,210	799,142
Education	1,983,189	1,651,536
Consultations and impact benefits	945,388	1,191,591
Economic development	1,578,666	1,386,376
Fisheries	1,162,977	1,129,698
Health services	633,462	627,427
Capital projects	25,355	32,772
Social housing	607,321	388,593
Cultural/title/rights	511,958	465,625
	9,457,418	9,018,504
Excess (deficiency) of revenue over expense charged to programs	(2,056,529)	(1,857,307)
Loan proceeds included in revenue	(940,201)	(28,250)
Debt principal payments included in expense	154,042	150,860
Tangible capital assets included in expense	1,326,140	568,871
Amortization of tangible capital assets	(574,498)	(572,123)
Gain (loss) on disposal of tangible capital assets		(3,464)
Trust fund revenue and other	402,646	22,591
Annual surplus (deficit)	(1,688,400)	(1,718,822)
Accumulated surplus - beginning of year	24,800,298	26,519,120
Accumulated surplus - end of year	\$ 23,111,898	\$ 24,800,298

KITSUMKALUM INDIAN BAND**Consolidated Statement of Changes in Net Financial Assets
As at March 31, 2016**

	2016	2015 (restated)
Annual surplus (deficit)	\$(1,688,400)	\$(1,718,822)
Tangible capital assets:		
Acquisition of tangible capital assets	(1,326,140)	(568,871)
Proceeds on sale of tangible capital assets		5,700
Amortization of tangible capital assets	574,498	572,123
(Gain)/loss on disposal of tangible capital assets		3,464
Change in prepaid expenses and other assets	11,730	(62,914)
Increase (decrease) in net financial assets	(2,428,312)	(1,769,320)
Net financial assets - beginning of year	10,411,795	12,181,115
Net financial assets - end of year	\$ 7,983,483	\$10,411,795

KITSUMKALUM INDIAN BAND
**Summary Statement of Cash Flows
Year Ended March 31, 2016**

	2016	2015 (restated)
Operating transactions		
Annual surplus (deficit)	\$ (1,688,400)	\$ (1,718,822)
Non cash items:		
- Social housing reserve provisions	38,720	38,720
- Amortization	574,498	572,123
- (Increase) decrease in inventory for resale	(43,981)	(967)
- (Increase) decrease in prepaid expenses and other assets	11,730	(62,915)
- (Increase) decrease in investment in government business enterprises	1,093,083	(1,156,198)
	(14,350)	(2,328,059)
Changes to financial assets/liabilities:		
- Accounts receivable	315,584	(582,925)
- Deferred treaty negotiation costs	(626,268)	(614,792)
- Trust funds held by federal government	(402,646)	(22,591)
- Kitsumkalum Port Economic Trust funds	(19,717)	199,116
- Accounts payable and accrued liabilities	185,211	32,892
- Deferred revenue	457,161	871,373
Cash provided (used) by operating transactions	(105,025)	(2,444,986)
Capital transactions		
Acquisition of tangible capital assets	(1,326,140)	(568,871)
Proceeds on disposal of tangible capital assets		5,700
(Gain) loss on disposal of tangible capital assets		3,464
Cash applied to capital transactions	(1,326,140)	(559,707)
Financing and investing activities		
Treaty loan proceeds received	650,590	613,495
Other loan proceeds received	940,201	1,528,250
Transfer to (from) replacement reserve		(16,559)
Debt principal payments	(233,980)	(337,136)
Increase in portfolio investments	(33,992)	677,173
	1,322,819	2,465,223
Increase (decrease) in cash position	(108,346)	(539,470)
Cash - beginning of year	969,748	1,509,218
Cash - end of year	\$ 861,402	\$ 969,748

1. Significant accounting policies**a) Basis of accounting**

The consolidated financial statements of the the Kitsumkalum Indian Band are prepared by management in accordance with Canadian generally accepted accounting principles for First Nation governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

b) Reporting entity and principles of consolidation

The Kitsumkalum Indian Band reporting entity includes the Kitsumkalum Indian Band government and all related entities which are accountable to the Kitsumkalum Indian Band and are either owned or controlled by the Kitsumkalum Indian Band.

All controlled entities are fully consolidated on a line by line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Unincorporated organizations consolidated in the Kitsumkalum Indian Band's financial statements include:

- House of Sim-Oi-Ghets

Organizations accounted for on a modified equity basis include:

- Kalum Ventures Ltd.
- Kalum Ventures Limited Partnership
- Kalum Quarry Ltd.
- Kalum Quarry Limited Partnership
- Kitsumkalum Development Corporation
- Kitsumkalum Development Limited Partnership
- Kalum Land Holdings Corporation
- Kalum Gas Bar GP Ltd.
- Kalum Gas Bar Limited Partnership
- Kalum Management Services Inc.
- Kitsumkalum Economic Development Group Ltd.

c) Cash equivalents

Cash and cash equivalents consist of cash on hand and bank deposits net of bank overdraft. Highly liquid investments with maturities of one year or less at date of purchase are also classified as cash equivalents.

d) Investments

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

e) Inventory

Inventory consisting of crafts, grocery and convenience store items has been recorded at the lower of estimated cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less estimated selling costs.

f) Deferred treaty negotiation costs

Deferred treaty negotiation costs consist of all costs incurred during the treaty negotiations between Kitsumkalum Indian Band and the Governments of Canada and British Columbia less any grants and interest earned. Deferred treaty negotiation costs will be deferred until the date the loan from Canada becomes payable as outlined in sections 13.0 and 14.0 of the First Nation Negotiation Support Agreement.

Notes to Consolidated Financial Statements
Year Ended March 31, 2016

1. Basis of presentation and significant accounting policies *(continued)*

g) Tangible capital assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Tangible capital assets are recorded at net book value and are classified according to their functional use. Assets under construction are not amortized until the asset is available to be put into service.

Amortization is provided for on a straight-line basis commencing the year the asset is put into service over the expected useful life of the assets as follows:

Land improvements	0 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

h) Revenue

All revenue is recorded on the accrual basis whereby amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue. Funding received under the terms of contribution agreements are recognized as revenue once eligibility criteria has been met. Funding is recorded as deferred revenue if it has been restricted for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

i) Investment income

Investment income is recorded on the accrual basis and recognized when earned.

j) Net assets (debt)

The financial statements are presented so as to highlight net assets (debt) as the measurement of financial position. The net assets (debt) of Kitsumkalum Indian Band is determined by its liabilities less its financial assets. Net assets (debt) is comprised of two components, non-financial assets and accumulated surplus. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the consolidated change in net financial assets for the year. Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

k) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. It is reasonably possible that circumstances may arise that cause actual results to differ from management estimates, however, management does not believe it is likely that such differences will materially affect the band's financial position.

Significant areas requiring the use of management estimates relate to the determination of allowance for doubtful accounts receivable and amortization of tangible capital assets.

Notes to Consolidated Financial Statements
Year Ended March 31, 2016

1. Basis of presentation and significant accounting policies *(continued)*

l) Financial instruments

The Band's financial instruments consist of cash and temporary investments, portfolio investments, accounts receivable, accounts payable and debt. Unless otherwise noted, it is management's opinion that the Band is not exposed to significant interest, currency or credit risks arising from these financial instruments.

2. Cash

The current account has overdraft facilities available to a maximum of \$300,000 bearing interest at bank prime plus 0.85%. As collateral for the overdraft facilities, the band has provided band council resolutions and a general security agreement covering all band assets.

Under the terms of an agreement with Canada Mortgage and Housing Corporation ("CMHC") for CMHC sponsored social housing program, the Band must set aside funds annually in a replacement reserve for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by CMHC with any interest earned to be credited to the replacement reserve fund.

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.

Cash is comprised of the following:

	2016	2015
Externally restricted		
Social housing program replacement reserve funds	\$ 231,165	\$ 192,445
Social housing program operating reserve funds	95,293	95,131
Treaty administration funds	441,325	474,598
	767,783	\$ 762,174
Internally restricted	3,236	259,617
Unrestricted	90,383	(52,043)
Total cash	\$ 861,402	\$ 969,748

Notes to Consolidated Financial Statements
Year Ended March 31, 2016

3. Portfolio investments

Portfolio investment securities include a diverse mix of equities, bonds, bank savings instruments and bond, 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:

	2016 <i>(carrying value)</i>	2016 <i>(market value)</i>
Internally restricted	4,584,506	5,101,269
Unrestricted	289,620	267,273
	4,874,126	5,368,542

4. Accounts receivable

	2016	2015
Contributions receivable:		
- Federal		
- INAC	\$ 194,204	\$ 438,439
- First Nations Health Authority	874	
- Other Federal	67,458	58,770
- Provincial	73,108	42,853
- Other contributions receivable	59,978	69,689
Due from band members - Social Housing rents	266,510	242,019
GST/HST recoverable	51,498	77,599
Trade and other receivables	285,857	385,702
	999,487	1,315,071
Less: Allowance for doubtful accounts	(40,389)	(40,389)
	\$ 959,098	\$ 1,274,682

KITSUMKALUM INDIAN BAND

Notes to Consolidated Financial Statements Year Ended March 31, 2016

5. Inventory for resale

	2016	2015
Craft and grocery inventory	197,459	153,478
	\$ 197,459	\$ 153,478

6. Deferred treaty negotiation costs

	2016	2015
Balance beginning of year	\$ 7,069,784	\$ 6,454,992
Costs incurred during the year		
Salaries, wages and benefits	215,668	196,531
Goods and services	471,267	498,638
Interest and bank charges	1,583	1,583
Contribution and interest income	(62,250)	(81,960)
Balance end of year	\$ 7,696,052	\$ 7,069,784

7. Kitsumkalum Port Economic Trust funds

The Band entered into the Port of Prince Rupert Container Terminal Projects 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 monies paid by Canada to the Band are to be managed, administered and paid out for economic development purposes for the benefit of the Band.

	2016	2015
Balance - beginning of year	\$ 427,442	\$ 626,558
Add:		
- Investment income earned	23,325	18,577
Deduct:		
- Trust fund broker and other charges	(3,523)	\$ (3,605)
- Due to (from) Band operating cash account	(85)	(214,088)
	19,717	(199,116)
Balance - end of year	\$ 447,159	\$ 427,442

Notes to Consolidated Financial Statements
Year Ended March 31, 2016

7. Kitsumkalum Port Economic Trust funds (continued)

The Port Economic Trust funds are invested in a cash account in the amount of \$186 with the remaining funds invested in a variety of portfolio investments as described in note 3. The Port Economic Trust portfolio investment funds are recorded at their carrying value of \$ 446,972 and have a market value of \$439,624.

8. Trust funds held by Federal Government

Trust fund accounts arise from moneys 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.

	2016	2015
Balance - beginning of year	\$ 460,038	\$ 437,447
Add:		
- Interest earned	12,639	10,797
- Provincial revenue grants	1,718	1,722
- Minerals royalty and exploration fees - Government business enterprise	388,289	10,072
	402,646	22,591
Balance - end of year	\$ 862,684	\$ 460,038
Comprised of:		
- Accounts receivable - Kalum Quarry Limited Partnership	186,000	
- Revenue Fund	\$ 365,063	\$ 249,562
- Capital Fund	311,621	210,476
	\$ 862,684	\$ 460,038

KITSUMKALUM INDIAN BAND

Notes to Consolidated Financial Statements Year Ended March 31, 2016

9. Investments in Government Business Enterprises

Investments in Government Business Enterprises comprises the following balances derived from the condensed financial information presented in the table on the following page:

	2016	2015
Advance from Kitsumkalum Indian Band	\$ 3,564,589	\$ 3,704,900
Government Business Enterprise Equity	5,990,185	6,943,013
Less equity allocated to other government business enterprises	(295)	(351)
Total Investments in Government Business Enterprise	\$ 9,554,479	\$ 10,647,562

Interorganizational transactions

Interorganizational transactions not eliminated under the modified equity method are as follows:

- Revenues earned from other government business enterprises	\$ 599,028
- Revenues earned from Kitsumkalum Indian Band	106,852
- Expense amounts related to charges from Kitsumkalum Indian Band	(4,739)

Government business enterprises' commitments and guarantees

Kitsumkalum Indian Band has provided a guarantee and postponement of claim in the amount of \$3,500,000 on the Band's investment securities maintained with RBC Dominion Securities Inc. related to the revolving debt facility of a government business enterprise noted below. Kitsumkalum Indian Band has also provided a guarantee and postponement of claim in the amount of \$143,000 on the Band's investment securities maintained with RBC Dominion Securities Inc. related to other debt borrowings of government business enterprises.

Outstanding debt issued by government business enterprises

Debt repayment requirements for debt over the next 5 years pursuant to present credit arrangements is as follows:

2017	\$ 702,621
2018	528,932
2019	459,143
2020	72,900
2021 and thereafter	776,518
Total	\$ 2,540,114

Current liabilities includes a revolving debt facility in the amount of \$ 1,290,000 which has a maximum borrowing capacity of \$1,500,000.

KITSUMKALUM INDIAN BAND

Notes to Consolidated Financial Statements Year Ended March 31, 2016

9. Investments in Government Business Enterprises (continued)

The following table represents condensed financial information for the government business enterprises:

	Natural Resources	Retail Trade	General Economic Development	Financial Services	2016 Total	2015 Total (restated)
Current assets	\$ (130,499)	\$ 1,141,495	\$ 1,065,738	\$ (17,670)	\$ 2,059,064	\$ 3,091,002
Non-current assets	633,123		257,822		890,945	912,541
Tangible capital assets	7,614,204	1,985,144	1,629,496	12,540	11,241,384	11,901,962
Total assets	\$ 8,116,828	\$ 3,126,639	\$ 2,953,056	\$ (5,130)	\$ 14,191,393	\$ 15,905,505
Current liabilities	\$ 850,491	\$ 124,086	\$ 63,914	\$ 14,887	\$ 1,053,378	\$ 652,312
Non-current liabilities	1,043,127				1,043,127	897,043
Debt	2,421,114		119,000		2,540,114	3,708,237
Advance from (to) Kitsumkalum Indian Band	3,579,080	20,424	(34,915)		3,564,589	3,704,900
Total liabilities	7,893,812	144,510	147,999	14,887	8,201,208	8,962,492
Equity	223,016	2,982,129	2,805,057	(20,017)	5,990,185	6,943,013
Total liabilities and equity	\$ 8,116,828	\$ 3,126,639	\$ 2,953,056	\$ (5,130)	\$ 14,191,393	\$ 15,905,505
Revenue	\$ 6,158,656	\$ 5,188,417	\$ 192,907	\$ 152,407	\$ 11,692,387	\$ 10,601,015
Expenses	6,939,385	5,109,911	291,577	168,604	12,509,477	11,027,725
Debt servicing	105,405				105,405	95,596
Total expenses	7,044,790	5,109,911	291,577	168,604	12,614,882	11,123,321
Net income (loss) for the year	\$ (886,134)	\$ 78,506	\$ (98,670)	\$ (16,197)	\$ (922,495)	\$ (522,306)

Notes to Consolidated Financial Statements
Year Ended March 31, 2016

10. Accounts payable and accrued liabilities

	2016	2015
Trade payables	\$ 1,430,096	\$ 1,340,960
Accrued salaries and employee benefits payable	152,087	127,030
Other accrued liabilities	73,612	2,595
	\$ 1,655,795	\$ 1,470,585

11. Deferred revenue

Deferred revenues represent unspent revenue externally restricted for certain operating expenditures received in the current or prior year that are related to a subsequent year. Changes in the deferred revenue balance are as follows:

	2016	2015
Balance - beginning of year	\$ 1,197,300	325,927
Less amounts recongized as revenue in the year	(266,633)	(84,161)
Plus amounts received related to a following year	723,793	955,534
	\$ 1,654,460	\$ 1,197,300

KITSUMKALUM INDIAN BAND

Notes to Consolidated Financial Statements Year Ended March 31, 2016

12. Debt

	2016	2015
Debt comprises the following:		
Loan payable, Canada		
The Band has signed promissory notes and First Nation Negotiation Support Agreements representing advances made by Canada for negotiations. Repayment provisions for these loans are outlined in sections 13.0 and 14.0 of the First Nation Negotiation Support Agreement. The loan advances will not accrue interest until the date the loan becomes due and payable.	\$ 8,182,694	\$ 7,532,104
Royal Bank		
Demand loan payable at \$11,550 per month, including interest at prime plus 1.35%. The band has provided security for this demand loan as described in note 2.	1,382,503	1,462,441
All Nations Trust Company		
Payable at \$11,603 per month, including interest at 2.37%, maturing June 2016.	2,244,798	2,329,869
Payable at \$2,456 per month, including interest at 1.53%, maturing December, 2017.	435,308	457,932
Payable at \$2,459 per month, including interest at 1.11%, maturing February, 2021.	141,063	167,573
Payable at \$2,873 per month, including interest at 2.4%, maturing October, 2018.	600,988	620,824
Advances to date on approved loan of \$1,051,200 for construction of new housing units. Loan to be repayable at \$4,061 per month, including interest at 1.21% with the first payment commencing June 1, 2016.	940,201	
	13,927,555	12,570,743
Current portion	4,638,740	1,616,829
	\$ 9,288,815	\$10,953,914

All of the above All Nations Trust Company loans are secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on the band's social housing units.

Scheduled principal reduction not including the Loan payable, Canada is estimated as follows:

2017	\$ 4,638,740
2018	461,511
2019	588,661
2020	29,038
2021	26,911
Total	\$ 5,744,861

KITSUMKALUM INDIAN BAND**Notes to Financial Statements
Year Ended March 31, 2016****13. Replacement reserve**

	2016	2015
Balance - beginning of year	\$ 192,445	\$ 170,284
Additions	38,720	38,720
Expenditures (net)		(16,559)
Balance - end of year	\$ 231,165	\$ 192,445

14. Tangible capital assets

	2016	2015
Land improvements	\$ 1,256,362	\$ 1,264,668
Buildings	4,378,939	4,514,991
Social housing infrastructure	5,525,433	4,511,743
Vehicle and boat equipment	579,527	641,329
Furniture, equipment and technology	255,137	176,645
Road infrastructure	1,323,985	1,351,951
Sewer infrastructure	740,120	764,930
Water infrastructure	816,314	897,918
	\$ 14,875,817	\$ 14,124,175

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 3).

15. Invested in tangible capital assets

Invested in tangible capital assets represents the net book value of total capital assets less long term obligations assumed to acquire those assets. The change in consolidated balance of invested in tangible capital assets is as follows:

	2016	2015
Increases:		
Tangible capital asset acquisitions	\$ 1,326,140	\$ 642,078
Retirement of debt - principal repayment	154,042	150,860
Decreases;		
Proceeds from issue of debt	(940,201)	(28,250)
Dispositions at net book value		(82,373)
Amortization	(574,498)	(572,123)
Change in invested in tangible capital assets	(34,517)	110,192
Invested in tangible capital assets - beginning of year	10,547,977	10,437,785
Invested in tangible capital assets - end of year	\$ 10,513,460	\$ 10,547,977

Notes to Consolidated Financial Statements
Year Ended March 31, 2016

16. Contingencies

Kitsumkalum Indian Band has entered into contribution agreements with various federal and provincial government departments. Funding received under certain of these contribution agreements is 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 recorded on Kitsumkalum Indian Band's financial statements.

17. Lease commitments

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

2017	12,762
2018	8,916
<hr/>	
	\$ 21,678
<hr/>	

18. Loan guarantees

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 \$ 249,931 (2015 - \$ 272,309)

19. Economic dependence

The Kitsumkalum Indian Band receives a major portion of its revenues pursuant to funding arrangements with Indigenous and Northern Affairs Canada ("INAC") and First Nations Health Authority. The nature and extent of this revenue is of such significance that Kitsumkalum Indian Band is economically dependent on this source of revenue.

20. Pension plan

Kitsumkalum Indian Band provides a defined contribution plan for eligible members of its staff. The Band contributes 5% of the member's basis 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 \$41,758 (2015 - \$ 44,284) during the year for retirement benefits.

21. Prior period adjustment

In the 2015 fiscal year, Kalum Land Holdings Ltd received fee simple title to land from the Province of British Columbia under the Incremental Treaty Agreement. The contributed land has been recorded as a prior period adjustment at an amount equal to the fair market value of the land. This accounting treatment resulted in an adjustment to the Kitsumkalum Indian Band's consolidated financial statements as follows.

	As originally stated	Change	As restated
Investments in government business enterprises	\$ 10,322,162	\$ 325,400	\$ 10,647,562
Net income (loss) from investments in government business enterprises	(848,747)	325,400	(523,347)
Annual surplus	(2,044,222)	325,400	(1,718,822)
Net financial assets	10,086,395	325,400	10,411,795

KITSUMKALUM INDIAN BAND

Consolidated Schedule of Segmented Revenue and Expense
Year Ended March 31, 2016

	Administration and Governance	Social Development	Public Works	Education	Consultations and Impact Benefits	Economic Development	Fisheries	Health Services	Capital Projects	Social Housing	Cultural/Title Rights	2016	2015 (restated)
Revenue													
Contributions													
- INAC	\$ 368,643	\$ 304,222	\$ 268,364	\$ 1,288,629	\$	\$ 35,349	\$	\$	\$ 25,355	\$ 174,530		\$ 2,465,092	\$ 2,008,573
- First Nations Health Authority								536,076				536,076	511,325
- Provincial	19,093			260,000	10,000			17,032				306,125	352,735
- Federal							107,436					107,436	108,046
- Other	388,281			193,486	554,259	132,162	152,518	105,365		5,018	341,218	1,872,307	1,401,445
Economic Activities	164,554		45,127	6,000	168,775	1,312,113	724,784	2,298				2,423,651	2,496,470
Net Income (loss) from Investments in Government Business Enterprises						(922,771)						(922,771)	(523,347)
Social Housing Rents and CMHC Subsidies										366,237		366,237	361,905
Interest Income	17,205					229,531						246,736	444,045
	957,776	304,222	313,491	1,748,115	733,034	786,384	984,738	660,771	25,355	545,785	341,218	7,400,889	7,161,197
Expense													
Salaries, Wages and Benefits	609,127	53,207	176,230	672,692	137,057	241,833	608,697	439,062		10,403	84,569	3,032,877	2,697,148
Goods and Services	469,538	258,206	313,371	1,243,157	808,316	298,216	493,509	192,555	25,355	135,613	427,389	4,665,225	4,510,296
Purchases - Cost of goods sold						985,597						985,597	847,411
Equipment/Capital Purchases	24,534		71,569	67,309		6,664	60,771	1,845		1,167,732		1,400,424	631,392
Repayment (Reimbursement) - INAC		10,897										10,897	55,499
Interest and Bank Charges	22,383		40	31	15	46,356				79,732		148,557	154,148
Amortization	15,119	8,656	216,000	16,630		14,134	24,081	125,836		154,042		574,498	572,123
Loss From Disposal of Tangible Capital Assets													3,464
Debt Principal Repayment (net of borrowings)										(786,159)		(786,159)	122,610
	1,140,701	330,966	777,210	1,999,819	945,388	1,592,800	1,187,058	759,298	25,355	761,363	511,958	10,031,916	9,594,091
Excess (shortfall) of revenue over expense	\$ (182,925)	\$ (26,744)	\$ (463,719)	\$ (251,704)	\$ (212,354)	\$ (806,416)	\$ (202,320)	\$ (98,527)		\$ (215,578)	\$ (170,740)	\$ (2,631,027)	\$ (2,432,894)

KITSUMKALUM INDIAN BAND

Schedule of Revenue, Expense and Accumulated Surplus (Deficit) By Program
Year Ended March 31, 2016

Program	Accumulated Surplus (Deficit) March 31/15 <i>(restated)</i>	I.N.A.C. Funding	Band and Other Revenue	Total Expense	Surplus (Deficit) For The Year	Loan Borrowings for Purchase of Capital Assets	Debt Principal Repayments on Capital Asset Loans	Transfers	Accumulated Surplus (Deficit) March 31/16
Administration and governance	288,699	368,643	589,133	1,125,582	(167,806)			114,441	235,334
Social development	(8,819)	304,222		322,310	(18,088)				(26,907)
Public works	(48,908)	268,364	45,127	561,210	(247,719)			317,724	21,097
Education	(147,555)	1,288,629	459,486	1,983,189	(235,074)				(382,629)
Cultural/Title/Rights	1,154		341,218	511,958	(170,740)			160,309	(9,277)
Consultations and Impact Benefits	54,517		733,034	945,388	(212,354)			(7,823)	(165,660)
Economic development	13,391,479	35,349	751,035	1,578,666	(792,282)			(849,483)	11,749,714
Fisheries	259,072		984,738	1,162,977	(178,239)			259,020	339,853
Health services program	153,665		660,771	633,462	27,309			2,500	183,474
Capital projects	(168,965)	25,355		25,355					(168,965)
Social housing program	17,944	174,530	371,255	1,393,480	(847,695)	940,201	(154,042)	3,312	(40,280)
	\$ 13,792,283	\$ 2,465,092	\$ 4,935,797	\$10,243,577	\$(2,842,688)	\$ 940,201	\$ (154,042)	\$	\$ 11,735,754

KITSUMKALUM INDIAN BAND

Schedule of Tangible Capital Assets
Year Ended March 31, 2016

	Land improvements	Buildings	Social housing infrastructure	Vehicle & boat equipment	Furniture equipment & technology	Road infrastructure	Sewer infrastructure	Water infrastructure	Assets under construction	2016 Total	2015 Total
Cost											
Opening balance	\$ 1,317,454	\$ 5,647,425	\$ 5,251,027	\$ 1,151,642	\$ 414,678	\$ 2,015,796	\$ 1,191,325	\$ 2,336,803		\$ 19,326,150	\$ 18,780,688
Additions			1,167,732		144,092			14,316		1,326,140	642,078
Disposals											(96,616)
Writedown											
Ending balance	1,317,454	5,647,425	6,418,759	1,151,642	558,770	2,015,796	1,191,325	2,351,119		20,652,290	19,326,150
Accumulated Amortization											
Opening Balance	52,786	1,132,434	739,284	510,313	238,033	663,845	426,395	1,438,885		5,201,975	4,644,095
Amortization	8,306	136,052	154,042	61,802	65,600	27,966	24,810	95,920		574,498	572,123
Accumulated amortization on disposals											(14,243)
Ending balance	61,092	1,268,486	893,326	572,115	303,633	691,811	451,205	1,534,805		5,776,473	5,201,975
Net book value March 31, 2016	\$ 1,256,362	\$ 4,378,939	\$ 5,525,433	\$ 579,527	\$ 255,137	\$ 1,323,985	\$ 740,120	\$ 816,314		\$ 14,875,817	\$ 14,124,175
Net book value March 31, 2015	\$ 1,264,668	\$ 4,514,991	\$ 4,511,743	\$ 641,329	\$ 176,645	\$ 1,351,951	\$ 764,930	\$ 897,918		\$ 14,124,175	