

**KITSUMKALUM INDIAN BAND**  
**Financial Statements**  
**As at March 31, 2015**

McAlpine  
& Co.  
CHARTERED PROFESSIONAL  
ACCOUNTANTS

# KITSUMKALUM INDIAN BAND

## Index To Consolidated Financial Statements As At March 31, 2015

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October 19, 2015

### Management's Statement of Responsibility

The accompanying financial statements of the Kitsumkalum Indian Band for the year ended March 31, 2015 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

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Kitsumkalum Indian Band

We have audited the accompanying consolidated financial statements of Kitsumkalum Indian Band, which comprise the statement of financial position as at March 31, 2015 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 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 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 generally accepted accounting principles 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 financial statements present fairly, in all material respects the financial position of Kitsumkalum Indian Band as at March 31, 2015 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Terrace, B.C.  
October 19, 2015



Chartered Professional Accountants

**KITSUMKALUM INDIAN BAND**

**Consolidated Statement of Financial Position  
As At March 31, 2015**

	2015	2014
<b>Financial assets</b>		
Cash - (Note 2)	\$ 969,748	\$ 1,509,218
Portfolio investments - (Note 3)	4,840,134	5,517,307
Accounts receivable - (Note 4)	1,274,682	691,757
Inventory for resale - (Note 5)	153,478	152,511
Deferred treaty negotiation costs - (Note 6)	7,069,784	6,454,992
Kitsumkalum Port economic trust funds - (Note 7)	427,442	626,558
Trust funds held by federal government - (Note 8)	460,038	437,447
Investments in government business enterprises - (Note 9)	10,322,162	9,491,364
	<b>25,517,468</b>	<b>24,881,154</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities - (Note 10)	1,470,585	1,437,693
Deferred revenue	1,197,300	325,927
Debt - (Note 11)	12,570,743	10,766,135
Replacement reserve - (Notes 1, 12)	192,445	170,284
	<b>15,431,073</b>	<b>12,700,039</b>
<b>Net financial assets</b>	<b>10,086,395</b>	<b>12,181,115</b>
<b>Non-financial assets</b>		
Prepaid expenses and other assets	264,328	201,412
Tangible capital assets - (Note 13)	14,124,175	14,136,593
	<b>14,388,503</b>	<b>14,338,005</b>
	<b>\$ 24,474,898</b>	<b>\$ 26,519,120</b>
<b>Accumulated surplus comprised of:</b>		
Operating surplus	\$ 13,466,883	\$ 15,643,888
Invested in tangible capital assets - (Note 14)	10,547,977	10,437,785
Trust funds held by federal government	460,038	437,447
	<b>\$ 24,474,898</b>	<b>\$ 26,519,120</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 Financial Position  
As At March 31, 2015**

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**APPROVED ON BEHALF OF CHIEF AND COUNCIL**

\_\_\_\_\_  
Councillor

\_\_\_\_\_  
Councillor

**KITSUMKALUM INDIAN BAND**
**Consolidated Statement of Operations  
Year Ended March 31, 2015**

	2015	2014
<b>Revenue</b>		
Contributions - Aboriginal Affairs and Northern Development Canada	<b>\$ 2,008,573</b>	\$ 2,267,223
- First Nations Health Authority	<b>511,325</b>	2,153,794
- Provincial	<b>352,735</b>	351,982
- Federal	<b>108,046</b>	111,792
- Other	<b>1,401,445</b>	674,113
Economic activities	<b>2,496,470</b>	2,084,203
Net income (loss) from investments in government business enterprises - (Note 9)	<b>(848,747)</b>	1,470,582
Social housing rents and C.M.H.C. subsidies	<b>361,905</b>	330,417
Investment income	<b>444,045</b>	233,764
	<b>6,835,797</b>	9,677,870
<b>Expense</b>		
Administration and governance	<b>1,015,194</b>	899,415
Social development	<b>330,550</b>	338,282
Public works	<b>799,142</b>	428,926
Education	<b>1,651,536</b>	1,233,833
Consultations and impact benefits	<b>1,191,591</b>	993,409
Economic development	<b>1,386,376</b>	1,466,906
Fisheries	<b>1,129,698</b>	402,406
Health services	<b>627,427</b>	596,773
Capital projects	<b>32,772</b>	1,972,242
Social housing	<b>388,593</b>	209,781
Cultural/title/rights	<b>465,625</b>	434,748
	<b>9,018,504</b>	8,976,721
<b>Excess (deficiency) of revenue over expense charged to programs</b>	<b>(2,182,707)</b>	701,149
Loan proceeds included in revenue	<b>(28,250)</b>	(415,895)
Debt principal payments included in expense	<b>150,860</b>	311,130
Tangible capital assets included in expense	<b>568,871</b>	2,220,248
Amortization of tangible capital assets	<b>(572,123)</b>	(511,153)
Gain (loss) on disposal of tangible capital assets	<b>(3,464)</b>	(5,433)
Writedown of tangible capital assets		(42,588)
Trust fund revenue and other	<b>22,591</b>	149,075
<b>Annual surplus (deficit)</b>	<b>(2,044,222)</b>	2,406,533
<b>Accumulated surplus - beginning of year</b>	<b>26,519,120</b>	24,112,587
<b>Accumulated surplus - end of year</b>	<b>\$ 24,474,898</b>	\$ 26,519,120

**KITSUMKALUM INDIAN BAND****Consolidated Statement of Changes in Net Financial Assets  
As at March 31, 2015**

	2015	2014
<b>Annual surplus (deficit)</b>	<b>\$(2,044,222)</b>	<b>\$ 2,406,533</b>
Tangible capital assets:		
Acquisition of tangible capital assets	<b>(568,871)</b>	(2,220,248)
Proceeds on sale of tangible capital assets	<b>5,700</b>	2,248,947
Amortization of tangible capital assets	<b>572,123</b>	511,153
Writedown of tangible capital assets		42,588
(Gain)/loss on disposal of tangible capital assets	<b>3,464</b>	5,433
Change in prepaid expenses and other assets	<b>(62,914)</b>	53,048
<b>Increase (decrease) in net financial assets</b>	<b>(2,094,720)</b>	<b>3,047,454</b>
<b>Net financial assets - beginning of year</b>	<b>12,181,115</b>	<b>9,133,661</b>
<b>Net financial assets - end of year</b>	<b>\$ 10,086,395</b>	<b>\$12,181,115</b>



**KITSUMKALUM INDIAN BAND**
**Summary Statement of Cash Flows  
Year Ended March 31, 2015**

	2015	2014
<b>Operating transactions</b>		
Annual surplus (deficit)	<b>\$(2,044,222)</b>	\$ 2,406,533
Non cash items:		
- Social housing reserve provisions	<b>38,720</b>	36,200
- Amortization	<b>572,123</b>	511,153
- (Increase) decrease in inventory for resale	<b>(967)</b>	140,885
- (Increase) decrease in prepaid expenses and other assets	<b>(62,915)</b>	53,047
- Increase in investment in government business enterprises	<b>(830,798)</b>	(3,606,472)
	<b>(2,328,059)</b>	(458,654)
Changes to financial assets/liabilities:		
- Accounts receivable	<b>(582,925)</b>	205,828
- Deferred treaty negotiation costs	<b>(614,792)</b>	(445,823)
- Trust funds held by federal government	<b>(22,591)</b>	(149,075)
- Kitsumkalum Port economic trust funds	<b>199,116</b>	(25,719)
- Accounts payable and accrued liabilities	<b>32,892</b>	(9,589)
- Deferred revenue	<b>871,373</b>	323,527
<b>Cash provided (used) by operating transactions</b>	<b>(2,444,986)</b>	(559,505)
<b>Capital transactions</b>		
Acquisition of tangible capital assets	<b>(568,871)</b>	(2,220,248)
Proceeds on disposal of tangible capital assets	<b>5,700</b>	2,248,947
(Gain) loss on disposal of tangible capital assets	<b>3,464</b>	5,433
Writedown of tangible capital assets		42,588
<b>Cash applied to capital transactions</b>	<b>(559,707)</b>	76,720
<b>Financing and investing activities</b>		
Treaty loan proceeds received	<b>613,495</b>	806,382
Other loan proceeds received	<b>1,528,250</b>	415,895
Transfer to (from) replacement reserve	<b>(16,559)</b>	(2,447)
Debt principal payments	<b>(337,136)</b>	(361,091)
Increase in portfolio investments	<b>677,173</b>	(142,370)
	<b>2,465,223</b>	716,369
<b>Increase (decrease) in cash position</b>	<b>(539,470)</b>	233,584
<b>Cash - beginning of year</b>	<b>1,509,218</b>	1,275,634
<b>Cash - end of year</b>	<b>\$ 969,748</b>	\$ 1,509,218

**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.

**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:

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, 2015**

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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:

	2015	2014
<b>Externally restricted</b>		
Social housing program replacement reserve funds	\$ 192,445	\$ 170,284
Social housing program operating reserve funds	95,131	107,327
Treaty administration funds	474,598	477,399
	<b>762,174</b>	<b>\$ 755,010</b>
<b>Internally restricted</b>	<b>259,617</b>	150,494
<b>Unrestricted</b>	<b>(52,043)</b>	603,714
<b>Total cash</b>	<b>\$ 969,748</b>	<b>\$ 1,509,218</b>

**KITSUMKALUM INDIAN BAND**

**Notes to Consolidated Financial Statements  
Year Ended March 31, 2015**

**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>2015</b> <i>(carrying value)</i>	<b>2015</b> <i>(market value)</i>
<b>Internally restricted</b>	<b>4,562,317</b>	<b>5,312,443</b>
<b>Unrestricted</b>	<b>277,817</b>	<b>304,892</b>
	<b>4,840,134</b>	<b>5,617,335</b>

**4. Accounts receivable**

	2015	2014
Contributions receivable:		
- Federal		
- AANDC	<b>\$ 438,439</b>	<b>\$</b>
- First Nations Health Authority		
- Other Federal	<b>58,770</b>	41,133
- Provincial	<b>42,853</b>	100,932
- Other contributions receivable	<b>69,689</b>	194,880
Due from band members - Social Housing rents	<b>242,019</b>	208,591
GST/HST recoverable	<b>77,599</b>	55,246
Trade and other receivables	<b>385,702</b>	141,117
	<b>1,315,071</b>	741,899
Less: Allowance for doubtful accounts	<b>(40,389)</b>	(50,142)
	<b>\$ 1,274,682</b>	<b>\$ 691,757</b>

**KITSUMKALUM INDIAN BAND**

**Notes to Consolidated Financial Statements  
Year Ended March 31, 2015**

**5. Inventory for resale**

	2015	2014
Craft and grocery inventory	<b>153,478</b>	152,511
	<b>\$ 153,478</b>	\$ 152,511

**6. Deferred treaty negotiation costs**

	2015	2014
<b>Balance beginning of year</b>	<b>\$ 6,454,992</b>	\$ 6,009,169
Costs incurred during the year		
Salaries, wages and benefits	<b>196,531</b>	196,926
Goods and services	<b>498,638</b>	365,991
Interest and bank charges	<b>1,583</b>	1,790
Contribution and interest income	<b>(81,960)</b>	(118,884)
<b>Balance end of year</b>	<b>\$ 7,069,784</b>	\$ 6,454,992

**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.

	2015	2014
<b>Balance - beginning of year</b>	<b>\$ 626,558</b>	\$ 600,839
Add:		
- Investment income earned	<b>18,577</b>	38,303
Deduct:		
- Trust fund broker and other charges	<b>(3,605)</b>	\$ (4,861)
- Advances to government business enterprises		(7,605)
- Due to (from) Band operating cash account	<b>(214,088)</b>	(118)
	<b>(199,116)</b>	25,719
<b>Balance - end of year</b>	<b>\$ 427,442</b>	\$ 626,558

## KITSUMKALUM INDIAN BAND

### Notes to Consolidated Financial Statements Year Ended March 31, 2015

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

The Port Economic Trust funds are invested in a cash account in the amount of \$ 219 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 \$ 427,223 and have a market value of \$ 471,081 .

#### 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.

	2015	2014
<b>Balance - beginning of year</b>	<b>\$ 437,447</b>	<b>\$ 288,372</b>
Add:		
- Interest earned	10,797	10,323
- Provincial revenue grants	1,722	1,715
- Minerals royalty and exploration fees - Government business enterprise	10,072	137,037
	<b>22,591</b>	<b>149,075</b>
<b>Balance - end of year</b>	<b>\$ 460,038</b>	<b>\$ 437,447</b>
<b>Comprised of:</b>		
- Revenue Fund	\$ 249,562	\$ 232,007
- Capital Fund	210,476	205,440
	<b>\$ 460,038</b>	<b>\$ 437,447</b>

## KITSUMKALUM INDIAN BAND

### Notes to Consolidated Financial Statements Year Ended March 31, 2015

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#### 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:

	2015	2014
Advance from Kitsumkalum Indian Band	\$ 3,704,900	\$ 2,025,360
Government Business Enterprise Equity	6,617,613	7,466,393
Less equity allocated to other government business enterprises	(351)	(389)
<b>Total Investments in Government Business Enterprise</b>	<b>\$ 10,322,162</b>	<b>\$ 9,491,364</b>

#### Interorganizational transactions

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

- Revenues earned from other government business enterprises	\$ 359,660
- Revenues earned from Kitsumkalum Indian Band	94,549
- Expense amounts related to charges from Kitsumkalum Indian Band	(59,653)

#### 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:

2016	\$ 733,128
2017	574,783
2018	520,095
2019	519,502
2020 and thereafter	1,360,729
<b>Total</b>	<b>\$ 3,708,237</b>

Current liabilities includes a revolving debt facility in the amount of \$ 360,000 which has a maximum borrowing capacity of \$3,750,000.



**KITSUMKALUM INDIAN BAND**

**Notes to Consolidated Financial Statements  
Year Ended March 31, 2015**

**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	2015 Total	2014 Total
Current assets	\$ 941,049	\$ 987,261	\$ 1,169,861	\$ (7,169)	\$ 3,091,002	\$ 5,786,293
Non-current assets	655,010		257,531		912,541	1,190,402
Tangible capital assets	8,230,014	1,998,568	1,328,820	19,160	11,576,562	9,594,095
<b>Total assets</b>	<b>\$ 9,826,073</b>	<b>\$ 2,985,829</b>	<b>\$ 2,756,212</b>	<b>\$ 11,991</b>	<b>\$ 15,580,105</b>	<b>\$ 16,570,790</b>
Current liabilities	\$ 530,665	\$ 69,987	\$ 35,849	\$ 15,811	\$ 652,312	\$ 3,810,450
Non-current liabilities	897,043				897,043	625,214
Debt	3,577,237		131,000		3,708,237	2,643,373
Advance from (to) Kitsumkalum Indian Band	3,681,978	12,219	10,703		3,704,900	2,025,360
Total liabilities	<b>8,686,923</b>	<b>82,206</b>	<b>177,552</b>	<b>15,811</b>	<b>8,962,492</b>	9,104,397
Equity	1,139,150	2,903,623	2,578,660	(3,820)	6,617,613	7,466,393
<b>Total liabilities and equity</b>	<b>\$ 9,826,073</b>	<b>\$ 2,985,829</b>	<b>\$ 2,756,212</b>	<b>\$ 11,991</b>	<b>\$ 15,580,105</b>	<b>\$ 16,570,790</b>
<b>Revenue</b>	<b>\$ 4,207,394</b>	<b>\$ 5,625,063</b>	<b>\$ 274,447</b>	<b>\$ 168,711</b>	<b>\$ 10,275,615</b>	\$ 14,280,426
Expenses	4,991,295	5,557,242	309,463	169,725	11,027,725	12,686,205
Debt servicing	95,596				95,596	123,533
<b>Total expenses</b>	<b>5,086,891</b>	<b>5,557,242</b>	<b>309,463</b>	<b>169,725</b>	<b>11,123,321</b>	12,809,738
<b>Net income (loss) for the year</b>	<b>\$ (879,497)</b>	<b>\$ 67,821</b>	<b>\$ (35,016)</b>	<b>\$ (1,014)</b>	<b>\$ (847,706)</b>	\$ 1,470,688

**KITSUMKALUM INDIAN BAND**

**Notes to Consolidated Financial Statements  
Year Ended March 31, 2015**

**10. Accounts payable and accrued liabilities**

	2015	2014
Trade payables	<b>\$ 1,340,960</b>	\$ 1,324,060
Accrued salaries and employee benefits payable	<b>127,030</b>	93,273
Other accrued liabilities	<b>2,595</b>	20,360
	<b>\$ 1,470,585</b>	\$ 1,437,693

**11. Debt**

	2015	2014
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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.

**\$ 7,532,104**      \$ 6,918,609

Royal Bank

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.

148,717

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.

**1,462,441**

All Nations Trust Company

Payable at \$11,603 per month, including interest at 2.37%, maturing June 2016.

**2,329,869**      2,413,079

Payable at \$2,456 per month, including interest at 1.53%, maturing December, 2017.

**457,932**      480,228

Payable at \$2,552 per month, including interest at 2.65%, maturing April, 2016.

**167,573**      193,404

Payable at \$2,873 per month, including interest at 2.4%, maturing October, 2018.

**620,824**      612,098

**12,570,743**      10,766,135

Current portion

**1,616,829**      203,053

**\$ 10,953,914**      \$10,563,082

**KITSUMKALUM INDIAN BAND****Notes to Financial Statements  
Year Ended March 31, 2015****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:

2016	\$ 1,616,829
2017	2,429,260
2018	433,116
2019	559,986
2020	
<hr/>	
Total	\$ 5,039,191

**12. Replacement reserve**

	2015	2014
Balance - beginning of year	\$ 170,284	\$ 136,531
Additions	38,720	36,200
Expenditures (net)	(16,559)	(2,447)
<hr/>		
Balance - end of year	\$ 192,445	\$ 170,284

**13. Tangible capital assets**

	2015	2014
Land improvements	\$ 1,264,668	\$ 1,272,974
Buildings	4,514,991	4,469,324
Social housing infrastructure	4,511,743	4,664,726
Vehicle and boat equipment	641,329	299,456
Furniture, equipment and technology	176,645	193,828
Road infrastructure	1,351,951	1,379,917
Sewer infrastructure	764,930	789,741
Water infrastructure	897,918	993,420
<hr/>		
Assets under construction	14,124,175	14,063,386
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	\$ 14,124,175	\$ 14,136,593

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

## KITSUMKALUM INDIAN BAND

### Notes to Consolidated Financial Statements Year Ended March 31, 2015

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#### 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:

	2015	2014
Increases:		
Tangible capital asset acquisitions	\$ 642,078	\$ 4,310,676
Retirement of debt - principal repayment	150,860	311,130
Decreases;		
Proceeds from issue of debt	(28,250)	(415,895)
Writedowns of tangible capital assets		(35,000)
Dispositions at net book value	(82,373)	(4,352,397)
Amortization	(572,123)	(511,153)
Change in invested in tangible capital assets	110,192	(692,639)
Invested in tangible capital assets - beginning of year	10,437,785	11,130,424
Invested in tangible capital assets - end of year	\$ 10,547,977	\$ 10,437,785

#### 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:

2016	19,961
2017	12,762
2018	8,916
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	\$ 41,639

## KITSUMKALUM INDIAN BAND

### Notes to Financial Statements Year Ended March 31, 2015

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#### 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 \$ 272,309 (2014 - \$ 377,203)

#### 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 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.

#### 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 \$44,284 (2014 - \$ 38,149) during the year for retirement benefits.

## KITSUMKALUM INDIAN BAND

Consolidated Schedule of Segmented Revenue and Expense  
Year Ended March 31, 2015

	Administration and Governance	Social Development	Public Works	Education	Consultations and Impact Benefits	Economic Development	Fisheries	Health Services	Capital Projects	Social Housing	Cultural/Title Rights	2015	2014
<b>Revenue</b>													
Contributions													
- AANDC	\$ 293,005	\$ 298,575	\$ 205,611	\$ 1,176,107	\$	\$ 35,275	\$	\$	\$	\$		\$ 2,008,573	\$ 2,267,223
- First Nations Health Authority								511,325				511,325	2,153,794
- Provincial	68,873	(5,350)		135,535	130,000		6,667	17,010				352,735	351,982
- Federal							108,046					108,046	111,792
- Other			19,484	212,697	728,616		129,452	90,454		35,349	185,393	1,401,445	674,113
Economic Activities	175,622		36,823	6,000	355,547	1,251,978	667,020	3,480			-	2,496,470	2,084,203
Net Income (loss) from Investments in Government Business Enterprises						(848,747)						(848,747)	1,470,582
Social Housing Rents and CMHC Subsidies										361,905		361,905	330,417
Interest Income	23,415					420,630						444,045	233,763
	560,915	293,225	261,918	1,530,339	1,214,163	859,136	911,185	622,269		397,254	185,393	6,835,797	9,677,869
<b>Expense</b>													
Salaries, Wages and Benefits	535,582	54,117	192,741	516,072	120,226	258,007	409,276	426,323	14,909	8,974	160,921	2,697,148	2,037,703
Goods and Services	421,488	240,009	322,749	1,078,654	1,069,982	193,113	505,102	198,001	5,686	173,973	301,539	4,510,296	3,857,308
Purchases - Cost of goods sold						847,411						847,411	766,279
Equipment/Capital Purchases	37,662		283,622	56,810	1,383	18,220	215,320	3,103	12,177		3,095	631,392	2,208,274
Repayment (Reimbursement) - AANDC		36,424				19,005					70	55,429	60,682
Interest and Bank Charges	20,462		30			50,620				83,036		154,148	151,242
Amortization	8,655	8,685	225,722	16,540		13,449	20,752	125,337		152,983		572,123	511,153
Loss From Disposal of Tangible Capital Assets						3,464						3,464	5,433
Writedown of Tangible Capital Assets													42,588
Debt Principal Repayment (net of borrowings)										122,610		122,610	(104,765)
	1,023,849	339,235	1,024,864	1,668,076	1,191,591	1,403,289	1,150,450	752,764	32,772	541,576	465,625	9,594,091	9,535,897
<b>Excess (shortfall) of revenue over expense</b>	<b>\$ (462,934)</b>	<b>\$ (46,010)</b>	<b>\$ (762,946)</b>	<b>\$ (137,737)</b>	<b>\$ 22,572</b>	<b>\$ (544,153)</b>	<b>\$ (239,265)</b>	<b>\$ (130,495)</b>	<b>\$ (32,772)</b>	<b>\$ (144,322)</b>	<b>\$ (280,232)</b>	<b>\$ (2,758,294)</b>	<b>\$ 141,972</b>

## KITSUMKALUM INDIAN BAND

Schedule of Revenue, Expense and Accumulated Surplus (Deficit) By Program  
Year Ended March 31, 2015

Program	Accumulated Surplus (Deficit) March 31/14	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 31/15
Administration and governance	478,014	293,005	267,912	1,015,183	(454,266)		264,951	288,699	
Social development	47,841	298,575	(5,350)	330,551	(37,326)			10,515	
Public works	1,980	205,612	56,307	799,141	(537,222)		486,334	(48,908)	
Education	77,170	1,176,107	243,412	1,651,544	(232,025)		7,300	(147,555)	
Cultural/Title/Rights	114		185,393	465,624	(280,231)		281,271	1,154	
Consultations and Impact Benefits	(56,504)		1,214,162	1,191,593	22,569		88,452	54,517	
Economic development	14,808,078	35,275	940,380	1,386,376	(410,721)		(1,331,278)	13,066,079	
Fisheries	282,094		911,189	1,129,705	(218,516)		195,494	259,072	
Health services program	139,487		622,270	627,426	(5,156)			134,331	
Capital projects	(136,193)			32,772	(32,772)			(168,965)	
Social housing program	1,807		397,254	265,983	131,271	28,250	(150,860)	7,476	17,944
	<b>\$ 15,643,888</b>	<b>\$ 2,008,574</b>	<b>\$ 4,832,929</b>	<b>\$ 8,895,898</b>	<b>\$(2,054,395)</b>	<b>\$ 28,250</b>	<b>\$ (150,860)</b>	<b>\$</b>	<b>\$ 13,466,883</b>

## KITSUMKALUM INDIAN BAND

Schedule of Tangible Capital Assets  
Year Ended March 31, 2015

	Land improvements	Buildings	Social housing infrastructure	Vehicle & boat equipment	Furniture equipment & technology	Road infrastructure	Sewer infrastructure	Water infrastructure	Assets under construction	2015 Total	2014 Total
<b>Cost</b>											
Opening 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
Additions		184,032		413,343	44,703					642,078	4,310,676
Disposals					(23,409)				(73,207)	(96,616)	(5,531,394)
Writedown											(35,000)
Ending 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
<b>Accumulated Amortization</b>											
Opening Balance	44,480	994,069	586,301	438,843	199,556	635,879	401,584	1,343,383		4,644,095	5,311,939
Amortization	8,306	138,365	152,983	71,470	52,720	27,966	24,811	95,502		572,123	511,153
Accumulated amortization on disposals					(14,243)					(14,243)	(1,178,997)
Ending 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
<b>Net book value March 31, 2015</b>	\$ 1,264,668	\$ 4,514,991	\$ 4,511,743	\$ 641,329	\$ 176,645	\$ 1,351,951	\$ 764,930	\$ 897,918		\$ 14,124,175	\$ 14,136,593
<b>Net book value March 31, 2014</b>	\$ 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	