



Gitsegukla First Nation
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2020

**Gitsegukla First Nation
CONSOLIDATED FINANCIAL STATEMENTS
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For the year ended March 31, 2020

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Gitsegukla First Nation
MARCH 31, 2020

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
DEPUTY CHIEF
VICTORIA RUSSELL

INDEPENDENT AUDITOR'S REPORT

To: The Members of Gitsegukla First Nation

Report on the Audit of the Consolidated Financial Statements

We have audited the consolidated financial statements of Gitsegukla First Nation, which comprise the consolidated statement of financial position as at March 31, 2020 and March 31, 2019, and the consolidated statements of income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gitsegukla First Nation as at March 31, 2020 and March 31, 2019, and its consolidated financial performance and its consolidated 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Consolidated 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is
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sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, super-vision and performance of the group audit. We remain solely responsible for our audit opinion.
 - We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Aaron Keetley, CPA, CMA, CA.

Port Coquitlam, B.C.
July 28, 2020

Ribeyre Chang Haylock
Chartered Professional Accountants



Gitsegukla First Nation

SUMMARY STATEMENT OF FINANCIAL POSITION

As at March 31, 2020

Statement 1

	2020	2019
Financial assets		
Cash	\$ 4,903,928	\$ 4,055,174
Accounts receivable - note 3	317,529	251,431
Investment - note 4	110	-
Trust moneys - note 5	140,582	135,654
	5,362,149	4,442,259
Liabilities		
Accounts payable and accrued liabilities - note 6	2,631,596	2,020,288
Deferred revenue - note 7	-	1,436,477
Long-term debt - note 8	333,080	397,215
Capital lease - note 9	46,529	61,812
	3,011,205	3,915,792
Net financial assets	2,350,944	526,467
Non-financial assets		
Tangible capital assets - note 10	17,957,608	14,447,130
Prepaid expenses	164,753	155,669
Total non-financial assets	18,122,361	14,602,799
Accumulated surplus - note 11	\$ 20,473,305	\$ 15,129,266

See accompanying notes


Chief Councillor


Councillor

DEPUTY CHIEF
VICTORIA RUSSELL

Gitsegukla First Nation

SUMMARY STATEMENT OF OPERATIONS

For the year ended March 31, 2020

Statement 2

	2020 Budget	2020	2019
Revenue			
Indigenous Services Canada	\$ 9,202,869	\$ 9,202,869	\$ 8,736,089
Canada Mortgage and Housing Corporation	11,539	11,539	48,250
First Nations Health Authority	2,836,958	2,836,958	1,561,855
First Nations Education Steering Committee	362,964	455,820	411,693
Province of B.C.	47,000	715,629	164,341
Miscellaneous income	-	388,625	1,138,691
Rental	-	120,848	59,869
Interest on trust moneys	-	4,928	3,806
	12,461,330	13,737,216	12,124,594
Expenses			
Administration	967,625	1,024,826	1,129,332
Capital asset depreciation	1,046,501	1,046,501	938,043
Economic development	198,694	187,917	149,705
Social development	1,048,124	1,196,196	1,054,985
Education	1,987,800	1,174,913	1,538,984
Public works	463,343	600,744	635,229
Housing	102,078	949,372	803,293
Health	1,314,395	2,155,631	1,678,200
	7,128,560	8,336,100	7,927,771
Annual surplus	5,332,770	5,401,116	4,196,823
Accumulated surplus, beginning of year		15,129,266	10,947,412
Recoveries		(57,077)	(14,969)
Accumulated surplus, end of year		\$ 20,473,305	\$ 15,129,266

See accompanying notes

Gitsegukla First Nation

SUMMARY STATEMENT OF FINANCIAL ASSETS

For the year ended March 31, 2020

Statement 3

	2020 Budget	2020	2019
Annual surplus	\$ 5,332,770	\$ 5,401,116	\$ 4,196,823
Recoveries in the year	(57,077)	(57,077)	(14,969)
	5,275,693	5,344,039	4,181,854
Changes in tangible capital assets			
Acquisition of tangible capital assets	(4,556,979)	(4,556,979)	(3,546,646)
Amortization of tangible capital assets	1,046,501	1,046,501	938,043
	(3,510,478)	(3,510,478)	(2,608,603)
Changes in other non-financial assets			
Prepaid expenses and deposits	(9,084)	(9,084)	(18,670)
	(9,084)	(9,084)	(18,670)
Increase in net financial assets		1,824,477	1,554,581
Net financial assets (debt) at beginning of year		526,467	(1,028,114)
Net financial assets (debt) at end of year		\$ 2,350,944	\$ 526,467

See accompanying notes

Gitsegukla First Nation

SCHEDULE OF CASH FLOW

For the year ended March 31, 2020

Statement 4

	2020	2019
OPERATING ACTIVITIES		
Revenue received	\$ 12,172,636	\$ 11,917,453
Expenses paid	(6,664,159)	(7,338,676)
Interest paid on capital leases	(3,521)	(4,469)
Interest paid on long-term debt	(19,695)	(23,113)
Cash provided by operating activities	5,485,261	4,551,195
INVESTING ACTIVITIES		
Investment in BCFN GRS GP Inc.	(110)	-
Purchase and construction of capital assets	(4,556,979)	(3,546,646)
Cash used in investing activities	(4,557,089)	(3,546,646)
FINANCING ACTIVITIES		
Repayment of long-term debt	(79,418)	(72,584)
Cash used in financing activities	(79,418)	(72,584)
Increase in cash during the year	848,754	931,965
Cash, beginning of year	4,055,174	3,123,209
Cash, end of year	\$ 4,903,928	\$ 4,055,174

See accompanying notes

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CONSOLIDATED FINANCIAL STATEMENTS

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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 PSAB 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 and
- 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 2020 is the First Nations Health Authority though Indigenous Services Canada may permit the deferral of certain revenues under specific circumstances.

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 First Nation
- 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 Assets. Fixed assets are depreciated over their expected useful life using the straight line method or the declining balance method at the following rates:

Furniture, office equipment, school equipment, other equipment	20%
Mobile equipment	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

	2020	2019
Accounts receivable is comprised of the following:		
Indigenous Services Canada	\$ 93,235	\$ 49,075
Canada Mortgage and Housing Corporation	-	111
First Nations Health Authority	65,231	45,145
First Nations Education Steering Committee	98,496	30,605
Province of British Columbia	30,000	29,870
TriCorp	14,448	26,473
Other	185,022	239,055
	486,432	420,334
Less allowance for doubtful accounts	(168,903)	(168,903)
	\$ 317,529	\$ 251,431

4. INVESTMENT

	2020	2019
BCFN GRS GP Inc.		
<1% interest	\$ 110	\$ -

5. 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.

6. ACCOUNTS PAYABLE

	2020	2019
Indigenous Services Canada	\$ 1,261,819	\$ 1,269,668
Recipient audit accrual	29,500	29,500
Prior years' recovery	(11,472)	13,492
Current year potential recovery	49,853	1,477
Other payables	1,301,896	706,151
	\$ 2,631,596	\$ 2,020,288

Gitsegukla First Nation

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7. DEFERRED REVENUE

	2020	2019
First Nations Health Authority	\$ -	\$ 548,119
Indigenous Services Canada	-	888,358
	\$ -	\$ 1,436,477

8. LONG-TERM DEBT

	2020	2019
Demand loan payable secured by real property and a ministerial guarantee. With monthly payments of \$927 including interest at 2.87% per annum	\$ 65,483	\$ 74,597
Demand loan payable secured by real property, a ministerial guarantee and assignment of fire insurance with monthly payments of \$2,686 including interest at 3.53% per annum.	84,177	115,233
Term loan payable secured by real property. Maturing on August 18, 2020 with monthly payments of \$2,290 per month including interest at 5.45% per annum.	127,788	145,185
Term loan payable secured by real property. Maturing on November 1, 2021 with monthly payments of \$865 per month including interest at 6.29% per annum.	55,632	62,200
	\$ 333,080	\$ 397,215

Future principal payments for subsequent years are as follows:

2021	\$ 284,520
2022	48,560
2023	-
2024	-
2025	-
	\$ 333,080

9. 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 with a carrying value of \$0. Future minimum lease payments for the next 5 years are as follows: 2021 - \$18,805; 2022- \$12,537; 2023 - nil; 2024 - nil; 2025 - nil.

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10. TANGIBLE CAPITAL ASSETS

	2020								2019	
	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	1,118,168	24,996	-	1,143,164	1,092,610	14,135	-	1,106,745	36,419	25,558
Mobile equipment	685,675	142,500	-	828,175	590,616	77,878	-	668,494	159,681	95,059
Infrastructure										
Buildings	18,603,622	652,164	-	19,255,786	7,129,184	674,114	-	7,803,298	11,452,488	11,474,438
Roads	107,358	-	-	107,358	49,938	3,609	-	53,547	53,811	57,420
Municipal infrastructure	5,886,381	3,737,319	-	9,623,700	3,396,034	276,478	-	3,672,512	5,951,188	2,490,347
Fencing	7,178	-	-	7,178	2,870	287	-	3,157	4,021	4,308
	\$ 26,708,382	\$ 4,556,979	\$ -	\$ 31,265,361	\$ 12,261,252	\$ 1,046,501		\$ 13,307,753	\$ 17,957,608	\$ 14,447,130

Gitsegukla First Nation

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11. ACCUMULATED SURPLUS

	2020	2019
Restricted surplus - trust monies	\$ 140,582	\$ 135,654
Equity in tangible capital assets	17,578,025	13,988,129
Unrestricted deficit	2,749,186	1,005,483
	\$ 20,467,793	\$ 15,129,266

12. BUDGET INFORMATION

The budget information disclosed has been approved by Chief & Council and the Recipient Appointed Advisors. Individual program operations not showing budget information does not mean budgets were not prepared but rather that their amounts were not readily determinable.

13. 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, 2020.

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, 2020.

	Carrying amount	Contractual cash flows	0 to 1 year	2 to 4 years	Over 5 years
Accounts payable and accrued expenses	\$ 2,631,596	\$ 2,631,596	\$ 2,631,596	\$ -	\$ -
Capital lease	46,529	50,147	18,805	31,342	-
Long-term debt	333,080	333,080	284,520	48,560	-
	\$ 3,011,205	\$ 3,014,823	\$ 2,934,921	\$ 79,902	\$ -

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14. SUBSEQUENT EVENT

On July 24, 2020, Indigenous Services Canada notified Gitsegukla First Nation that a request for relief had been accepted and therefore \$928,027 of \$1,329,700 owed by Gitsegukla First Nation was forgiven.

Subsequent to March 31, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19," has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This outbreak may also cause staff shortages, delay or stoppage of band projects, all of which may negatively impact the operation, financial condition, or results of operations of the First Nation. The duration and impact of the COVID-19 impact is unknown at this time and it is not possible to reliably estimate the length and severity of these developments.