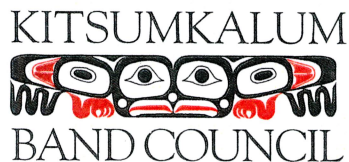


**KITSUMKALUM INDIAN BAND**  
**Consolidated Financial Statements**  
**As at March 31, 2017**

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March 23, 2018

### **Management's Statement of Responsibility**

The accompanying financial statements of the Kitsumkalum Indian Band for the year ended March 31, 2017 are the responsibility of management and have been approved by the Chief and Council.

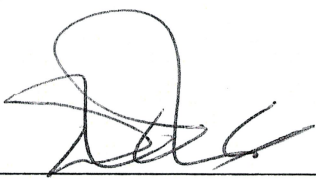
These financial statements have been prepared in conformity with general accepted accounting principles as defined by the Public Sector Accounting and Auditing Handbook and the Canadian Institute of Chartered Accountants handbook and, where appropriate, include amounts that are based on management's 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.

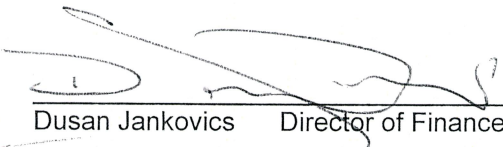
The financial statements have been audited by the independent auditors, MNP LLP, whose report outlines the scope of their examination and their opinion on the financial statements.

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.

  
Don Roberts      Chief Councillor

  
Steve Roberts      Band Manager

  
Dusan Jankovics      Director of Finance

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## INDEPENDENT AUDITOR'S REPORT

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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, 2017 and the consolidated statements of operations, changes in net financial 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. The prior year consolidated financial statements also did not include budget information and a similar qualification was included in the prior year's independent auditor's report.

### 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, 2017 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Terrace, BC  
March 23, 2018

*MNP* LLP  
Chartered Professional Accountants

**Kitsumkalum Indian Band**

**Consolidated Statement of Financial Position  
As At March 31, 2017**

	2017	2016
<b>Financial assets</b>		
Cash - (Note 2)	\$ 931,677	\$ 861,402
Portfolio investments - (Note 3)	3,775,059	4,874,126
Accounts receivable - (Note 4)	919,717	959,098
Inventory for resale - (Note 5)	257,689	197,459
Deferred treaty negotiation costs - (Note 6)	8,273,376	7,696,052
Kitsumkalum Port Economic Trust funds - (Note 7)	464,521	447,159
Trust funds held by federal government - (Note 8)	1,121,142	862,684
Investments in government business enterprises - (Note 9)	10,761,600	9,554,479
	<b>26,504,781</b>	<b>25,452,459</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities - (Note 10)	850,395	1,655,795
Deferred revenue - (Note 11)	584,224	1,654,461
Debt - (Note 10)	14,331,973	13,927,555
	<b>15,766,592</b>	<b>17,237,811</b>
<b>Net financial assets</b>	<b>10,738,189</b>	<b>8,214,648</b>
<b>Non-financial assets</b>		
Prepaid expenses and other assets	136,471	252,598
Tangible capital assets - (Note 13)	14,413,497	14,875,817
<b>Total non-financial assets</b>	<b>14,549,968</b>	<b>15,128,415</b>
<b>Accumulated surplus - (Note 15)</b>	<b>\$ 25,288,157</b>	<b>\$ 23,343,063</b>
Contingencies - (Note 16)		
Lease commitments - (Note 17)		
Loan guarantees - (Note 18)		

**APPROVED ON BEHALF OF CHIEF AND COUNCIL**





Councillor Councillor Councillor

**Kitsumkalum Indian Band**
**Consolidated Statement of Operations  
Year Ended March 31, 2017**

	2017	2016
<b>Revenue</b>		
Contributions - Indigenous and Northern Affairs Canada	\$ 2,912,359	\$ 2,465,092
- First Nations Health Authority	591,318	536,076
- Provincial	969,771	306,125
- Federal	107,361	107,436
- Other	2,838,918	1,872,307
Economic activities	2,317,700	2,423,651
Net income (loss) from investments in government business enterprises - (Note 9)	1,178,971	(922,771)
Social housing rents and C.M.H.C. subsidies	421,679	366,237
Investment income	412,455	246,736
	<b>11,750,532</b>	<b>7,400,889</b>
<b>Expense</b>		
Administration and governance	1,170,494	1,118,538
Social development	336,796	330,966
Public works	674,229	705,641
Education	2,303,462	1,999,819
Consultations and impact benefits	1,025,025	945,388
Economic development	1,549,007	1,586,833
Fisheries	1,138,398	1,142,665
Health services	835,738	759,298
Capital projects	978	11,039
Social housing	615,085	341,070
Cultural/title/rights	414,684	511,958
	<b>10,063,896</b>	<b>9,453,215</b>
<b>Excess (deficiency) of revenue over expense charged to programs</b>	<b>1,686,636</b>	<b>(2,052,326)</b>
Trust fund revenue	258,458	402,646
<b>Annual surplus (deficit)</b>	<b>1,945,094</b>	<b>(1,649,680)</b>
<b>Accumulated surplus - beginning of year</b>	<b>23,343,063</b>	<b>24,992,743</b>
<b>Accumulated surplus - end of year</b>	<b>\$ 25,288,157</b>	<b>\$ 23,343,063</b>

**Kitsumkalum Indian Band****Consolidated Statement of Changes in Net Financial Assets  
As at March 31, 2017**

	2017	2016
<b>Annual surplus (deficit)</b>	<b>\$ 1,945,094</b>	<b>\$(1,649,680)</b>
Tangible capital assets:		
Acquisition of tangible capital assets	<b>(158,593)</b>	<b>(1,326,140)</b>
Amortization of tangible capital assets	<b>620,913</b>	<b>574,498</b>
Change in prepaid expenses and other assets	<b>116,127</b>	<b>11,730</b>
<b>Increase (decrease) in net financial assets</b>	<b>2,523,541</b>	<b>(2,389,592)</b>
<b>Net financial assets - beginning of year</b>	<b>8,214,648</b>	<b>10,604,240</b>
<b>Net financial assets - end of year</b>	<b>\$ 10,738,189</b>	<b>\$ 8,214,648</b>

**Kitsumkalum Indian Band**
**Summary Statement of Cash Flows  
Year Ended March 31, 2017**

	2017	2016
<b>Operating transactions</b>		
Annual surplus (deficit)	<b>\$ 1,945,094</b>	\$(1,649,680)
Non cash items:		
- Amortization	<b>620,913</b>	574,498
- (Increase) decrease in inventory for resale	<b>(60,230)</b>	(43,981)
- Decrease in prepaid expenses and other assets	<b>116,127</b>	11,730
- (Increase) decrease in investment in government business enterprises	<b>(1,207,121)</b>	1,093,083
	<b>1,414,783</b>	(14,350)
Changes to financial assets/liabilities:		
- Accounts receivable	<b>39,381</b>	315,584
- Deferred treaty negotiation costs	<b>(577,324)</b>	(626,268)
- Trust funds held by federal government	<b>(258,458)</b>	(402,646)
- Kitsumkalum Port Economic Trust funds	<b>(17,362)</b>	(19,717)
- Accounts payable and accrued liabilities	<b>(805,400)</b>	185,211
- Deferred revenue	<b>(1,070,237)</b>	457,161
<b>Cash provided (used) by operating transactions</b>	<b>(1,274,617)</b>	(105,025)
<b>Capital transactions</b>		
Acquisition of tangible capital assets	<b>(158,593)</b>	(1,326,140)
<b>Cash applied to capital transactions</b>	<b>(158,593)</b>	(1,326,140)
<b>Financing and investing activities</b>		
Treaty loan proceeds received	<b>575,000</b>	650,590
Other loan proceeds received	<b>109,907</b>	940,201
Debt principal payments	<b>(280,489)</b>	(233,980)
Decrease (increase) in portfolio investments	<b>1,099,067</b>	(33,992)
	<b>1,503,485</b>	1,322,819
<b>Increase (decrease) in cash position</b>	<b>70,275</b>	(108,346)
<b>Cash - beginning of year</b>	<b>861,402</b>	969,748
<b>Cash - end of year</b>	<b>\$ 931,677</b>	\$ 861,402



**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 CPA Canada.

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.
- Kye Contracting 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 three months or less at date of purchase are also classified as cash equivalents.

d) Portfolio 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 for resale

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, 2017**

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**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 providing services.

Tangible capital assets are initially 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.

Contributed tangible capital assets are recorded at fair value at the date of contribution.

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

i) Government funding

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

ii) First Nation Capital and Revenue Trust Funds

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

iii) Canada Mortgage and Housing Corporation (CMHC)

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

iv) Housing rental income

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

v) Other revenue

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

vi) Investment income

Investment income is recognized by the Nation when earned.

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

i) 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.

j) Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards 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, amortization of tangible capital assets and contaminated sites.

k) Financial instruments

The Band's financial instruments consist of cash, portfolio investments, accounts receivable, accounts payable and accrued liabilities 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.

l) Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information based on information available at March 31, 2017.

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

There are no liabilities recorded for contaminated sites at March 31, 2017 as the Nation has not identified any contaminated sites.

**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2017**

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**2. Cash**

The current account has overdraft facilities available to a maximum of \$300,000 bearing interest at bank prime plus 0.85%. The overdraft balance was nil (2016 - nil) at year-end. As collateral for the overdraft facilities and debt, 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:

	2017	2016
<b>Externally restricted</b>		
Social housing program replacement reserve funds	\$ 281,227	\$ 231,165
Social housing program operating reserve funds	97,829	95,293
Treaty administration funds	372,476	441,325
	<b>751,532</b>	<b>\$ 767,783</b>
<b>Internally restricted</b>	-	3,236
<b>Unrestricted</b>	<b>180,145</b>	<b>90,383</b>
<b>Total cash</b>	<b>\$ 931,677</b>	<b>\$ 861,402</b>

**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2017**

**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:

	2017 (carrying value)	2017 (market value)
<b>Internally restricted</b>	<b>3,477,043</b>	<b>4,267,931</b>
<b>Unrestricted</b>	<b>298,016</b>	<b>352,173</b>
	<b>3,775,059</b>	<b>4,620,104</b>

**4. Accounts receivable**

	2017	2016
Contributions receivable:		
- Federal		
- INAC	\$ 55,905	\$ 194,204
- First Nations Health Authority	-	874
- Other Federal	128,492	67,458
- Provincial	159,638	73,108
- Other contributions receivable	145,469	59,978
Due from band members - Social Housing rents	290,944	266,510
GST/HST recoverable	60,952	51,498
Trade and other receivables	129,431	285,857
	<b>970,831</b>	<b>999,487</b>
Less: Allowance for doubtful accounts	<b>(51,114)</b>	<b>(40,389)</b>
	<b>\$ 919,717</b>	<b>\$ 959,098</b>

**Kitsumkalum Indian Band**
**Notes to Consolidated Financial Statements  
Year Ended March 31, 2017**
**5. Inventory for resale**

	2017	2016
Craft and grocery inventory	<b>257,689</b>	197,459
	<b>\$ 257,689</b>	<b>\$ 197,459</b>

**6. Deferred treaty negotiation costs**

	2017	2016
<b>Balance beginning of year</b>	<b>\$ 7,696,052</b>	<b>\$ 7,069,784</b>
Costs incurred during the year		
Salaries, wages and benefits	<b>233,119</b>	215,668
Goods and services	<b>413,873</b>	471,267
Interest and bank charges	<b>1,332</b>	1,583
Contribution and interest income	<b>(71,000)</b>	(62,250)
<b>Balance end of year</b>	<b>\$ 8,273,376</b>	<b>\$ 7,696,052</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.

	2017	2016
<b>Balance - beginning of year</b>	<b>\$ 447,159</b>	<b>\$ 427,442</b>
Add:		
- Investment income earned	<b>21,249</b>	23,325
Deduct:		
- Trust fund broker and other charges	<b>(3,796)</b>	<b>\$ (3,523)</b>
- Due to (from) Band operating cash account	<b>(91)</b>	(85)
	<b>17,362</b>	19,717
<b>Balance - end of year</b>	<b>\$ 464,521</b>	<b>\$ 447,159</b>

The Port Economic Trust funds are invested in a cash account in the amount of \$166 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 \$ 464,354 and have a market value of \$582,690.

**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2017**

**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.

	2017	2016
<b>Balance - beginning of year</b>	<b>\$ 862,684</b>	<b>\$ 460,038</b>
Add:		
- Interest earned	21,613	12,639
- Provincial revenue grants	1,731	1,718
- Minerals royalty and exploration fees - Government business enterprise	235,114	388,289
	<b>258,458</b>	<b>402,646</b>
<b>Balance - end of year</b>	<b>\$1,121,142</b>	<b>\$ 862,684</b>
<b>Comprised of:</b>		
- Accounts receivable - Kalum Quarry Limited Partnership		186,000
- Revenue Fund	<b>\$ 595,712</b>	<b>\$ 365,063</b>
- Capital Fund	<b>525,430</b>	<b>311,621</b>
	<b>\$1,121,142</b>	<b>\$ 862,684</b>

**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2017**

**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:

	2017	2016
Advance from Kitsumkalum Indian Band	\$ 3,592,742	\$ 3,564,589
Government Business Enterprise Equity	7,169,173	5,990,185
Less equity allocated to other government business enterprises	(315)	(295)
<b>Total Investments in Government Business Enterprise</b>	<b>\$ 10,761,600</b>	<b>\$ 9,554,479</b>

**Interorganizational transactions**

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

- Revenues earned from other government business enterprises	\$ 430,011
- Revenues earned from Kitsumkalum Indian Band	93,432

**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. No amounts are recorded in these consolidated financial statements.

**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:

2018	\$ 918,936
2019	521,941
2020	14,441
<b>Total</b>	<b>\$ 1,455,318</b>



**Kitsumkalum Indian Band**
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2017**
**9. Investments in Government Business Enterprises (continued)**

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

	<b>Natural Resources</b>	<b>Retail Trade</b>	<b>General Economic Development</b>	<b>Financial Services</b>	<b>2017 Total</b>	<b>2016 Total</b>
Current assets	\$ 147,162	\$ 1,395,207	\$ 1,153,573	\$ (27,192)	\$ <b>2,668,750</b>	\$ 2,059,364
Non-current assets	459,519	-	252,143	-	<b>711,662</b>	890,645
Tangible capital assets	7,393,990	1,885,925	1,688,085	9,082	<b>10,977,082</b>	11,241,384
<b>Total assets</b>	<b>\$ 8,000,671</b>	<b>\$ 3,281,132</b>	<b>\$ 3,093,801</b>	<b>\$ (18,110)</b>	<b>\$ 14,357,494</b>	<b>\$ 14,191,393</b>
Current liabilities	\$ 856,992	\$ 99,892	\$ 87,026	\$ 14,810	\$ <b>1,058,720</b>	\$ 1,053,378
Non-current liabilities	981,074	-	-	-	<b>981,074</b>	1,043,127
Debt	1,494,094	-	110,000	-	<b>1,604,094</b>	2,540,114
Advance from (to) Kitsumkalum Indian Band	3,510,560	6,889	26,984	-	<b>3,544,433</b>	3,564,589
<b>Total liabilities</b>	<b>6,842,720</b>	<b>106,781</b>	<b>224,010</b>	<b>14,810</b>	<b>7,188,321</b>	8,201,208
Equity	1,157,951	3,174,351	2,869,791	(32,920)	<b>7,169,173</b>	5,990,185
<b>Total liabilities and equity</b>	<b>\$ 8,000,671</b>	<b>\$ 3,281,132</b>	<b>\$ 3,093,801</b>	<b>\$ (18,110)</b>	<b>\$ 14,357,494</b>	<b>\$ 14,191,393</b>
<b>Revenue</b>	<b>\$ 6,372,249</b>	<b>\$ 4,368,499</b>	<b>\$ 896,291</b>	<b>\$ 100,652</b>	<b>\$ 11,737,691</b>	\$ 11,692,387
Expenses	5,396,165	4,176,277	828,459	113,555	<b>10,514,456</b>	12,509,753
Debt servicing	41,166	-	3,098	-	<b>44,264</b>	105,405
<b>Total expenses</b>	<b>5,437,331</b>	<b>4,176,277</b>	<b>831,557</b>	<b>113,555</b>	<b>10,558,720</b>	12,615,158
<b>Net income (loss) for the year</b>	<b>\$ 934,918</b>	<b>\$ 192,222</b>	<b>\$ 64,734</b>	<b>\$ (12,903)</b>	<b>\$ 1,178,971</b>	<b>\$ (922,771)</b>

**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2017**  
(Unaudited - See Notice to Reader)

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**9. Investments in Government Business Enterprises (continued)**

Certain of the First Nation's Investees have different year-end than March 31, 2017. The First Nation uses the investees' year-end financial statements to account for its investment in these investees.

<i><b>Name of investee</b></i>	<i><b>Year-end</b></i>	<i><b>Significant events and transactions</b></i>
Kalum Quarry Ltd	December 31, 2016	No significant events or transactions noted from January 1, 2017 to March 31, 2017
Kalum Quarry Limited Partnership	December 31, 2016	No significant events or transactions noted from January 1, 2017 to March 31, 2017
Kitsumkalum Development Corporation	December 31, 2016	No significant events or transactions noted from January 1, 2017 to March 31, 2017
Kitsumkalum Development Limited Partnership	December 31, 2016	No significant events or transactions noted from January 1, 2017 to March 31, 2017
Kalum Land Holdings Corporation	December 31, 2016	No significant events or transactions noted from January 1, 2017 to March 31, 2017
Kalum Gas Bar GP Ltd.	December 31, 2016	No significant events or transactions noted from January 1, 2017 to March 31, 2017
Kalum Gas Bar Limited Partnership	December 31, 2016	No significant events or transactions noted from January 1, 2017 to March 31, 2017
Kalum Management Services	December 31, 2016	No significant events or transactions noted from January 1, 2017 to March 31, 2017

**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2017**

**10. Accounts payable and accrued liabilities**

	2017	2016
Trade payables	\$ 527,793	\$ 1,430,096
Accrued salaries and employee benefits payable	178,146	152,087
Other accrued liabilities	144,456	73,612
	<b>\$ 850,395</b>	<b>\$ 1,655,795</b>

**11. Deferred revenue**

Changes in the deferred revenue balance are as follows:

	2017	2016
Balance - beginning of year	\$ 1,654,461	1,197,300
Less amounts recognized as revenue in the year	(1,176,506)	(266,633)
Plus amounts received related to a following year	106,269	723,794
	<b>\$ 584,224</b>	<b>\$ 1,654,461</b>

Deferred revenue consists of the following:

	2017	2016
Province of BC	105,991	81,750
Other contributions	478,233	1,572,711
	<b>\$ 584,224</b>	<b>\$ 1,654,461</b>

**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2017**
**12. Debt**

	2017	2016
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>\$ 8,757,694</b>	\$ 8,182,694
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.	<b>1,298,364</b>	1,382,503
All Nations Trust Company		
Payable at \$10,323 per month, including interest at 1.14%, maturing June 2021.	<b>2,148,941</b>	2,244,798
Payable at \$2,456 per month, including interest at 1.53%, maturing December, 2017.	<b>412,307</b>	435,308
Payable at \$2,459 per month, including interest at 1.11%, maturing February, 2021.	<b>113,060</b>	141,063
Payable at \$2,873 per month, including interest at 2.4%, maturing October, 2018.	<b>580,607</b>	600,988
Payable at \$4,061 per month, including interest at 1.21%, maturing May 2021.	<b>1,021,000</b>	940,201
	<b>14,331,973</b>	13,927,555

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:

2018	\$ 1,885,476
2019	716,772
2020	159,889
2021	160,448
2022	2,651,694
<hr/>	
Total	\$ 5,574,279

**Notes to Financial Statements**  
**Year Ended March 31, 2017**

**13. Tangible capital assets**

	2017	2016
Land improvements	\$ 1,248,056	\$ 1,256,362
Buildings	4,242,888	4,378,939
Social housing infrastructure	5,364,681	5,525,433
Vehicle and boat equipment	517,727	579,527
Furniture, equipment and technology	308,721	255,137
Road infrastructure	1,296,019	1,323,985
Sewer infrastructure	715,309	740,120
Water infrastructure	720,096	816,314
	<b>\$ 14,413,497</b>	<b>\$ 14,875,817</b>

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

**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:

	2017	2016
Increases:		
Tangible capital asset acquisitions	\$ 158,593	\$ 1,326,140
Retirement of debt - principal repayment	196,350	154,042
Decreases:		
Proceeds from issue of debt	(109,907)	(940,201)
Amortization	(620,913)	(574,498)
Change in invested in tangible capital assets	(375,877)	(34,517)
Invested in tangible capital assets - beginning of year	10,513,460	10,547,977
Invested in tangible capital assets - end of year	<b>\$ 10,137,583</b>	<b>\$ 10,513,460</b>

**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2017**

**15. Accumulated surplus**

	2017	2016
Operating surplus	\$ 13,748,205	\$ 11,735,754
Invested in tangible capital assets - (Note 14)	10,137,583	10,513,460
Trust funds held by federal government	1,121,142	862,684
Replacement reserve	281,227	231,165
	<b>\$ 25,288,157</b>	<b>\$ 23,343,063</b>

**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:

2018	17,615
2019	17,615
2020	13,709
2021	2,997
	<b>\$ 51,936</b>

**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 \$ 338,958 (2016 - \$ 249,931). No amount is recorded in these consolidated financial statements.

**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 \$42,057 (2016 - \$41,758) during the year for retirement benefits.

Kitsumkalum Indian Band

Consolidated Schedule of Segmented Revenue and Expense  
Year Ended March 31, 2017

	Administration and Governance	Social Development	Public Works	Education	Consultations and Impact Benefits	Economic Development	Fisheries	Health Services	Capital Projects	Social Housing	Cultural/Title Rights	2017	2016
<b>Revenue</b>													
Contributions													
- INAC	\$ 433,682	\$ 346,310	\$ 218,968	\$ 1,584,845	\$ 144,750	\$ 35,492	\$ 91,960	\$	\$	\$ 22,400	33,952	\$ 2,912,359	\$ 2,465,092
- First Nations Health Authority								591,318				591,318	536,076
- Provincial	13,579			351,133	423,828	5,000	79,220	17,011			80,000	969,771	306,125
- Federal							107,361					107,361	107,436
- Other	201,275			237,011	1,375,959	199,194	240,341	93,540		237,705	253,893	2,838,918	1,872,307
Economic Activities	157,315		50,178	6,000	527,912	1,260,570	309,618	6,107				2,317,700	2,423,651
Net Income (loss) from Investments in Government Business Enterprises						1,178,971						1,178,971	(922,771)
Social Housing Rents and CMHC Subsidies										421,679		421,679	366,237
Interest Income	56,110					356,345						412,455	246,736
	861,961	346,310	269,146	2,178,989	2,472,449	3,035,572	828,500	707,976		681,784	367,845	11,750,532	7,400,889
<b>Expense</b>													
Salaries, Wages and Benefits	618,234	52,822	176,844	910,858	193,232	213,327	665,902	463,815	1	22,879	44,934	3,362,848	3,032,877
Goods and Services	500,082	288,939	281,141	1,351,541	828,742	284,218	440,696	258,325	1,053	328,448	364,378	4,927,563	4,626,505
Purchases - Cost of goods sold						992,811						992,811	985,597
Equipment/Capital Purchases	4,226		(97)	18,997	3,051	750	2,290	892	(76)		5,372	35,405	74,284
Repayment (Reimbursement) - INAC		(13,625)		5,437								(8,188)	10,897
Interest and Bank Charges	23,143		43			41,950				67,408		132,544	148,557
Amortization	24,809	8,660	216,298	16,629		15,951	29,510	112,706		196,350		620,913	574,498
Debt Principal Repayment (net of borrowings)													
	1,170,494	336,796	674,229	2,303,462	1,025,025	1,549,007	1,138,398	835,738	978	615,085	414,684	10,063,896	9,453,215
<b>Excess (shortfall) of revenue over expense</b>													
	\$ (308,533)	\$ 9,514	\$ (405,083)	\$ (124,473)	\$ 1,447,424	\$ 1,486,565	\$ (309,898)	\$ (127,762)	\$ (978)	\$ 66,699	\$ (46,839)	\$ 1,686,636	\$ (2,052,326)

Kitsumkalum Indian Band

Schedule of Revenue, Expense and Accumulated Surplus (Deficit) By Program  
Year Ended March 31, 2017  
(Unaudited)

Program	Accumulated Surplus (Deficit) March 31/16	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 31/17
Administration and governance	235,334	433,682	428,278	1,233,186	(371,226)			6,438	(129,454)
Social development	(26,907)	346,310		328,136	18,174				(8,733)
Public works	21,097	218,968	50,178	457,931	(188,785)				(167,688)
Education	(382,629)	1,584,845	594,145	2,286,833	(107,843)				(490,472)
Cultural/Title/Rights	(9,277)	33,952	333,893	414,684	(46,839)			10	(56,106)
Consultations and Impact Benefits	(165,660)	144,750	2,327,697	1,036,308	1,436,139			(10)	1,270,469
Economic development	11,749,714	35,492	3,000,078	1,545,094	1,490,476			(10,000)	13,230,190
Fisheries	339,853	91,960	736,541	1,121,059	(292,558)				47,295
Health services program	183,474		707,977	723,033	(15,056)				168,418
Capital projects	(168,965)			978	(978)				(169,943)
Social housing program	(40,280)	22,400	659,385	504,395	177,390	109,907	(196,350)	3,562	54,229
	\$ 11,735,754	\$ 2,912,359	\$ 8,838,172	\$ 9,651,637	\$ 2,098,894	\$ 109,907	\$ (196,350)	\$	\$ 13,748,205



Kitsumkalum Indian Band

Schedule of Tangible Capital Assets  
Year Ended March 31, 2017

	Land improvements	Buildings	Social housing infrastructure	Vehicle & boat equipment	Furniture equipment & technology	Road infrastructure	Sewer infrastructure	Water infrastructure	Assets under construction	2017 Total	2016 Total
Cost											
Opening 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
Additions			35,598		122,995					158,593	1,326,140
Ending balance	1,317,454	5,647,425	6,454,357	1,151,642	681,765	2,015,796	1,191,325	2,351,119		20,810,883	20,652,290
Accumulated Amortization											
Opening 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
Amortization	8,306	136,051	196,350	61,800	69,411	27,966	24,811	96,218		620,913	574,498
Ending balance	69,398	1,404,537	1,089,676	633,915	373,044	719,777	476,016	1,631,023		6,397,386	5,776,473
Net book value March 31, 2017	\$ 1,248,056	\$ 4,242,888	\$ 5,364,681	\$ 517,727	\$ 308,721	\$ 1,296,019	\$ 715,309	\$ 720,096		\$ 14,413,497	\$ 14,875,817
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	