

KWIAKAH FIRST NATION
Financial Statements
March 31, 2019

KWIAKAH FIRST NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2019


The accompanying financial statements of the Kwiakah First Nation as at March 31, 2019 and for the year ended are the responsibility of management. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on 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.

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

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

Chief and Council reviews the financial statements and approves them. Chief and Council meets periodically with management, as well as the external auditor, 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 financial statements and the independent auditor's report. Chief and Council consider their findings when approving the financial statements for issuance to the Members.

The financial statements have been approved by Chief and Council. In addition, these financial statements have been audited by Chan Nowosad Boates Inc. in accordance with Canadian generally accepted auditing standards on behalf of the members. Chan Nowosad Boates Inc. has full access to Chief and Council.



Mr. Steven Dick
Chief
July 29, 2019



INDEPENDENT AUDITORS' REPORT

To the Chief and Council and the Members of Kwiakah First Nation

Opinion

We have audited the accompanying financial statements of Kwiakah First Nation (the "Nation"), which comprise the statement of financial position as at March 31, 2019, and the statement of income, accumulated surplus, change in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the Nation's financial statements present fairly, in all material respects, the financial position of the Nation as at March 31, 2019, and of its financial performance and its cash flows for the year then ended. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Nation 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 of our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Nation'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 intends for the Nation's to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for over-seeing the Nation'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 the 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 Nation'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 Nation'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 Nation 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.
- 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.

Other Matters

The financial statements for the year ended March 31, 2018 were audited by another auditor who expressed an unqualified audit opinion on those financial statements on August 2, 2018

Chan Nowosad Boates Inc.

Chartered Professional Accountants
Campbell River, BC

July 29, 2019

KWIAKAH FIRST NATION

Statement of Financial Position

March 31, 2019

2019

2018

\$

\$
(Note 11)

FINANCIAL ASSETS

Cash and Cash Equivalents - Unrestricted	636,801	660,054
Trust Funds Held by Federal Government (Note 2)	7,374	7,158
Accounts Receivable (Note 3)	24,145	34,316
Investment in Government Business Partnership (Note 4)	535,081	429,517
Investment in Government Business Enterprise (Note 5)	33,065	24,330
	<u>1,236,466</u>	<u>1,155,375</u>

LIABILITIES

Accounts Payable and Accrued Liabilities	18,017	9,930
Deferred Revenue (Note 6)	200,000	225,000
	<u>218,017</u>	<u>234,930</u>

NET FINANCIAL ASSETS

1,018,449 920,445

NON-FINANCIAL ASSETS

Prepaid Expenses	12,714	12,986
Tangible Capital Assets (Note 7)	248,986	259,516
	<u>261,700</u>	<u>272,502</u>

ACCUMULATED SURPLUS

1,280,149 1,192,947

Contingent Liabilities (Note 8)

Approved by:



Chief



Councilor

KWIAKAH FIRST NATION

Statement of Operations

Year Ended March 31, 2019

	2019		2018
	Actual	Budget	
	\$	\$	\$
		(Note 10)	(Note 11)
Revenues			
Indigenous Services Canada	168,253	168,253	84,542
Kwakiutl District Council	6,767	5,467	7,077
Province of British Columbia	36,667	34,500	36,496
A-Tlegay Fisheries Limited Partnership	105,434	-	78,289
Saaiyouck Development Corporation	6,152	-	(12,408)
London Drugs	25,000	25,000	25,000
Amounts Earned and Held in Trust (Note 2)	216	-	199
Other	100,095	70,000	172,881
	<u>448,584</u>	<u>303,220</u>	<u>392,076</u>
Expenditures			
Administration	139,363	125,036	123,943
Health	3,186	5,467	2,972
Education	-	-	7,356
Employment Programs	20,800	20,800	17,000
Economic Development	198,033	163,683	249,753
	<u>361,382</u>	<u>314,986</u>	<u>401,024</u>
Annual Surplus (Deficit)	<u>87,202</u>	<u>(11,766)</u>	<u>(8,948)</u>

KWIAKAH FIRST NATION

Statement of Accumulated Surplus

Year Ended March 31, 2019

	2019		2018
	Actual	Budget	
	\$	\$	\$
		(Note 10)	(Note 11)
Accumulated Surplus - Beginning of Year, as previously stated	1,192,947	1,192,947	1,195,395
Prior Year Adjustment (Note 11)	-	-	6,500
	-	1,192,947	1,201,895
Annual Surplus (Deficit)	87,202	(11,766)	(8,948)
Accumulated Surplus - End of Year	1,280,149	1,181,181	1,192,947

KWIAKAH FIRST NATION

Statement of Change in Net Assets

Year Ended March 31, 2019

	2019	2018
	\$	\$
Annual Surplus (Deficit)	<u>87,202</u>	<u>(8,948)</u>
Tangible Capital Assets Purchased	-	(178,000)
Amortization of Tangible Capital Assets	<u>10,530</u>	<u>7,307</u>
	<u>10,530</u>	<u>(170,693)</u>
Acquisition of Prepaid Asset	(12,714)	(12,986)
Use of Prepaid Asset	<u>12,986</u>	<u>19,970</u>
	<u>272</u>	<u>6,984</u>
Increase (Decrease) in Net Financial Assets	98,004	(172,657)
Net Financial Assets - Beginning of Year	<u>920,445</u>	<u>1,093,102</u>
Net Financial Assets - End of Year	<u>1,018,449</u>	<u>920,445</u>

KWIAKAH FIRST NATION

Statement of Cash Flows

Year Ended March 31, 2019

	2019	2018
	\$	\$
Cash Flows From Operating Activities:		
Cash Received from Indigenous Services Canada and Other	321,953	317,164
Cash Paid to Suppliers and Members	<u>(342,623)</u>	<u>(391,189)</u>
	<u>(20,670)</u>	<u>(74,025)</u>
Cash Flows From Investing Activities:		
Purchase of Tangible Capital Assets	-	(178,000)
Advances to Saaiyouck Development Corporation	<u>(2,583)</u>	<u>(15,477)</u>
	<u>(2,583)</u>	<u>(193,477)</u>
Decrease in Cash and Cash Equivalents	(23,253)	(267,502)
Cash and Cash Equivalents - Beginning of Year	<u>660,054</u>	<u>927,556</u>
Cash and Cash Equivalents - End of Year	<u>636,801</u>	<u>660,054</u>

KWIAKAH FIRST NATION

Notes to the Financial Statements

March 31, 2019

1. Significant Accounting Policies:

a) Basis of Accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) for governments as recommended by the Public Sector Account Board (PSAB) of CPA Canada.

b) Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services and may be consumed in normal operations. Non-financial assets include tangible capital assets and prepaid expenses. Intangible assets, and items inherited by right of the First Nation and the Crown, are not recognized in the financial statements.

c) 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.

Amortization is provided for using the following rates and methods:

Buildings	4%	declining balance
Equipment	45%	declining balance
Vehicles	30%	declining balance

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Nation's ability to provide goods and services, or when the value of future economic benefits associated with the assets are less than their net book value. The net writedowns are accounted for as expenses in the statement of operations.

d) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to any obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the liabilities are settled.

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 being performed is deferred and recognized when the fee is earned or service performed.

e) Investment in Government Business Enterprises and Partnerships

The Nation accounts for their investment in a controlled government business enterprise as well as its investment in a government business partnership using the modified equity method.

Under the modified equity method of accounting, only the Nation's investment in the business enterprise and partnership and the enterprise's and partnerships net income and other changes in equity are recorded.

KWIAKAH FIRST NATION

Notes to the Financial Statements

March 31, 2019

1. Significant Accounting Policies (continued):

e) Investment in Government Business Enterprises and Partnerships (continued)

No adjustment is made for accounting policies of the enterprise that are different from those of the Nation, except that any other comprehensive income of the business enterprise and partnership is accounted for as an adjustment to the accumulated surplus or deficit.

Inter-organizational transactions and balances are not eliminated.

Investments in the following entities are accounted for by the modified equity method and, as such, the accounting policies of these enterprises are not adjusted to conform with those of the Nation:

A-Tlegay Fisheries Limited Partnership (12.99%)
Saaiyouck Development Corporation (100%)

f) Measurement Uncertainty

The preparation of the financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of management estimates relate to the provision for amortization and the useful lives of assets. Amortization is calculated to represent the useful life of the asset consumed during the fiscal period. Management estimates the useful life of each asset based on their experience and the planned use of the asset. Amortization is then calculated based on the estimated useful life. Actual results could differ from these estimates.

2. Trust Funds Held by Federal Government:

	<u>2018</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>2019</u>
	\$	\$	\$	\$
Revenue	<u>7,158</u>	<u>216</u>	<u>-</u>	<u>7,374</u>

The Trust Funds Held by Federal Government 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 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*.

3. Accounts Receivable:

	<u>2019</u>	<u>2018</u>
	\$	\$
Trade Receivables	1,367	15,132
ISC	5,000	-
Receiver General	8,331	7,587
Other	<u>9,447</u>	<u>11,597</u>
	<u>24,145</u>	<u>34,316</u>

KWIAKAH FIRST NATION

Notes to the Financial Statements

March 31, 2019

4. Investment in Government Business Partnership:

A-Tlegay Fisheries Limited Partnership acquires and manages various fishing licences and quota.

	<u>2019</u>	<u>2018</u>
	\$	\$
A-Tlegay Fisheries Limited Partnership (12.99%)		
Shares	130	130
Accumulated share of surplus	<u>534,951</u>	<u>429,387</u>
	<u>535,081</u>	<u>429,517</u>

Financial information for A-Tlegay Fisheries Limited Partnership for the year ended March 31, 2019 with comparative information at March 31, 2018 is as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Total Assets	<u>4,126,256</u>	<u>3,321,254</u>
Total Liabilities	10,841	16,953
Partner's Capital	<u>4,115,415</u>	<u>3,304,301</u>
Total Liabilities and Equity	<u>4,126,256</u>	<u>3,321,254</u>
Revenues	1,065,992	816,666
Expenses	<u>811,114</u>	<u>214,384</u>
Net Income	<u>254,878</u>	<u>602,282</u>

5. Investment in Government Business Enterprise:

Saaiyouck Development Corporation is an economic development corporation which investigates and pursues various business opportunities within the Kwiakah First Nation's traditional territories.

	<u>2019</u>	<u>2018</u>
	\$	\$
Saaiyouck Development Corporation (100%)		
Shares	100	100
Advances	64,392	61,809
Accumulated share of deficit	<u>(31,427)</u>	<u>(37,579)</u>
	<u>33,065</u>	<u>24,330</u>

The shares in Saaiyouck Development Corporation are held in trust by specified Nation members under trust agreements. The advances made are without interest or specific repayment terms.

KWIAKAH FIRST NATION

Notes to the Financial Statements

March 31, 2019

5. Investment in Government Business Enterprise (continued):

Financial information for Saaiyouck Development Corporation for the year ended March 31, 2019 with comparative information at March 31, 2018 is as follows:

	2019 \$	2018 \$
Total Assets	<u>36,529</u>	<u>27,068</u>
Total Liabilities	67,856	64,547
Equity	<u>(31,327)</u>	<u>(37,479)</u>
Total Liabilities and Equity	<u>36,529</u>	<u>27,068</u>
Revenues	22,137	21,581
Expenses	<u>15,985</u>	<u>33,989</u>
Net Income (Loss)	<u>6,152</u>	<u>(12,408)</u>

6. Deferred Revenue:

	2018 \$	Amounts Received \$	Revenue Recognized \$	2019 \$
London Enterprises Ltd.	<u>225,000</u>	<u>-</u>	<u>(25,000)</u>	<u>200,000</u>

The Kwiakah Nation received \$250,000 on March 15, 2017 from London Enterprises Ltd. for access to their lands for certain activities. The revenue will be recognized over a ten year period ending March 31, 2027.

7. Tangible Capital Assets:

	Cost				Accumulated Amortization				Net Book Value	
	Opening \$	Additions \$	Disposals \$	Closing \$	Opening \$	Amort \$	Disposals \$	Closing \$	2019 \$	2018 \$
Buildings	306,608	-	-	306,608	47,934	10,350	-	58,284	248,324	258,674
Equipment	15,018	-	-	15,018	14,322	140	-	14,462	556	696
Vehicles	6,099	-	-	6,099	5,953	40	-	5,993	106	146
Total	<u>327,725</u>	<u>-</u>	<u>-</u>	<u>327,725</u>	<u>68,209</u>	<u>10,530</u>	<u>-</u>	<u>78,739</u>	<u>248,986</u>	<u>259,516</u>

8. Contingent Liabilities:

Kwiakah First Nation has entered in contribution agreements with Indigenous Services Canada and other various federal and provincial government departments. Funding received under these contribution agreements is subject to repayment if the Nation fails to comply with the terms and conditions of the agreements.

KWIAKAH FIRST NATION

Notes to the Financial Statements

March 31, 2019

8. Contingent Liabilities (continued):

The Kwiakah First Nation is contingently liable for \$4,391,870 in loans from Indigenous Services Canada for treaty negotiations. The amount represents the Nation's portion of the total loan obligations and is only payable when a treaty settlement is finalized.

As part of the 2019 Federal Budget announced on March 19, 2019, the Federal Government (the "Government") stated that all outstanding Treaty loans would be forgiven. As at March 31, 2019, as well as at the dated of the audit report on these financial statements, the Government has not yet formally approved and enacted legislation around the forgiveness of outstanding Treaty loans and balances owing.

9. Related Party Transactions:

Transactions with close family members of Chief and Council during the year in the normal course of operations include amounts paid for program participation and other eligible program expenditures.

The amounts paid to related parties for program participation and other eligible program expenditures for the year ended March 31, 2019 totaled \$5,030 (2018 - \$5,605).

During the year ended March 31, 2018, the Nation acquired a condominium located in Campbell River, BC. During the year ended March 31, 2019 the Nation rented the condominium to a related family member of Chief and Council for a nominal amount.

10. Budget Figures:

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Chief and Council. These figures have not been audited nor reviewed.

11. Prior Year Adjustment:

During the year ended March 31, 2019 it was identified that the accrual of the audit fee recorded in prior periods did not meet the definition of a liability under PS 1000. As a result, the accrued audit fee has been removed in both the current and prior period and the comparative financial information for the year-ending March 31, 2018 has been adjusted and balances have been restated.

This prior period adjustment results in a reduction of liabilities and an increase in accumulated surplus and net financial assets in the amount of \$6,500.

12. Comparative Figures:

Certain 2018 comparative figures, which were reported on by another firm of Chartered Professional Accountants, have been reclassified to conform with the financial statement presentation adopted for the current year.

KWIAKAH FIRST NATION

Notes to the Financial Statements

March 31, 2019

13. Segment Disclosure:

The Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations. These activities can also be categorized into segments. The following segments have been identified and as such are separately disclosed:

General Administration

General Administration contains activities that are needed to manage and administer the Nation's organization.

Education

Education contains activities that provide education and facilitate educational opportunities to members for primary and secondary schooling and adult vocational training.

Health

Health contains activities that provide health and medical services that with the goal of improving overall individual and community health.

Employment Programs

Employment programs provides services with the goal of increasing opportunities for employment of the members of the Nation.

Economic Development

Economic Development provides services with the intent of increasing the opportunity of economic activities in the Nation's traditional territories.

KWIAKAH FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2019

13. Segment Disclosure (continued):

For the Year Ended March 31, 2019:

	Administration		Education		Health		Employment Programs		Economic Development		2019	2018
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue												
Indigenous Services Canada		119,453	57,542	-	-	-	-	20,800	17,000	28,000	10,000	168,253
84,542												
Kwakiutl District Council	-	-	-	-	-	5,531	-	-	1,300	1,546	6,767	7,077
Provincial	-	-	-	-	-	-	-	-	36,667	36,496	36,667	36,496
Other	-	23,200	-	7,356	15,000	-	-	-	221,897	233,405	236,897	263,961
	119,453	80,742	-	7,356	15,000	5,531	20,800	17,000	287,864	281,447	448,584	392,076
Expenses												
Honorarium	49,200	52,200	-	-	-	-	8,600	-	30,100	9,500	87,900	61,700
Contract Fees	23,500	22,605	-	-	-	-	11,000	11,000	125,750	159,015	160,250	192,620
Amortization	-	-	-	-	-	-	-	-	10,530	7,307	10,530	7,307
Other	66,663	49,138	-	7,356	3,186	2,972	1,200	6,000	31,653	73,931	104,474	139,397
	139,363	123,943	-	7,356	3,186	2,972	20,800	17,000	198,033	249,753	361,382	401,024
Transfers	2,405	-	-	(2,500)	-	-	-	-	95	-	-	-
Annual Surplus (Deficit)	(17,505)	(43,201)	-	(2,500)	11,814	2,559	-	-	89,926	31,694	87,202	(8,948)