



Skatin Nations
FINANCIAL STATEMENTS
March 31, 2020



Skatin Nations

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For the year ended March 31, 2020

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SKATIN NATIONS
March 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the **Skatin Nations** are the responsibility of management and have been approved by the Chief and 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 Canadian Institute of Chartered Professional Accountants and as such include amounts that are the best estimates and judgements 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.

Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

Chief and 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 issued, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report.

The external auditors, Ribeyre Chang Haylock, conduct an independent exemption, 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.

Potek Wees
Chief

Laurie Willmett
Councilor

INDEPENDENT AUDITORS' REPORT

To: The Members of Skatin Nations

Report on the Audit of the Financial Statements

We have audited the financial statements of Skatin Nations, which comprise the statement of financial position as at March 31, 2020, and the statements of changes in band members' equity and funds, statement of revenue and expenditures, statement of changes in financial position for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Qualified Opinion

Except as noted in the below paragraphs, in our opinion, the financial statements present fairly, in all material respects, the financial position of Skatin Nations as at March 31, 2020, and the 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 Qualified Opinion

Skatin Nations was unable to provide a listing of tangible capital assets at historical cost. We were unable to verify the existence, completeness and valuation of the tangible capital assets. We were also unable to verify the existence, completeness and valuation of the opening accumulated surplus as a result of this matter.

The predecessor auditor's opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.



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 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 qualified opinion.

Other Matter

The financial statements for the year ended March 31, 2019 were audited by another auditor who expressed a qualified opinion on those financial statements on July 19, 2020 for reasons described in the Basis for Qualified Opinion section. The auditor also expressed a qualified opinion on accounts payable and accounts receivable due to lack of supporting documentation. They were not able to determine whether any adjustments might be necessary to accounts receivable, accounts payable, consolidated revenue and expenditures and operating deficit. We believe that the audit evidence we have obtained this year is sufficient and appropriate to exclude those areas from the exceptions described in the Basis for Qualified Opinion section.

Responsibilities of Management and Those Charged with Governance 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.

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.

Auditors' Responsibilities for the Audit of the 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 auditors' 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 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 auditors' 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 auditors' 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, supervision 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.

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 Mike Chang, CPA, CA.

Port Coquitlam, B.C.
February 3, 2021

Ribeyra Chang Haylock
Chartered Professional Accountants

Skatin Nations
SUMMARY STATEMENT OF FINANCIAL POSITION
Statement 1

As at March 31, 2020

See Auditors' Report

	2020	2019 <i>Restated</i>
Financial assets		
Cash - note 3	\$ 686,266	\$ 80,552
Restricted cash - note 3	194,678	159,444
Ottawa Trust - note 4	111,499	108,806
Accounts receivable - note 5	262,610	253,945
Investments - note 6	611	501
Total financial assets	1,255,664	603,248
Financial liabilities		
Accounts payable and accrued liabilities - note 7	374,110	518,449
Short-term debt - note 8	482,701	492,805
Long-term debt - note 9	469,672	538,068
Total liabilities	1,326,483	1,549,322
Net financial debt	(70,819)	(946,074)
Non-financial assets		
Prepaid expenses	44,027	67,524
Tangible capital assets - note 10	9,437,141	9,436,057
Total non-financial assets	9,481,168	9,503,581
Subsequent events - note 11		
Accumulated surplus - note 12	\$ 9,410,349	\$ 8,557,507

See accompanying notes



 Chief Councillor



 Councillor

Skatin Nations
SUMMARY STATEMENT OF OPERATIONS
Statement 2

For the year ended March 31, 2020	See Auditors' Report		
	2020 Budget note 15	2020	2019 Restated
Revenue			
Operating Fund			
Indigenous Services Canada	\$ 2,232,794	\$ 2,232,794	\$ 3,526,698
First Nation Education Steering Committee	-	272,977	255,064
St'at'imc Trust	-	150,000	145,000
BC First Nations Gaming Revenue			
Sharing Limited Partnership	-	550,782	-
Logging income	-	189,680	243,013
Rental income	-	27,038	22,946
Miscellaneous income	42,108	61,856	185,147
Interest income	-	25	810
Social Housing Fund			
Canada Mortgage and Housing Corporation	-	43,510	43,510
Rental income	-	74,136	74,136
Interest income	-	260	208
Ottawa Trust Fund	-	2,693	3,366
	2,274,902	3,605,751	4,499,898
Expenses - note 14			
Operating Fund			
Legal Government Services	577,774	611,054	639,596
Economic Development	-	5,565	88,816
Social Services	351,509	307,633	347,232
Education and Training	1,008,667	1,276,141	1,121,848
Municipal Services - O&M Programs	137,703	235,962	188,103
Treaty	-	26,583	-
Capital Projects	197,249	25,099	-
Tangible capital asset depreciation	-	206,266	263,801
Social Housing Fund	-	103,382	119,770
	2,272,902	2,797,685	2,769,166
Annual surplus	2,000	808,066	1,730,732
Accumulated surplus, beginning as previously stated	6,088,616	4,736,550	
Prior period adjustment - note 13	2,468,891	2,323,891	
Accumulated surplus, beginning as restated	8,557,507	7,060,441	
Reimbursements (recoveries)	44,776	(233,666)	
Accumulated surplus, end of year	\$ 9,410,349	\$ 8,557,507	

See accompanying notes

Skatin Nations
SUMMARY STATEMENT OF NET FINANCIAL DEBTS
Statement 3

For the year ended March 31, 2020

See Auditors' Report

	2020	2019 <i>Restated</i>
Annual surplus	\$ 808,066	\$ 1,730,732
Reimbursements (recoveries) in the year	44,776	(233,666)
	852,842	1,497,066
<hr/>		
Changes in tangible capital assets		
Acquisition of tangible capital assets	(275,410)	(1,869,012)
Amortization of tangible capital assets	274,324	331,401
	(1,086)	(1,537,611)
<hr/>		
Changes in other non-financial assets		
Prepaid expenses and deposits	23,499	(14,457)
	23,499	(14,457)
	<hr/>	<hr/>
Increase (decrease) in net assets	875,255	(55,002)
Net financial debts, beginning as previously stated	(3,414,965)	(3,214,963)
Prior period adjustment - note 13	2,468,891	2,323,891
Net financial debts, beginning as restated	(946,074)	(891,072)
	<hr/>	<hr/>
Net financial debts, end of year	\$ (70,819)	\$ (946,074)

See accompanying notes

Skatin Nations
SUMMARY STATEMENT OF CASH FLOWS
Statement 4

For the year ended March 31, 2020

See Auditors' Report

	2020	2019
		<i>Restated</i>
OPERATING ACTIVITIES		
Annual surplus	\$ 808,066	\$ 1,730,732
Reimbursements (recoveries)	44,776	(233,666)
Items not affecting cash		
Depreciation	274,324	331,401
Prior period adjustment - note 13	-	2,323,891
Changes in non-cash working capital items	<u>(129,505)</u>	<u>(2,819,176)</u>
Cash provided by operating activities	997,661	1,333,182
INVESTING ACTIVITIES		
Investment in BCFN GRS GP Inc.	(10)	-
Investment in BC First Nations Gaming Revenue Sharing	<u>(100)</u>	<u>-</u>
Limited Partnership		
Purchase and construction of capital assets	<u>(275,410)</u>	<u>(1,869,012)</u>
Cash used in investing activities	(275,520)	(1,869,012)
FINANCING ACTIVITIES		
Advance of short-term debt	-	500,000
Repayment of short-term debt	(10,104)	(7,195)
Repayment of Social Housing Fund loans	<u>(68,396)</u>	<u>(67,600)</u>
Cash (used in) provided by financing activities	(78,500)	425,205
Increase (decrease) in cash during the year	643,641	(110,625)
Cash, beginning of year	<u>348,802</u>	<u>459,427</u>
Cash, end of year	\$ 992,443	\$ 348,802
Represented by		
Cash	\$ 686,266	\$ 80,552
Restricted Cash	306,177	268,250
Cash, end of year	\$ 992,443	\$ 348,802

See accompanying notes

Skatin Nations

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

See Auditors' Report

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The Skatin Nations (the "First Nation") is located in Skookumchuck, British Columbia, and provides various services to its members.

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

a) Fund accounting

The Skatin Nations 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 Skatin Nations maintains the following funds:

- The Operating Fund which reports the general activities of the First Nation administration,
- The Social Housing Fund which reports the social housing assets of the First Nation,
- The Trust Fund which reports on trust funds owned by the First Nation and held by a third party.

b) Reporting entity and principles of financial reporting

The Skatin Nations reporting entity includes the Skatin Nations 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 operations for the following entities which use accounting principles which lend themselves to consolidation:

- Skatin Nations Operating Fund
- Skatin Nations Social Housing Fund
- Skatin Nations Trust Fund

All inter-fund 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.

Incorporated business entities, which are controlled by the Skatin Nation and which are not dependent on the First Nation for their continuing operations, are included in the summary financial statements using the modified equity method. These include:

- Skatin Nations Treaty Resource Inc. (100% interest)

Investments in incorporated business entities and unincorporated business partnerships where the Skatin Nations does not have significant influence or control are included in the summary financial statements using the lower of cost or net realizable value method. These include:

- 1020376 B.C. Ltd. (33.3% interest)
- BC FN GRS GP Ltd. (nominal interest)
- BC First Nations Gaming Revenue Sharing Limited Partnership (nominal interest)

Skatin Nations

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

See Auditors' Report

1. Continued...

c) Financial assets

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

d) 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.

e) Non-financial assets

Tangible capital assets and other non-financial assets are accounted for as assets by the Skatin Nations because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Skatin Nations unless they are sold.

f) Tangible capital assets

Tangible capital assets are recorded at either acquisition cost or estimated cost. Tangible capital assets acquired as part of the Operating Fund and Social Housing Fund, are recorded as assets of the respective Funds.

The acquisition costs of tangible capital 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 assets of the Operating Fund with a corresponding increase in Operating Fund - unrestricted equity.

g) Depreciation

Tangible capital assets are recorded and depreciated with a corresponding reduction in capital equity within the Operating Fund. Tangible capital assets, excluding land and assets under construction, are depreciated over their expected useful life as follows:

Buildings and renovations	4% (2019 - 10%) Declining balance
Power and water systems	4% Declining balance
Equipment	30% Declining balance
Canoes	30% Declining balance
Computer equipment	3 years straight line
Automotive equipment	5 years straight line
Furniture and equipment	5 years straight line

Social Housing assets acquired under Canada Mortgage and Housing Corporation sponsored housing programs are depreciated at a rate equivalent to the annual principal reduction in the related long-term debt, as required for Canada Mortgage and Housing Corporation reporting purposes.

Skatin Nations

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

See Auditors' Report

1. Continued...

h) Reserve funds

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

i) Revenue recognition

Government Funding

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria 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 First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

First Nation Capital and Revenue Trust Funds

The First Nation recognizes revenues 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.

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.

Other

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

j) Financial instruments

Financial instruments are initially classified upon initial recognition as a fair value or an amortized cost instrument. The fair value category includes investments in equity instruments that are quoted in an active market, and any other items elected by the First Nation to be recorded at fair value. All other financial instruments, including financial instruments with related parties for which fair value cannot be estimated, are recorded at amortized cost. Transaction costs directly attributable to the acquisition or issue of a financial instrument are added to the amortized cost or expensed if related to instruments recorded on a fair value basis. The effective interest rate method is used to measure interest for financial instruments recorded at amortized cost.

All financial assets are assessed for impairment on an annual basis.

The First Nation's financial instruments consist of cash and cash equivalents, accounts receivable, due from and to related entities, accounts payable and accrued liabilities, and long-term debt. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, credit or currency risks arising from these financial instruments and the fair value of these financial instruments approximates their carrying values.

Skatin Nations

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

See Auditors' Report

1. Continued...

k) 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 at the date of the schedules and reported amounts of revenues and expenditures during the reported period. Actual results could differ from the estimates.

2. ECONOMIC DEPENDENCE

The Skatin Nations receives major portions of its revenue pursuant to funding arrangements with Indigenous Services Canada.

3. CASH AND RESTRICTED CASH

Cash and cash equivalents include cash on hand, balances with banks net of outstanding cheques and deposits.

	2020	2019
Unrestricted		
Bank funds - Band operations	\$ 669,135	\$ 63,590
Bank funds - CMHC Social Housing	5,333	5,189
Bank funds - Skatin Community School	11,798	11,773
	<hr/> \$ 686,266	<hr/> \$ 80,552
Restricted		
CMHC - Operating Reserve	44,532	33,273
CMHC - Replacement Reserve	149,860	125,885
St'at'imc (PC) 2011 Trust Funds	286	286
	<hr/> \$ 194,678	<hr/> \$ 159,444

Skatin Nations

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

See Auditors' Report

3. Continued...

CMHC - Operating Reserve:

In accordance with the terms and conditions of the Operating Agreement with Canada Mortgage and Housing Corporation (CMHC), any annual operating surplus must be set aside in an operating reserve, to be drawn against in the event of any future deficits.

The reserve is to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as otherwise be approved by CMHC from time to time.

As at March 31, 2020, \$44,532 (2019 - \$33,273) has been set aside to fund this reserve. The Operating Reserve Fund was fully funded as of March 31, 2020.

CMHC - Replacement Reserve:

In accordance with the terms and conditions of the Operating Agreement with Canada Mortgage and Housing Corporation (CMHC), Skatin Nations must set aside \$12,000 annually for the non-annual expenditures of the Program for the repair, maintenance and replacement of worn out assets.

These funds are to be held in a separate bank account with any interest earned to be credited as revenue to the Replacement Reserve Fund.

As at March 31, 2020, \$149,860 (2019 - \$125,885) has been set aside to fund this reserve. The Replacement Reserve Fund was deficient by \$27,060 (2019 \$39,035).

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.

Skatin Nations
NOTES TO FINANCIAL STATEMENTS

March 31, 2020

See Auditors' Report

5. ACCOUNTS RECEIVABLE

	2020	2019
Due from band members:		
Rent receivable	\$ 541,802	\$ 541,802
Less: allowance for doubtful accounts	(541,802)	(541,802)
Member loans	1,578	22,260
	1,578	22,260
Due from Government and other Government Organizations:		
Indigenous Services Canada	215,524	-
Canada Mortgage and Housing Corporation	21,755	25,381
Canada Revenue Agency	2,943	10,957
First Nations Education Steering Committee	10,862	45,054
	251,084	81,392
Due from others:		
Other amounts owing to Band	9,100	119,509
Employee loans	848	4,201
Skatin Nations Treaty Resource Inc.	-	26,583
	9,948	150,293
	\$ 262,610	\$ 253,945

Skatin Nations

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

See Auditors' Report

6. INVESTMENTS

	2020	2019
Skatin Nations Treaty Resource Inc.		
Shares	\$ 1	\$ 1
Accumulated equity	- (26,583)	
Advances	- 26,583	
	1	1
1020376 B.C. Ltd. (33.3% interest)		
Shares	500	500
BCFN GRS GP Inc. (nominal interest)		
Shares	10	-
BC First Nations Gaming Revenue Sharing Limited Partnership (nominal interest)		
Units	100	-
	\$ 611	\$ 501

Shares are held in trust by certain band members under trust agreements.

Financial information for the controlled entity for its respective year ending March 31, 2020 is as follows:

	Assets	Liabilities	Revenue	Net Loss
Skatin Nations Treaty Resource Inc.				
March 31, 2020	\$ 73	\$ 26,583	\$ -	\$ (259)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are the following recoveries owing to Indigenous Services Canada:

	2020	2019
Culture / Recreation	\$ -	\$ 1,056
Chief & Council Training	-	51,200
Operational Review / Assessment	-	926
Basic Needs	136,508	147,892
Guardian Financial Assistance	-	909
Special Needs	-	15,460
Service Delivery	-	24,036
Adult In-Home Care	-	12,927
	\$ 136,508	\$ 254,406

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NOTES TO FINANCIAL STATEMENTS

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8. SHORT-TERM DEBT

	2020	2019
Bank of Montreal - Variable rate demand loan with payments of \$2,836 per month including interest at prime + 1% per annum, for the refinancing of the Band Administration Building (under construction). Matures on August 17, 2043 and renewal on July 17, 2023.	\$ 482,701	\$ 492,805
Less: current portion	<u>11,595</u>	10,104
	\$ 471,106	\$ 482,701

Future principal payments for subsequent years are as follows:

2021	\$ 11,595
2022	12,152
2023	12,736
2024	446,217
2025	-

9. LONG-TERM DEBT

	2020	2019
Post 96 - Phase 1 - All Nations Trust - Mortgage payable with payments of \$2,432 per month including interest at 1.30% per annum, secured by a ministerial guarantee from Indigenous Services Canada. Matures on September 1, 2025 and renewal on December 1, 2020.	\$ 154,855	\$ 181,838
Post 96 - Phase 3 - All Nations Trust - Mortgage payable with payments of \$3,772 per month including interest at 1.14% per annum, secured by a ministerial guarantee from Indigenous Services Canada. Matures on June 1, 2027 and renewal on June 1, 2021.	<u>314,817</u>	356,230
Less: current portion	<u>469,672</u>	538,068
	<u>196,751</u>	68,398
	\$ 272,921	\$ 469,670

Future principal payments for subsequent years are as follows:

2021	\$ 196,751
2022	272,920
2023	-

Skatin Nations

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

See Auditors' Report

11. SUBSEQUENT EVENT

Subsequent to year-end, there was a global outbreak of the COVID-19 virus, which has had a significant impact on businesses and organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the First Nation, as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place in Canada to fight the virus.

12. ACCUMULATED SURPLUS

Accumulated surplus is comprised of the following:

	2020	2019
OPERATING FUND	\$ 8,482,519	\$ 7,646,894
ON-RESERVE NON-PROFIT HOUSING PROGRAM		
Operating Fund	28,357	25,833
Replacement Reserve Fund	176,920	164,920
Equity in Housing Facilities	611,054	611,054
OTTAWA TRUST FUND	111,499	108,806
	\$ 9,410,349	\$ 8,557,507

13. PRIOR PERIOD ADJUSTMENT

The prior year's financial information has been restated to reflect a correction in the timing of the revenue recognition for funding provided by St'at'imc (PC) 2011 Trust. It was determined that the amount accrued for deferred revenues was overstated by \$2,468,891.

A summary of changes are as follows:

SUMMARY STATEMENT OF FINANCIAL POSITION

	2019 As previously stated	2019 Changes	2019 Restated
Financial liabilities			
Deferred capital contributions	\$ 2,468,891	#####	\$ -
Net financial debt	(3,414,965)	2,468,891	(946,074)
Accumulated surplus	\$ 6,088,616	\$ 2,468,891	\$ 8,557,507

Skatin Nations

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

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14. EXPENSES BY OBJECT

Summary of expenses by object is as follows:

	2020	2019
Advertising	\$ 304,878	\$ 421,392
Auditing and accounting	32,600	36,608
Bad debts	70,679	-
Bank charges and interest	1,616	2,756
Consulting	31,211	-
Depreciation	274,324	331,401
Fuel	26,863	56,106
Garbage disposal	32,304	53,400
Honoraria	21,477	20,655
Insurance	46,439	37,912
Interest on long-term debt	5,979	6,777
Legal	2,713	32,920
Miscellaneous	21,411	10,252
Office and other	25,999	29,911
Program specific	351,709	338,852
Rent	2,925	1,469
Repairs and maintenance	88,450	96,033
Replacement reserve	-	16,277
Subcontract	68,370	55,407
Supplies and materials	40,383	36,224
Telephone	14,120	8,550
Tuition and training	111,015	94,099
Travel	117,737	206,839
Uncollectible housing rents	35,941	30,595
Utilities	20,302	19,804
Wages and benefits	1,048,240	824,927
	<hr/> \$ 2,797,685	<hr/> \$ 2,769,166

15. BUDGET INFORMATION

Budgeted figures are unaudited and have been derived from the estimates approved by the Chief and Council for comparison purposes. Individual program operations not showing budget information does not mean budgets were not prepared but rather that their amounts were not readily determinable.

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16. RELATED PARTY TRANSACTIONS

The First Nation charged \$12,000 (2019 - \$12,000) for rent to Skatin Samahquam Negotiations Incorporated for an office in the Community Building on reserve.

The First Nation paid \$35,708 (2019 - \$32,920) during the year for travel expenditures to Rex Grant, a related party through the Recipient Appointed Advisor.

The First Nation paid \$304,878 (2019 - \$421,392) during the year for accounting and bookkeeping fees to Tyhee Financial Services Ltd., a related party through the Recipient Appointed Advisor.

The First Nation paid \$7,093 (2019 - \$9,576) during the year for moving services to Barry's Moving and Storage Ltd., a related party through the Recipient Appointed Advisor.

These transactions are in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

17. COMPARATIVE AMOUNTS

Certain of the prior year's comparative amounts have been reclassified where necessary to conform to the current year's presentation.

18. FINANCIAL INSTRUMENTS

Risk management policy

The 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.

The First Nation's credit risk is due mainly to its loans receivable. The balance sheet amounts are presented net of the allowance for impaired loans, which management estimates based on past experience and its assessment of current economic conditions. The First Nation believes that its loans receivable credit risk is limited because:

- Majority of its receivables are due from Canadian government agencies.
- The First Nation recognizes a specific allowance for accounts receivable when the management considers the expected amount to be collected is lower than the actual amount receivable.

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18. Continued...

Liquidity risk

The 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

The 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	Within 1 year	2 to 5 years	Subsequent
Accounts payable and accrued expenses	\$ 374,110	\$ 374,110	\$ 374,110	\$ -	\$ -
Short-term debt	482,701	482,701	11,595	471,106	-
Long-term debt	469,672	469,672	196,752	272,920	-
	<hr/> \$ 1,326,483	<hr/> \$ 1,326,483	<hr/> \$ 582,457	<hr/> \$ 744,026	<hr/> \$ -

Fair value

The carrying value of Skatin Nations' main financial assets represents the maximum credit risk to which the organization is exposed.

The fair value of a financial instrument corresponds to the amount of the consideration agreed upon by two willing parties in a non-arm's length transaction. Skatin Nations uses the following methods and assumptions to estimate the fair value of each category of financial instruments, the carrying amounts of which are included in the consolidated balance sheet as follows:

Cash, accounts receivables and restricted cash – The carrying amounts included in the balance sheet approximates fair values.

Accounts payable and accrued expenses – The carrying amount included in the balance sheet approximates fair value, given the short-term maturity of the instrument.

Short-term debt and long-term debt – The carrying amount of loans payable is measured at unamortized cost based on initial fair value established using market rates for the same or similar debt instruments. The fair value approximates its carrying value.