

SKATIN NATIONS
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015

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SKATIN NATIONS
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March 31, 2015

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Skatin Nations are the responsibility of management and have been approved by Chief and Executive Director on behalf of Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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


The First Nation Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Lee & Company, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Skatin Nations and meet when required.

On behalf of Skatin Nations:


Chief


Councillor


Councillor


Recipient Appointed Advisor

May 31, 2016



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SKATIN NATIONS

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of SKATIN NATIONS which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statements of operations, change in net financial assets and 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, 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 the financial statements based on conducting the audit in accordance with Canadian generally accepted auditing standards. However, because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis of Disclaimer of Opinion

Management was unable to provide appropriate supporting documentation for the majority of the transactions selected for audit. We were unable to satisfy ourselves by alternative means concerning the expenditures reported by Skatin Nations in the financial statements. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of the expenditures making up the financial statements.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

(continues)

Independent Auditor's Report to the Members of Skatins Nations (*continued*)

Other Matter

The financial statements of the First Nation for the year ended March 31, 2014 were audited by another firm of auditors; whose report dated April 22, 2015 expressed a qualified opinion on those financial statements. Our opinion is not qualified in respect of this matter.

Basis of Accounting and Restriction on Distribution

Without modifying our disclaimer of opinion, we draw your attention to the fact that the financial statements are prepared to assist Skatin Nations to comply with the reporting requirements of the Funding Arrangements. As a result, these financial statements may not be suitable for another purpose. Our report is intended solely for Skatin Nations and the Indigenous and Northern Affairs Canada and should not be distributed to parties other than Skatin Nations and the Indigenous and Northern Affairs Canada.

A handwritten signature in cursive script that reads "Lee & Company".

CHARTERED PROFESSIONAL ACCOUNTANTS

Victoria, BC
May 31, 2016

SKATIN NATIONS
Consolidated Statement of Financial Position
March 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash (Note 2)	415,055	216,463
Ottawa Trust (Note 4)	367,499	346,755
Accounts receivable (Note 3)	251,328	101,398
Due from St'at'imc Government Services	22,225	32,475
	<u>1,056,107</u>	<u>697,091</u>
FINANCIAL LIABILITIES		
Accounts payable (Note 5)	278,803	273,764
Deferred revenue (Note 6)	545,378	339,449
Deferred capital contributions (Note 7)	1,859,236	1,665,415
Long-term debts (Note 9)	806,380	856,397
	<u>3,489,797</u>	<u>3,135,025</u>
NET FINANCIAL ASSETS (NET DEBT)	<u>(2,433,690)</u>	<u>(2,437,934)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	44,693	43,754
Tangible capital assets (Note 10)	7,374,867	7,585,774
	<u>7,419,560</u>	<u>7,629,528</u>
ACCUMULATED SURPLUS (DEFICIT) (Note 8)	<u>4,985,870</u>	<u>5,191,594</u>

Approved by Chief and Council



Chief



Councillor



Councillor



Recipient Appointed Advisor

SKATIN NATIONS
Consolidated Statement of Operations
For the year ended March 31, 2015

	Budget	2015	2014
REVENUE			
Indigenous and Northern Affairs Canada	-	1,170,615	856,969
Canada Mortgage and Housing Corporation Subsidy	-	49,017	49,017
Provincial funding	-	48,519	81,317
Rental income	-	74,136	74,136
Other income	-	463,179	374,466
Interest income	-	294	82
Ottawa Trust	-	20,744	20,250
	-	<u>1,826,504</u>	<u>1,456,237</u>
EXPENSES			
Band	-	761,070	699,571
Education	-	100,688	125,318
Social development	-	252,235	188,256
Health	-	28,597	50,546
Capital projects	-	-	-
Social Housing	-	63,140	73,211
Head-of-the Lake School	-	432,776	462,892
Amortization	-	405,730	450,752
	-	<u>2,044,236</u>	<u>2,050,546</u>
ANNUAL SURPLUS (DEFICIT)	<u>-</u>	<u>(217,732)</u>	<u>(594,309)</u>
ACCUMULATED SURPLUS (DEFICIT), at beginning of year		5,191,594	5,773,880
Transfers		<u>12,008</u>	<u>12,023</u>
ACCUMULATED SURPLUS (DEFICIT), at end of year (Note 8)		<u>4,985,870</u>	<u>5,191,594</u>

SKATIN NATIONS

Consolidated Statement of Changes in Net Financial Assets (Net Debt)

For the year ended March 31, 2015

	2015	2014
ANNUAL SURPLUS (DEFICIT)	(217,732)	(594,309)
Tangible capital assets		
Acquisition of tangible capital assets	(1,000)	(3,286,809)
Proceeds on disposal of tangible capital assets	-	-
Amortization of tangible capital assets	405,730	450,752
Write-downs on tangible capital assets	-	-
(Gain) loss on disposal of tangible capital assets	-	-
	404,730	(2,836,057)
Assets under construction	(193,821)	(1,665,415)
Acquisition of prepaid expense	(44,693)	(43,754)
Use of prepaid expense	43,752	39,342
	(194,762)	(1,669,827)
CHANGE IN NET FINANCIAL ASSETS (NET DEBT)	(7,764)	(5,100,193)
NET FINANCIAL ASSETS (NET DEBT), at beginning of year	(2,437,934)	(636,573)
Transfers from Reserves	12,008	12,023
NET FINANCIAL ASSETS (NET DEBT), at end of year	(2,433,690)	(5,724,743)

SKATIN NATIONS
Consolidated Statement of Cash Flows
For the year ended March 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Annual surplus (deficit)	(217,732)	(594,309)
Items not affecting cash		
Amortization of tangible capital assets	405,730	450,752
(Gain) loss on disposal of tangible capital assets	-	-
Change in non-cash charges to operations		
Ottawa Trust	(20,744)	(20,250)
Accounts receivable	(149,932)	(60,973)
Due from St'at'imc Government Services	10,250	10,025
Investments	-	93,902
Prepaid expenses	(939)	(4,410)
Accounts payable	5,039	(376,432)
Deferred revenue	205,929	(1,312,593)
Deferred capital contributions	193,821	1,665,415
	<u>431,422</u>	<u>(148,873)</u>
CAPITAL TRANSACTIONS		
Proceeds on disposal of tangible capital assets	-	-
Acquisition of tangible capital assets	(1,000)	(3,286,809)
Assets under construction	(193,821)	(1,665,415)
	<u>(194,821)</u>	<u>(4,952,224)</u>
INVESTING TRANSACTIONS		
Long term Investments	-	-
FINANCING TRANSACTIONS		
Mortgages payable	(50,017)	(56,958)
Transfers from Reserves	12,008	12,023
	<u>(38,009)</u>	<u>(44,935)</u>
INCREASE (DECREASE) IN CASH DURING YEAR	198,592	(5,146,032)
CASH, at beginning of year	216,463	2,075,686
CASH, at end of year	415,055	(3,070,346)

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

These consolidated financial statements have been prepared 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 Accountants.

b. Reporting Entity and Principles of Financial Reporting

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

- Skatin Nations Government Administration
- Skatin Nations Trusts Fund
- Skatin Nations CMHC Housing Program Fund
- Head-of-the-Lake School Fund

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

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short term cash commitments.

d. Financial Instruments

The carrying amounts for accounts receivable, grants receivable and accounts payable and accrued liabilities approximate fair value because of the short-term nature of these instruments.

e. Investments

Investments are recorded at cost. Investments are written down where there has been a loss in value that is other than a temporary decline.

f. Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Building	10%
Power and water systems	4%
Social Housing	Equal to loan principal payment
Computer equipment	30%
Equipment	30%
Vehicles	30%
Canoes	30%

In the year of acquisition, 50% of the normal amortization is recorded.

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

g. Reserve funds

Reserve funds represent the replacement and operating reserve funds required under the terms of the agreement with Canada Mortgage and Housing Corporation.

h. Revenue Recognition

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing that the transfers are authorized, all eligibility criteria have been met by the Nation, and reasonable estimates of the amounts can be made. Government transfers received for which the Nation has not met all eligibility requirements are recorded as revenue. Government transfers include financial transfer agreement payments, band trust revenue payments, contribution arrangements, and other federal and provincial grants.

Grant revenue is recognized in the financial statements as the related expenditures are incurred and when the terms and conditions of the funding are satisfied. Other income is recorded as revenue when earned.

i. Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumption used in estimating provisions for accrued liabilities and estimating the useful lives of tangible capital assets. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Skatin Nations must set aside funds annually 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 the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement and Operating Fund. Cash and cash equivalents is comprised of the following:

	2015	2014
Unrestricted - Operating	281,809	(25,865)
Restricted - CMHC Operating	2,157	42,234
Restricted - CMHC Replacement reserve	-	30,019
Restricted - St'at'imc (PC) 2011 Trust funds		
Cash	102	10,094
Cashable GIC with interest at 0.05%, maturing January 14, 2016	90,008	98,120
Restricted - Head-of-the-Lake School	40,979	61,861
	<u>415,055</u>	<u>216,463</u>

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2015

3. ACCOUNTS RECEIVABLE

	2015	2014
Federal government		
Indigenous and Northern Affairs Canada	108,533	-
Other government organizations	18,954	12,582
Canada Mortgage and Housing Corporation	28,593	4,085
	<u>156,080</u>	<u>16,667</u>
Other		
Employees	371	-
Members	28,524	19,598
Head-of-the-Lake School amounts	3,193	2,223
Other agencies	63,160	62,910
	<u>95,248</u>	<u>84,731</u>
	<u>251,328</u>	<u>101,398</u>

4. OTTAWA TRUST FUNDS

	March 31, 2014	Additions	Withdrawals	March 31, 2015
Capital	74,458	11,337	-	85,795
Revenue	272,297	9,407	-	281,704
	<u>346,755</u>	<u>20,744</u>	<u>-</u>	<u>367,499</u>

The trust funds arise from monies 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2015

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Indigenous and Northern Affairs Canada	-	134,075
Accrued salaries and benefits payable	21,678	3,995
Other accrued liabilities	257,126	135,694
	<u>278,804</u>	<u>273,764</u>

6. DEFERRED REVENUE

The changes in the deferred contributions balance for the year are as follows:

	Balance March 31, 2014	Funding Received 2015	Revenue Recognized 2015	Loan Repayment	Balance March 31, 2015
St'at'imc (PC) 2011 Trust	339,449	410,000	193,821	10,250	545,378

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent the contributions from the St'at'imc (PC) 2011 Trust that have been designated for the construction of the Administration building. The contributions will be recognized as revenue on the same basis as the building amortization is recognized as expense.

8. ACCUMULATED SURPLUS (DEFICIT)

	Operating	Trust	Housing	School	2015 Total	2014
Accumulated Surplus (Deficit), at the beginning of year	4,149,933	346,755	744,576	(49,670)	5,191,594	5,773,880
Annual Surplus (Deficit)	120,378	20,744	9,997	(368,851)	(217,732)	(594,309)
Transfers	(484,519)	-	12,008	484,519	12,008	12,023
Accumulated Surplus (Deficit), at the beginning of year	3,785,792	367,499	766,581	65,998	4,985,870	5,191,594

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2015

9. LONG TERM DEBT

	<u>2015</u>	<u>2014</u>
CMHC - mortgage repayable at \$2,581 per month including interest @ 2.56%, maturing December 1, 2015. Secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on Phases 1 housing units.	288,301	308,487
CMHC - mortgage repayable at \$4,081 per month including interest @ 2.63%, maturing June 1, 2016. Secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on Phases 3 housing units.	518,079	547,910
	<u>806,380</u>	<u>856,397</u>

Anticipated annual principal repayments over the next five years and thereafter are as follows:

2016	59,778
2017	61,337
2018	62,943
2019	64,590
2020	66,245
Thereafter	491,487

	<u>2015</u>	<u>2014</u>
Interest expense for the year on long-term debt	23,273	22,995

SKATIN NATIONS

Notes to Consolidated Financial Statements

For the year ended March 31, 2015

10. TANGIBLE CAPITAL ASSETS

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE	
	Balance March 31, 2014	Additions	Disposals	Balance March 31, 2014	Disposals	Amortization March 31, 2015	March 31, 2015	March 31, 2014
Land development costs	643,243	-	-	-	-	-	643,243	643,243
Buildings	6,262,021	-	-	2,975,212	-	328,681	2,958,128	3,286,809
Building under construction	1,665,415	193,821	-	-	-	-	1,859,236	1,665,415
Equipment	8,487	-	-	8,095	-	117	275	392
Canoes	13,000	-	-	12,938	-	19	43	62
Dyking	364,618	-	-	280,483	-	8,414	75,721	84,135
Power systems	491,572	-	-	140,304	-	14,051	337,217	351,268
Water systems	164,300	-	-	68,094	-	3,848	92,358	96,206
Housing	1,889,402	-	-	432,103	-	50,016	1,407,283	1,457,299
Computer equipment	3,936	1,001	-	2,990	-	584	1,363	946
TOTAL	11,505,994	194,822	-	3,920,219	-	405,730	7,374,867	7,585,775

SKATIN NATIONS

Notes to Consolidated Financial Statements

For the year ended March 31, 2015

11. SEGMENT DISCLOSURE

Skatin Nations provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by function. For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the period are as follows:

	Band Government		Education		Social Development		Health	
	2015	2014	2015	2014	2015	2014	2015	2014
REVENUES								
Indigenous and Northern Affairs								
Canada	273,701	254,813	639,438	513,930	257,476	88,226	-	-
Rental	-	-	-	-	-	-	-	-
Other	459,746	371,007	64,508	66,506	-	-	8,482	38,602
	733,447	625,820	703,946	580,436	257,476	88,226	8,482	38,602
EXPENSES								
Salaries and benefits	70,654	159,393	268,789	321,415	24,134	18,212	13,070	16,298
Consultants and Professional fees	208,333	177,551	11,394	9,865	-	-	-	-
Interest and bank charges	11,014	9,687	1,213	569	-	-	-	-
Amortization	355,130	393,389	584	405	-	-	-	-
Other	471,070	352,940	252,067	256,361	228,101	170,044	15,527	34,248
	1,116,201	1,092,960	534,047	588,615	252,235	188,256	28,597	50,546
ANNUAL SURPLUS (DEFICIT)	(382,754)	(467,140)	169,899	(8,179)	5,241	(100,030)	(20,115)	(11,944)

SKATIN NATIONS

Notes to Consolidated Financial Statements

For the year ended March 31, 2015

11. SEGMENT DISCLOSURE (Continued)

	Capital Project		Social Housing	
	2015	2014	2015	2014
REVENUES				
Indigenous and Northern Affairs Canada	-	-	-	-
Rental	-	-	74,136	74,136
Other	-	-	49,017	49,017
	-	-	123,153	123,153
EXPENSES				
Salaries and benefits	-	-	3,896	25,955
Consultants and Professional fees	-	-	2,000	2,000
Debt servicing	-	-	24,241	23,179
Amortization	-	-	50,016	56,958
Other	-	-	33,003	22,077
	-	-	113,156	130,169
ANNUAL SURPLUS (DEFICIT)	-	-	9,997	(7,016)

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2015

12. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2015	2014
Consultants	-	-
Depreciation	405,730	450,752
Government transfer	-	-
Interest and bank charges	13,194	10,441
Materials and supplies	26,796	48,269
Professional fees	221,727	189,416
Wages and benefits	380,545	541,274
Other	996,244	810,394
	2,044,236	2,050,546

13. ST'AT'IMC (PC) 2011 TRUST

The St'at'imc Authority reached a comprehensive settlement with the Province of British Columbia and BC Hydro on May 10, 2011. The Settlement Agreement provides compensation for impacts to St'at'imc lands and people in respect of past, present and future hydro development in the St'at'imc territory: as a result, the St'at'imc (PC) 2011 Trust was established to receive the settlement funds.

Skatin Nations is a beneficiary of the Trust and in accordance with the Settlement Agreement and Trust Indenture, the Nation is entitled to receive certain sums of monies from the trust each year to be used for specific purposes as outlined in a Band Council Resolution

Available Trust Revenues shall consist of funding received in a fiscal year and unused funding received in previous fiscal years. Expenditures shall consist only of expenses incurred for the purposes stated in the Band Council Resolution which shall be consistent with the purposes specified in the Indenture. The Nation is permitted to expend Trust monies on a basis other than as specified in the Band Council Resolution provided that the expenditures are consistent with the purposes specified in the Indenture.

\$1,000,000 - Signing Bonus (2012)

- Voted by Band membership for distribution to band members registered on Band list as at October 25, 2011. The payments were \$1,000 per band member. The balance of the bonus payment has been restricted for development and construction of a new administration building on the reserve.

\$864,000 (2012)

- Restricted for development and construction of a new administration building on reserve.

\$421,924 - One Time Payment (2013)

- Restricted to additional costs associated with the new administration building.

\$410,000 - Annual Payment (2015)

- Restricted to additional costs associated with the new administration building.

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2015

14. CONTINGENT LIABILITY

Skatin Nations has a contingent liability of \$806,381 for various on-reserve housing loan guarantees.

15. ECONOMIC DEPENDENCE

Skatin Nation receives a majority portion of its revenue pursuant to a funding arrangement with Indigenous and Northern Affairs Canada.

16. GOING CONCERN

The costs of the administration building under construction are \$1,859,236 up to March 31, 2015. The project is significantly over-budget and work has ceased due to non-payment of invoices. As a result, there is material uncertainty related to these conditions that cast doubt on the Nation's ability to continue as a going concern and, therefore, that may be unable to realize its assets and discharge its liabilities in the normal course of business.

17. BUDGET FIGURES

Budget figures have not been presented as information was not available from management.

18. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation, including an adjustment for depreciation.