



Gitsegukla First Nation
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

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For the year ended March 31, 2018

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Gitsegukla First Nation
MARCH 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Gitsegukla First Nation and all the information in this annual report are the responsibility of Chief and Council and have been approved by the Chief and Council.

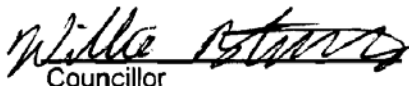
The financial statements have been prepared in conformity with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants and where appropriate, includes certain amounts based on management's best estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Gitsegukla First Nation's Chief and Council maintains systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Gitsegukla First Nation's assets are appropriately accounted for and adequately safeguarded.

The Gitsegukla First Nation Chief and Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Chief and Council reviewed the Gitsegukla First Nation's financial statements and recommends their approval. The management meets periodically with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issued, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Chief and Council also considers the engagement of the external auditors.

The financial information have been audited by Ribeyre Chang Haylock, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the members. Ribeyre Chang Haylock has full and free access to Management.

CHIEF

Councillor


Councillor

INDEPENDENT AUDITOR'S REPORT

To: The Members of Gitsegukla First Nation

Gitsegukla First Nation

Report on the Financial Statements

We have audited the accompanying financial statements of Gitsegukla First Nation, which comprise the statement of financial position as at March 31, 2018, and the summary statements of operations, summary statement of changes in net debt, summary statement of cash flows 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 financial statements in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Gitsegukla Indian Band** as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

Port Coquitlam, B.C.
July 10, 2018



Chartered Professional Accountants

Gitsegukla First Nation

SUMMARY STATEMENT OF FINANCIAL POSITION


As at March 31, 2018

Statement 1

	2018	2017
Financial assets		
Cash	\$ 3,123,209	\$ 1,059,552
Accounts receivable - note 3	288,791	698,806
Trust moneys - note 4	131,848	126,706
	3,543,848	1,885,064
Liabilities		
Accounts payable and accrued liabilities - note 5	2,378,148	2,108,855
Deferred revenue - note 6	1,662,203	238,344
Long-term debt - note 7	455,462	503,296
Capital lease - note 8	76,149	89,597
	4,571,962	2,940,092
Net debt	(1,028,114)	(1,055,028)
Non-financial assets		
Tangible capital assets - note 9	11,838,527	10,275,275
Prepaid expenses	136,999	141,896
Total non-financial assets	11,975,526	10,417,171
Accumulated surplus	\$ 10,947,412	\$ 9,362,143

See accompanying notes

CHIEF


Councillor


Councillor

Gitsegukla First Nation

SUMMARY STATEMENT OF OPERATIONS

For the year ended March 31, 2018

Statement 2

	2018 Budget	2018	2017
Revenue			
Indigenous Services Canada	\$ 6,441,963	\$ 6,441,963	\$ 7,365,459
Canada Mortgage and Housing Corporation	137,426	137,426	12,625
First Nations Health Authority	1,415,544	1,415,544	1,841,778
First Nations Education Steering Committee	402,215	468,175	478,139
Miscellaneous income	-	239,394	527,140
Rental	-	63,157	51,200
Interest on trust moneys	-	5,142	4,668
	8,397,148	8,770,801	10,281,009
Expenses			
Administration	827,640	989,520	834,432
Capital asset depreciation	867,129	867,129	683,241
Economic development	208,263	157,217	175,247
Social development	982,872	922,670	981,216
Education	2,102,112	1,662,946	1,630,003
Lands and resources	-	-	-
Public works	487,579	495,470	588,232
Housing	679,100	337,610	152,024
Health	1,629,402	1,668,792	1,857,134
	7,784,097	7,101,354	6,901,529
Annual surplus	613,051	1,669,447	3,379,480
Accumulated surplus, beginning of year		9,362,143	6,080,788
Recoveries		(84,178)	(98,125)
Accumulated surplus, end of year		\$10,947,412	\$ 9,362,143

See accompanying notes

Gitsegukla First Nation

SUMMARY STATEMENT OF NET DEBT

For the year ended March 31, 2018

Statement 3

	2018 Budget	2018	2017
Annual surplus	\$ 613,051	\$ 1,669,447	\$ 3,379,480
Recoveries in the year	(84,178)	(84,178)	(98,125)
	528,873	1,585,269	3,281,355
Changes in tangible capital assets			
Acquisition of tangible capital assets	(2,430,381)	(2,430,381)	(3,853,852)
Amortization of tangible capital assets	867,129	867,129	683,241
	(1,563,252)	(1,563,252)	(3,170,611)
Changes in other non-financial assets			
Prepaid expenses and deposits	4,897	4,897	(12,473)
	4,897	4,897	(12,473)
Decrease in net debt		26,914	98,271
Net debt at beginning of year		(1,055,028)	(1,153,299)
Net debt at end of year		\$ (1,028,114)	\$ (1,055,028)

See accompanying notes

Gitsegukla First Nation

SCHEDULE OF CASH FLOW

For the year ended March 31, 2018

Statement 4

	2018	2017
OPERATING ACTIVITIES		
Revenue received	\$ 10,515,355	\$ 9,736,525
Expenses paid	(5,932,930)	(5,685,525)
Interest paid on capital leases	(5,357)	(1,974)
Interest paid on long-term debt	(21,748)	(25,089)
Cash provided by operating activities	4,555,320	4,023,937
INVESTING ACTIVITIES		
Purchase and construction of capital assets	(2,430,381)	(3,759,960)
Cash used in investing activities	(2,430,381)	(3,759,960)
FINANCING ACTIVITIES		
Indigenous Services Canada additional repayments	-	(63,500)
Repayment of long-term debt	(61,282)	(55,349)
Cash used in financing activities	(61,282)	(118,849)
Increase in cash during the year	2,063,657	145,128
Cash, beginning of year	1,059,552	914,424
Cash, end of year	\$ 3,123,209	\$ 1,059,552

See accompanying notes

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1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These Summary Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the CICPA Public Sector Accounting and Auditing Handbook, which encompasses the following principles.

a) Fund accounting

The Gitsegukla First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the Summary Financial Statements. Details of the operations of each fund are set out in the supplementary schedules. The Gitsegukla First Nation maintains the following funds:

- The Operating Fund which reports the general activities of the First Nation administration including the Education and Health programs.

- The Trust Fund which reports on trust funds owned by the First Nation and held by a third party,

b) Use of estimates

The preparation of schedules in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the schedules and reported amounts of revenues and expenditures during the reported period. Actual results could differ from the estimates.

c) Revenue recognition

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Statement of Financial Position.

Revenue that is part of a multi-year funding arrangement is deferred until it is earned or repayable. The only funder with a multi-year arrangement in 2018 is the First Nations Health Authority.

Gitsegukla First Nation

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1. Continued...

d) Reporting entity and principles of financial reporting

The Gitsegukla First Nation reporting entity includes the Gitsegukla First Nation and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

These financial statements consolidate the assets, liabilities and results of operation for the following entities which use accounting principles which lend themselves to consolidation:

- Gitsegukla Indian Band Operating Fund,
- 1111940 Limited Partnership
- 1111940 British Columbia Ltd.

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

e) Financial assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not consumed in the normal course of operations. The indicator of net debt is determined by deducting the financial assets of the Gitsegukla First Nation from its liabilities. Financial assets are primarily measured at historical cost.

f) Non-financial assets

Fixed assets and other non-financial assets are accounted for as assets by the Gitsegukla Indian band because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Gitsegukla First Nation unless they are sold.

g) Fixed assets

Fixed assets are valued at either cost or estimated cost and recorded in the Operating Fund.

The acquisition costs of fixed assets and payments on capital debt, which are not funded from capital financing sources, are charged to operations and matched with the applicable revenue source in the year of expenditure. These expenditures are also recorded as an addition to the assets of the Operating Fund with a corresponding increase in Operating Fund - unrestricted equity.

h) Depreciation

Fixed assets are recorded and depreciated with a corresponding reduction in Equity in Fixed

Furniture, office equipment, school equipment, other equipment	20% - 30%
Building, housing and infrastructure	4%

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2. ECONOMIC DEPENDENCE

The Gitsegukla First Nation receives major portions of its revenue pursuant to funding arrangements with Indigenous Services Canada and First Nations Health Authority.

3. ACCOUNTS RECEIVABLE

	2018	2017
Accounts receivable is comprised of the following:		
Indigenous Services Canada	\$ 128,280	\$ 599,310
Canada Mortgage and Housing Corporation	6,098	-
First Nations Health Authority	24,000	37,076
First Nations Management Board	-	25,000
First Nations Education Steering Committee	13,844	29,807
Other	252,796	143,840
Due from band members	32,676	32,676
	457,694	867,709
Less allowance for doubtful accounts	(168,903)	(168,903)
	\$ 288,791	\$ 698,806

4. TRUST MONEYS

The Ottawa Trust 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.

5. ACCOUNTS PAYABLE

	2018	2017
Indigenous Services Canada	\$ 1,320,230	\$ 1,260,813
Recipient audit accrual	34,000	-
Prior years' recovery	22,156	-
Current year potential recovery	28,022	85,493
Other payables	973,740	762,549
	\$ 2,378,148	\$ 2,108,855

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6. DEFERRED REVENUE

	2018	2017
First Nations Health Authority	\$ 371,264	\$ 238,344
Indigenous Services Canada	1,290,939	-
	\$ 1,662,203	\$ 238,344

7. LONG-TERM DEBT

	2018	2017
Demand Loan payable secured by real property and a ministerial guarantee. With monthly payments of \$925 including interest at 2.86% per annum	\$ 89,413	\$ 92,933
Demand loan payable secured by real property, a ministerial guarantee and assignment of fire insurance with monthly payments of \$2,293 including interest at 3.17% per annum.	136,739	159,526
Term loan payable secured by real property. Renewing on August 18, 2018 with monthly payments of \$2,255 per month including interest at the Royal Bank of Canada's prime rate plus 3.75% per annum.	160,941	176,537
Term loan payable secured by real property. Renewing on November 1, 2021 with monthly payments of \$865 per month including interest at 6.29% per annum.	68,369	74,300
	\$ 455,462	\$ 503,296

Future principal payments for subsequent years are as follows:

2019	\$ 393,327
2020	6,637
2021	7,072
2022	48,426
2023	-
	\$ 455,462

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8. CAPITAL LEASE

Vehicle lease, bearing interest at 6.41% per annum, repayable in monthly payments of \$1,567.12 ending on November 29, 2021 and secured by the vehicle. Future minimum lease payments for the next 5 years are as follows: 2019 - \$18,805 - 2020 - \$18,805; 2021- \$18,805; 2022 -\$12,537.

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9. TANGIBLE CAPITAL ASSETS

	2018								2017	
	Beginning Cost	Additions	Disposal	Ending Cost	Beginning Accumulated Depreciation	Depreciation	Disposals	Ending Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 300,000	\$ -	\$ -	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ 300,000	\$ 300,000
Furniture and equipment	927,026	190,442	-	1,117,468	866,274	195,804	-	1,062,078	55,390	60,752
Mobile equipment	615,571	-	-	615,571	450,088	78,600	-	528,688	86,883	165,483
Infrastructure										
Buildings	14,219,587	2,147,509	-	16,367,096	6,053,307	411,135	-	6,464,442	9,902,654	8,166,280
Roads	17,131	90,227	-	107,358	17,131	29,198	-	46,329	61,029	-
Municipal infrastructure	4,644,862	2,203	-	4,647,065	3,066,984	152,105	-	3,219,089	1,427,976	1,577,878
Fencing	7,178	-	-	7,178	2,296	287	-	2,583	4,595	4,882
	\$ 20,731,355	\$ 2,430,381	\$ -	\$ 23,161,736	\$ 10,456,080	\$ 867,129		\$ 11,323,209	\$ 11,838,527	\$ 10,275,275

Gitsegukla First Nation

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10. BUDGET INFORMATION

The budget information disclosed has been approved by the band council and third party management. Individual program operations not showing budget information does not mean budgets were not prepared but rather that their amounts were not readily determinable.

11. FINANCIAL INSTRUMENTS

Risk management policy

Gitsegukla First Nation is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at March 31, 2018.

Credit risk

The carrying value of the First Nation's main financial assets represents the maximum credit risk to which the band is exposed.

Liquidity risk

Gitsegukla First Nation considers that it has sufficient credit facilities to ensure that funds are available to meet its current and long-term financial needs, at a reasonable cost.

Market risk

Gitsegukla First Nation is exposed to interest rate risk on its fixed-interest and variable-interest financial instruments. Fixed-interest instruments subject the band to a fair value risk while the variable-interest instruments subject it to a cash flow risk.

The following table summarizes the contractual maturities of the financial liabilities as at March 31, 2018.

	Carrying amount	Contractual cash flows	0 to 1 year	2 to 4 years	Over 5 years
Accounts payable and accrued expenses	\$ 2,378,148	\$ 2,378,148	\$ 2,378,148	\$ -	\$ -
Capital lease	76,149	87,757	18,805	68,952	-
Long-term debt	455,462	443,854	374,522	13,709	55,623
	<u>\$ 2,909,759</u>	<u>\$ 2,909,759</u>	<u>\$ 2,771,475</u>	<u>\$ 82,661</u>	<u>\$ 55,623</u>