

**KITSUMKALUM INDIAN BAND**

**Financial Statements**

**As at March 31, 2014**

McAlpine  
& Co. <sup>CA</sup>  

---

CHARTERED ACCOUNTANTS

**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 - 18
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

September 4, 2014

### Management's Statement of Responsibility

The accompanying financial statements of the Kitsumkalum Indian Band for the year ended March 31, 2014 are the responsibility of management and have been approved by the Chief and Council.

These financial statements have been prepared in conformity with general accepted accounting principles as defined by the Public Sector Accounting and Auditing Handbook and the Canadian Institute of Chartered Accountants handbook 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, McAlpine & Company, 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.

  
Don Roberts      Chief Councillor

  
Steve Roberts      Band Manager

  
John Holland      Director of Finance

---

## INDEPENDENT AUDITOR'S REPORT

---

To the Members of Kitsumkalum Indian Band

We have audited the accompanying consolidated financial statements of Kitsumkalum Indian Band, which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of operations, changes in net assets(debt) 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 generally accepted accounting principles, 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 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 generally accepted accounting principles require the reporting of budget figures for comparative purposes.

### *Qualified Opinion*

In our opinion, except for the effect of not providing budget information as referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Band as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*McAlpine & Co.*

Terrace, B.C.  
September 4, 2014

CHARTERED ACCOUNTANTS

**KITSUMKALUM INDIAN BAND**
**Consolidated Statement of Financial Position  
As At March 31, 2014**

	2014	2013
<b>Financial assets</b>		
Cash - (Note 2)	\$ 1,509,218	\$ 1,275,634
Portfolio investments - (Note 3)	5,517,307	5,374,937
Accounts receivable - (Note 4)	691,757	897,585
Inventory for resale - (Note 5)	152,511	293,396
Deferred treaty negotiation costs - (Note 6)	6,454,992	6,009,169
Kitsumkalum Port economic trust funds - (Note 7)	626,558	600,839
Trust funds held by federal government - (Note 8)	437,447	288,372
Investments in government business enterprises - (Note 9)	9,491,364	5,884,892
	<b>24,881,154</b>	<b>20,624,824</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities - (Note 10)	1,437,693	1,447,284
Deferred revenue	325,927	2,400
Debt - (Note 11)	10,766,135	9,904,948
Replacement reserve - (Notes 1, 12)	170,284	136,531
	<b>12,700,039</b>	<b>11,491,163</b>
<b>Net financial assets (debt)</b>	<b>12,181,115</b>	<b>9,133,661</b>
<b>Non-financial assets</b>		
Prepaid expenses and other assets	201,412	254,459
Tangible capital assets - (Note 13)	14,136,593	14,724,467
	<b>14,338,005</b>	<b>14,978,926</b>
	<b>\$ 26,519,120</b>	<b>\$ 24,112,587</b>
Accumulated surplus comprised of:		
Operating surplus	\$ 15,643,888	\$ 12,693,791
Invested in tangible capital assets - (Note 14)	10,437,785	11,130,424
Trust funds held by federal government	437,447	288,372
	<b>\$ 26,519,120</b>	<b>\$ 24,112,587</b>

Contingencies - (Note 15)  
Lease commitments - (Note 16)  
Loan guarantees - (Note 17)

**APPROVED ON BEHALF OF CHIEF AND COUNCIL**

  
Councillor

  
Councillor

**KITSUMKALUM INDIAN BAND**
**Consolidated Statement of Operations  
Year Ended March 31, 2014**

	2014	2013
<b>Revenue</b>		
Contributions - Aboriginal Affairs and Northern Development Canada	\$ 2,267,223	\$ 2,304,440
- Health Canada	2,153,794	1,477,974
- Provincial	351,982	322,935
- Federal	111,792	135,805
- Other	674,113	520,077
Economic activities	2,084,203	7,228,054
Net income (loss) from investments in government business enterprises - (Note 9)	1,470,582	2,296,645
Social housing rents and C.M.H.C. subsidies	330,417	324,036
Interest income	233,764	153,293
	<b>9,677,870</b>	<b>14,763,259</b>
<b>Expense</b>		
Administration and governance	899,415	941,837
Social development	338,282	516,247
Public works	428,926	442,884
Education	1,233,833	1,057,888
Consultations and impact benefits	993,409	107,859
Economic development	1,466,906	7,000,884
Fisheries	402,406	404,802
Health services	596,773	456,237
Capital projects	1,972,242	1,272,193
Social housing	209,781	597,171
Cultural/title/rights	434,748	246,147
	<b>8,976,721</b>	<b>13,044,149</b>
<b>Excess of revenue over expense charged to programs</b>	<b>701,149</b>	<b>1,719,110</b>
Loan proceeds included in revenue	(415,895)	(201,677)
Debt principal payments included in expense	311,130	277,594
Tangible capital assets included in expense	2,220,248	1,831,006
Amortization of tangible capital assets	(511,153)	(515,878)
Gain (loss) on disposal of tangible capital assets	(5,433)	(115,000)
Writedown of tangible capital assets	(42,588)	
Trust fund revenue and other	149,075	8,968
<b>Annual surplus</b>	<b>2,406,533</b>	<b>3,004,123</b>
<b>Accumulated surplus - beginning of year</b>	<b>24,112,587</b>	<b>21,049,500</b>
Transfer from replacement reserve		58,964
<b>Accumulated surplus - end of year</b>	<b>\$ 26,519,120</b>	<b>\$ 24,112,587</b>

**KITSUMKALUM INDIAN BAND****Consolidated Statement of Changes in Net Financial Assets (Debt)  
As at March 31, 2014**

	<b>2014</b>	<b>2013</b>
<b>Annual surplus</b>	<b>\$ 2,406,533</b>	<b>\$ 3,004,123</b>
Tangible capital assets:		
Acquisition of tangible capital assets	<b>(2,220,248)</b>	<b>(1,831,006)</b>
Proceeds on sale of tangible capital assets	<b>2,248,947</b>	
Amortization of tangible capital assets	<b>511,153</b>	<b>515,878</b>
Writedown of tangible capital assets	<b>42,588</b>	
(Gain)/loss on disposal of tangible capital assets	<b>5,433</b>	<b>115,000</b>
Change in prepaid expenses and other assets	<b>53,048</b>	<b>5,315</b>
Transfer of replacement reserve funds to operating surplus		<b>58,964</b>
<b>Increase (decrease) in net financial assets</b>	<b>3,047,454</b>	<b>1,868,274</b>
<b>Net financial assets (debt) - beginning of year</b>	<b>9,133,661</b>	<b>7,265,387</b>
<b>Net financial assets (debt) - end of year</b>	<b>\$ 12,181,115</b>	<b>\$ 9,133,661</b>

**KITSUMKALUM INDIAN BAND**
**Summary Statement of Cash Flows  
Year Ended March 31, 2014**

	2014	2013
<b>Operating transactions</b>		
Annual surplus	\$ 2,406,533	\$ 3,004,123
Non cash items:		
- Social housing reserve provisions	36,200	33,680
- Amortization	511,153	515,878
- (Increase) decrease in inventory for resale	140,885	(59,624)
- (Increase) decrease in prepaid expenses and other assets	53,047	5,315
- Increase in investment in government business enterprises	(3,606,472)	(2,887,508)
	(458,654)	611,864
Changes to financial assets/liabilities:		
- Accounts receivable	205,828	(19,900)
- Deferred treaty negotiation costs	(445,823)	(836,029)
- Trust funds held by federal government	(149,075)	(8,965)
- Kitsumkalum Port economic trust funds	(25,719)	771,823
- Accounts payable and accrued liabilities	(9,589)	444,776
- Deferred revenue	323,527	(20,121)
<b>Cash provided (used) by operating transactions</b>	<b>(559,505)</b>	<b>943,448</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(2,220,248)	(1,831,006)
Proceeds on disposal of tangible capital assets	2,248,947	
(Gain) loss on disposal of tangible capital assets	5,433	115,000
Writedown of tangible capital assets	42,588	
<b>Cash applied to capital transactions</b>	<b>76,720</b>	<b>(1,716,006)</b>
<b>Financing and investing activities</b>		
Treaty loan proceeds received	806,382	699,947
Other loan proceeds received	415,895	201,677
Transfer to (from) replacement reserve	(2,447)	(1,652)
Debt principal payments	(361,091)	(322,668)
Increase in portfolio investments	(142,370)	(5,374,937)
	716,369	(4,797,633)
<b>Increase (decrease) in cash position</b>	<b>233,584</b>	<b>(5,570,191)</b>
<b>Cash - beginning of year</b>	<b>1,275,634</b>	<b>6,845,825</b>
<b>Cash - end of year</b>	<b>\$ 1,509,218</b>	<b>\$ 1,275,634</b>



**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.

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 fuel, 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, 2014**

---

**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 in to service over the expected useful life of the assets as follows:

Estimated useful lives are 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 debt

The financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of Kitsumkalum Indian Band is determined by its liabilities less its financial assets. Net 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, 2014**

---

**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:

	<b>2014</b>	2013
<b>Externally restricted</b>		
Social housing program replacement reserve funds	\$ 170,284	\$ 136,531
Social housing program operating reserve funds	<b>107,327</b>	111,448
Treaty administration funds	<b>477,399</b>	59,715
Medical clinic construction		22,028
	<b>755,010</b>	\$ 329,722
<b>Internally restricted</b>	<b>150,494</b>	195,422
<b>Unrestricted</b>	<b>603,714</b>	750,490
<b>Total cash</b>	<b>\$ 1,509,218</b>	<b>\$ 1,275,634</b>

**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2014**

---

**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:

	<b>2014</b> <i>(carrying value)</i>	<b>2014</b> <i>(market value)</i>
<b>Internally restricted</b>	<b>5,073,907</b>	<b>5,746,038</b>
<b>Unrestricted</b>	<b>443,400</b>	<b>489,312</b>
	<b>5,517,307</b>	<b>6,235,350</b>

**4. Accounts receivable**

	<b>2014</b>	<b>2013</b>
Contributions receivable:		
- Federal		
- AANDC	\$	\$ 164,929
- Health Canada		200,740
- Other Federal	<b>41,133</b>	36,470
- Provincial	<b>100,932</b>	
- Other contributions receivable	<b>194,880</b>	68,938
Due from band members - Social Housing rents	<b>208,591</b>	180,356
GST/HST recoverable	<b>55,246</b>	10,424
Trade and other receivables	<b>141,117</b>	285,870
	<b>741,899</b>	947,727
Less: Allowance for doubtful accounts	<b>(50,142)</b>	(50,142)
	<b>\$ 691,757</b>	<b>\$ 897,585</b>

# KITSUMKALUM INDIAN BAND

## Notes to Consolidated Financial Statements Year Ended March 31, 2014

### 5. Inventory for resale

	2014	2013
Fuel and confectionary inventory	\$ 172,338	\$ 121,058
Craft and grocery inventory	152,511	
	<b>\$ 152,511</b>	<b>\$ 293,396</b>

### 6. Deferred treaty negotiation costs

	2014	2013
<b>Balance beginning of year</b>	<b>\$ 6,009,169</b>	<b>\$ 5,173,140</b>
Costs incurred during the year		
Salaries, wages and benefits	196,926	298,061
Goods and services	365,991	635,387
Interest and bank charges	1,790	1,686
Contribution and interest income	(118,884)	(99,105)
<b>Balance end of year</b>	<b>\$ 6,454,992</b>	<b>\$ 6,009,169</b>

### 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.

	2014	2013
<b>Balance - beginning of year</b>	<b>\$ 600,839</b>	<b>\$ 1,372,662</b>
Add:		
- Investment income earned	38,303	24,839
Deduct:		
- Trust fund broker and other charges	(4,861)	\$ (8,312)
- Contribution to government business enterprises		(81,250)
- Advances to government business enterprises	(7,605)	(708,000)
- Due to (from) Band operating cash account	(118)	900
	<b>25,719</b>	<b>(771,823)</b>
<b>Balance - end of year</b>	<b>\$ 626,558</b>	<b>\$ 600,839</b>

**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2014**

---

**7. Kitsumkalum Port Economic Trust funds (continued)**

The Port Economic Trust funds are invested in a cash account in the amount of \$ 214,089 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 \$ 412,469 and have a market value of \$ 450,497 .

**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.

	2014	2013
<b>Balance - beginning of year</b>	<b>\$ 288,372</b>	<b>\$ 279,407</b>
Add:		
- Interest earned	<b>10,323</b>	6,566
- Provincial revenue grants	<b>1,715</b>	1,693
- Other revenue		706
- Minerals royalty and exploration fees - Government business enterprise	<b>137,037</b>	
	<b>149,075</b>	8,965
<b>Balance - end of year</b>	<b>\$ 437,447</b>	<b>\$ 288,372</b>
<b>Comprised of:</b>		
- Revenue Fund	<b>\$ 232,007</b>	\$ 151,450
- Capital Fund	<b>205,440</b>	136,922
	<b>\$ 437,447</b>	<b>\$ 288,372</b>

## KITSUMKALUM INDIAN BAND

### Notes to Consolidated Financial Statements Year Ended March 31, 2014

#### 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:

	2014	2013
Advance from Kitsumkalum Indian Band	\$ 2,025,360	\$ 2,356,229
Government Business Enterprise Equity	7,466,393	3,528,937
Less equity allocated to other government business enterprises	(388)	(274)
Total Investments in Government Business Enterprise	\$ 9,491,365	\$ 5,884,892

#### Interorganizational transactions

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

- Revenues earned from other government business enterprises	\$ 300,519
- Revenues earned from Kitsumkalum Indian Band	355,200
- Expense amounts related to charges from Kitsumkalum Indian Band	(68,146)

#### 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.

An operating lease commitment relating to a vehicle lease of a government business enterprise in the amount of \$30,585 for 2015 exists.

#### 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:

2015	\$ 226,031
2016	166,933
2017	139,489
2018	84,900
2019 and thereafter	2,026,020
Total	\$ 2,643,373

Current liabilities includes a revolving debt facility in the amount of \$ 3,155,648 which has a maximum borrowing capacity of \$3,750,000.



# KITSUMKALUM INDIAN BAND

## Notes to Consolidated Financial Statements Year Ended March 31, 2014

### 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	2014 Total	2013 Total
Current assets	\$ 3,481,658	\$ 961,324	\$ 1,343,311	\$	\$ 5,786,293	\$ 5,247,874
Non-current assets	680,539		512,261	(2,398)	1,190,402	983,413
Tangible capital assets	6,120,181	2,153,695	1,320,219		9,594,095	5,046,041
<b>Total assets</b>	<b>\$ 10,282,378</b>	<b>\$ 3,115,019</b>	<b>\$ 3,175,791</b>	<b>\$ (2,398)</b>	<b>\$ 16,570,790</b>	<b>\$ 11,277,328</b>
Current liabilities	\$ 3,521,813	\$ 230,095	\$ 58,134	\$ 408	\$ 3,810,450	\$ 1,829,106
Non-current liabilities	619,002		6,212		625,214	743,075
Debt	2,454,569	45,804	143,000		2,643,373	2,819,981
Advance from (to) Kitsumkalum Indian Band	1,668,347	3,318	353,695		2,025,360	2,356,229
<b>Total liabilities</b>	<b>8,263,731</b>	<b>279,217</b>	<b>561,041</b>	<b>408</b>	<b>9,104,397</b>	<b>7,748,391</b>
Equity	2,018,647	2,835,802	2,614,750	(2,806)	7,466,393	3,528,937
<b>Total liabilities and equity</b>	<b>\$ 10,282,378</b>	<b>\$ 3,115,019</b>	<b>\$ 3,175,791</b>	<b>\$ (2,398)</b>	<b>\$ 16,570,790</b>	<b>\$ 11,277,328</b>
<b>Revenue</b>	<b>\$ 6,171,750</b>	<b>\$ 6,207,956</b>	<b>\$ 1,900,720</b>	<b>\$</b>	<b>\$ 14,280,426</b>	<b>\$ 14,937,018</b>
Expenses	5,428,634	5,834,372	1,420,392	2,807	12,686,205	12,581,607
Debt servicing	98,519	4,542	20,472		123,533	58,532
<b>Total expenses</b>	<b>5,527,153</b>	<b>5,838,914</b>	<b>1,440,864</b>	<b>2,807</b>	<b>12,809,738</b>	<b>12,640,139</b>
<b>Net income (loss) for the year</b>	<b>\$ 644,597</b>	<b>\$ 369,042</b>	<b>\$ 459,856</b>	<b>\$ (2,807)</b>	<b>\$ 1,470,688</b>	<b>\$ 2,296,879</b>

**KITSUMKALUM INDIAN BAND****Notes to Consolidated Financial Statements  
Year Ended March 31, 2014****10. Accounts payable and accrued liabilities**

	<b>2014</b>	<b>2013</b>
Trade payables	<b>\$ 1,324,060</b>	\$ 1,248,205
Accrued salaries and employee benefits payable	<b>93,273</b>	79,629
Other accrued liabilities	<b>20,360</b>	119,450
	<b>\$ 1,437,693</b>	\$ 1,447,284

**11. Debt**

	<b>2014</b>	<b>2013</b>
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.	<b>\$ 6,918,609</b>	\$ 6,112,227
Royal Bank		
Demand loan payable at \$11,334 per month, including interest at prime plus 0.85%.		177,267
Demand loan payable at \$4,757 per month, including interest at prime plus 1.05%. The band has provided security for this demand loan as described in note 2.	<b>148,717</b>	198,678
All Nations Trust Company		
Payable at \$11,603 per month, including interest at 2.37%, maturing June 2016.	<b>2,413,079</b>	2,494,350
Payable at \$2,456 per month, including interest at 1.53%, maturing December, 2017.	<b>480,228</b>	502,187
Payable at \$2,552 per month, including interest at 2.65%, maturing April, 2016.	<b>193,404</b>	218,563
Payable at \$2,873 per month, including interest at 2.4%, maturing October, 2018.	<b>612,098</b>	201,676
	<b>10,766,135</b>	9,904,948
Current portion	<b>203,053</b>	514,813
	<b>\$ 10,563,082</b>	\$ 9,390,135

**KITSUMKALUM INDIAN BAND****Notes to Financial Statements  
Year Ended March 31, 2014****11. Debt (continued)**

All of the above All Nations Trust Company loans are secured by a ministerial guarantee from Aboriginal Affairs and Northern Development 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:

2015	\$	203,053
2016		208,707
2017		2,472,795
2018		433,871
2019 and thereafter		529,100
<hr/>		
Total	\$	3,847,526

**12. Replacement reserve**

	2014	2013
Balance - beginning of year	\$ 136,531	\$ 163,467
Additions	36,200	33,680
Expenditures (net)	(2,447)	(1,652)
Transfer to operating surplus		(58,964)
<hr/>		
Balance - end of year	\$ 170,284	\$ 136,531

**13. Tangible capital assets**

	2014	2013
Land improvements	\$ 1,272,974	\$ 1,596,698
Buildings	4,469,324	2,807,552
Social housing infrastructure	4,664,726	4,038,883
Vehicle and boat equipment	299,456	330,704
Furniture, equipment and technology	193,828	543,863
Road infrastructure	1,379,917	1,412,866
Sewer infrastructure	789,741	814,551
Water infrastructure	993,420	1,088,922
<hr/>		
	14,063,386	12,634,039
Assets under construction	73,207	2,090,428
<hr/>		
	\$ 14,136,593	\$ 14,724,467

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

**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2014**
**14. 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:

	<b>2014</b>	<b>2013</b>
Increases:		
Tangible capital asset acquisitions	<b>\$ 4,310,676</b>	\$ 2,103,664
Retirement of debt - principal repayment	<b>311,130</b>	277,594
Decreases;		
Proceeds from issue of debt	<b>(415,895)</b>	(201,677)
Writedowns of tangible capital assets	<b>(35,000)</b>	
Dispositions at net book value	<b>(4,352,397)</b>	(387,658)
Amortization	<b>(511,153)</b>	(515,878)
Change in invested in tangible capital assets	<b>(692,639)</b>	1,276,045
Invested in tangible capital assets - beginning of year	<b>11,130,424</b>	9,854,379
Invested in tangible capital assets - end of year	<b>\$ 10,437,785</b>	\$ 11,130,424

**15. 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.

**16. Lease commitments**

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

2015	\$ 20,658
2016	19,961
2017	12,762
2018	8,916
	<hr/>
	<b>\$ 62,297</b>
	<hr/>

**17. 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 \$ 377,203 (2013 - \$ 294,878)

**18. Economic dependence**

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

**19. Pension agreement**

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 \$ 38,149 (2013 - \$ 27,396) during the year for retirement benefits.

**20. Comparative figures**

Certain of the comparative figures were restated to conform with the presentation of the current year.

## KITSUMKALUM INDIAN BAND

Consolidated Schedule of Segmented Revenue and Expense  
Year Ended March 31, 2014

	Administration and Governance	Social Development	Public Works	Education	Consultations and Impact Benefits	Economic Development	Fisheries	Health Services	Capital Projects	Social Housing	Cultural/Title Rights	2014	2013
<b>Revenue</b>													
Contributions													
- AANDC	\$ 286,912	\$ 315,327	\$ 197,595	\$ 1,069,332	\$	\$ 235,607	\$	\$	\$ 129,450	\$	33,000	\$ 2,267,223	\$ 2,304,440
- Health Canada								449,499	1,704,295			2,153,794	1,477,974
- Provincial	206,509	(4,038)		30,750	90,000			28,761				351,982	322,935
- Federal	3,500						108,292					111,792	135,805
- Other	2,600			87,458	173,974	47,136	109,150	93,050		122,245	38,500	674,113	520,077
Economic Activities	133,027		26,788	7,500	497,712	1,087,374	210,437	3,580	75,285		42,500	2,084,203	7,228,054
Net Income (loss) from Investments in Government Business Enterprises						1,470,582						1,470,582	2,296,645
Social Housing Rents and CMHC Subsidies										330,417		330,417	324,036
Interest Income	19,912					213,763	87					233,762	153,293
	652,460	311,289	224,383	1,195,040	761,686	3,054,462	427,966	574,890	1,909,030	452,662	114,000	9,677,868	14,763,259
<b>Expense</b>													
Salaries, Wages and Benefits	490,429	70,414	175,063	290,543	133,911	152,079	202,776	381,197	44,672		96,619	1,903,792	2,205,658
Goods and Services	383,029	218,846	253,817	816,504	857,806	323,348	195,362	128,799	208,041	135,201	336,554	3,857,307	3,723,833
Purchases - Cost of goods sold						766,279						766,279	5,374,343
Equipment/Capital Purchases	1,645			115,126	1,676		4,268	86,777	1,719,529	277,678	1,575	2,206,699	1,414,909
Repayment (Reimbursement)													
- AANDC		49,022		11,660								60,682	51,830
Interest and Bank Charges	24,312		46		16	47,933				78,934		151,241	197,660
Amortization	43,412	8,813	208,796	14,883		11,472	19,669	70,245		133,863		511,153	515,878
Loss From Disposal of Tangible Capital Assets							5,433					5,433	115,000
Writedown of Tangible Capital Assets								42,588				42,588	
Debt Principal Repayment (net of borrowings)						177,267				(282,032)		(104,765)	75,917
	942,827	347,095	637,722	1,248,716	993,409	1,478,378	427,508	709,606	1,972,242	343,644	434,748	9,535,895	13,675,028
<b>Excess (shortfall) of revenue over expense</b>													
	\$ (290,367)	\$ (35,806)	\$ (413,339)	\$ (53,676)	\$ (231,723)	\$ 1,576,084	\$ 458	\$ (134,716)	\$ (63,212)	\$ 109,018	\$ (320,748)	\$ 141,973	\$ 1,088,231

KITSUMKALUM INDIAN BAND

Schedule of Revenue, Expense and Accumulated Surplus (Deficit) By Program  
Year Ended March 31, 2014

Program	Accumulated Surplus (Deficit) March 31/13	AANDC 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 31/14
Administration and governance	828,053	286,912	365,548	899,423	(246,963)			(103,076)	478,014
Social development	74,832	315,327	(4,038)	338,280	(26,991)				47,841
Public works	9,061	197,596	26,787	428,926	(204,543)			197,462	1,980
Education	115,960	1,069,332	125,708	1,233,830	(38,790)				77,170
Cultural/Title/Rights	1	33,000	81,000	434,749	(320,749)			320,862	114
Consultations and Impact Benefits	(22,143)		836,522	993,406	(156,884)			122,523	(56,504)
Economic development	11,848,449	235,607	2,818,855	1,289,640	1,764,822	2,248,947	(177,267)	(876,873)	14,808,078
Fisheries	190,977		427,967	402,410	25,557			65,560	282,094
Health services program	161,366		574,890	596,770	(21,880)			1	139,487
Capital projects	(278,634)	129,450	1,704,745	1,972,242	(138,047)			280,488	(136,193)
Social housing program	(234,131)		452,663	491,812	(39,149)	415,895	(133,863)	(6,945)	1,807
	\$ 12,693,791	\$ 2,267,224	\$ 7,410,647	\$ 9,081,488	\$ 596,383	\$ 2,664,842	\$ (311,130)	\$ 2	\$ 15,643,888

KITSUMKALUM INDIAN BAND

Schedule of Tangible Capital Assets  
Year Ended March 31, 2014

	Land improvements	Buildings	Social housing infrastructure	Vehicle & boat equipment	Furniture equipment & technology	Road infrastructure	Sewer infrastructure	Water infrastructure	Assets under construction	2014 Total	2013 Total
<b>Cost</b>											
Opening balance	\$ 1,698,398	\$ 4,380,326	\$ 4,491,321	\$ 726,131	\$ 1,105,878	\$ 2,015,796	\$ 1,191,325	\$ 2,336,803	2,090,428	\$ 20,036,406	\$ 18,728,804
Additions	69,324	3,276,316	759,706	23,668	108,455				73,207	4,310,676	2,103,664
Disposals	(450,268)	(2,163,249)		(6,500)	(820,949)				(2,090,428)	(5,531,394)	(796,062)
Writedown		(30,000)		(5,000)						(35,000)	
Ending balance	1,317,454	5,463,393	5,251,027	738,299	393,384	2,015,796	1,191,325	2,336,803	73,207	18,780,688	20,036,406
<b>Accumulated Amortization</b>											
Opening Balance	101,700	1,572,774	452,438	395,427	562,015	602,930	376,774	1,247,881		5,311,939	5,204,465
Amortization	7,516	119,113	133,863	49,483	47,917	32,949	24,810	95,502		511,153	515,878
Accumulated amortization on disposals	(64,736)	(697,818)		(6,067)	(410,376)					(1,178,997)	(408,404)
Ending balance	44,480	994,069	586,301	438,843	199,556	635,879	401,584	1,343,383		4,644,095	5,311,939
Net book value March 31, 2014	\$ 1,272,974	\$ 4,469,324	\$ 4,664,726	\$ 299,456	\$ 193,828	\$ 1,379,917	\$ 789,741	\$ 993,420	73,207	\$ 14,136,593	\$ 14,724,467
Net book value March 31, 2013	\$ 1,596,698	\$ 2,807,552	\$ 4,038,883	\$ 330,704	\$ 543,863	\$ 1,412,866	\$ 814,551	\$ 1,088,922	2,090,428	\$ 14,724,467	