

**SKIDEGATE BAND COUNCIL**

**FINANCIAL STATEMENTS**

**MARCH 31, 2014**

**SKIDEGATE BAND COUNCIL**  
**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**  
**YEAR ENDED MARCH 31, 2014**

The accompanying financial statements of the Skidegate Band Council and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include some 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.

The Skidegate Band Council 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 that the Band's assets are appropriately accounted for and adequately safeguarded.

The Band 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 review the Band's financial statements and recommend their approval. The Chief and Council meet 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 annual report, the financial statements and the external auditor's report. The Chief and Council take this information into consideration when approving the financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

The financial statements have been audited by Carlyle Shepherd & Co. in accordance with Canadian generally accepted auditing standards on behalf of the Members. Carlyle Shepherd & Co. has full access to Chief and Council.

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Chief

\_\_\_\_\_  
Councilor

Skidegate BC  
July 17, 2014

**SKIDEGATE BAND COUNCIL  
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**MARCH 31, 2014**

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**INDEPENDENT AUDITOR'S REPORT****TO THE SKIDEGATE BAND COUNCIL****Report on the Financial Statements**

We have audited the accompanying statement of financial position of the Skidegate Band Council as at March 31, 2014 and the statements of financial activities, cash flows and changes in net financial assets and a summary of significant accounting policies.

**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 controls as management determines are necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted the audit in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

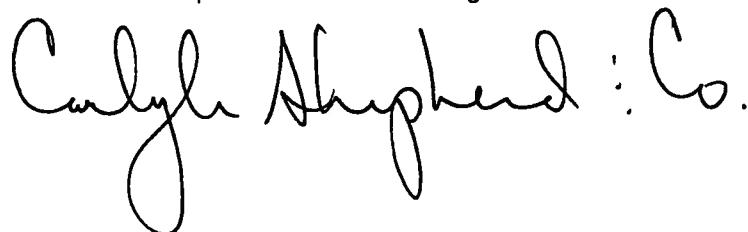
**Basis for Qualified Opinion**

In accordance with the CICA handbook, section PS-3150, First Nation organizations are required to compile a comprehensive listing of all property and equipment owned by the organization. This has not been completed. The impact of this on the statement of financial position only affects property and equipment values and equity in property and equipment. The operating surplus is not impacted by this omission.

**Opinion**

In our opinion, except for the effect of adjustments, if any, which might be required regarding the above condition, these financial statements present fairly, in all material respects, the financial position of the Band as at March 31, 2014 and the results of its operations, cash flows and net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Prince Rupert, BC  
July 17, 2014



SKIDEGATE BAND COUNCIL

STATEMENT OF FINANCIAL POSITION

MARCH 31

	2014	2013
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash		
Unrestricted	2,113,432	1,750,420
Restricted (note 1)	54,356	87,601
Accounts receivable (note 2)	986,214	739,843
Ottawa Trust funds (note 3)	728,190	704,267
	<u>3,882,192</u>	<u>3,282,131</u>
<b>LIABILITIES</b>		
Accounts payable and accruals	990,006	821,583
Replacement reserve (note 4)	54,356	87,601
Long-term debt (note 6)	343,565	390,690
	<u>1,387,927</u>	<u>1,299,874</u>
<b>NET FINANCIAL ASSETS</b>		
	<u>2,494,265</u>	<u>1,982,257</u>
<b>NON-FINANCIAL ASSETS</b>		
Investments (notes 1 and 7)	2,548,593	2,457,689
Prepaid expenses (note 8)	95,409	117,749
Property and equipment (notes 1 and 9)	<u>22,808,249</u>	<u>23,038,168</u>
	<u>25,452,251</u>	<u>25,613,606</u>
	<u>27,946,516</u>	<u>27,595,863</u>
<b>BAND POSITION</b>		
Surplus (note 10)	2,204,841	1,788,939
Equity in Ottawa Trust funds (note 3)	728,190	704,267
Equity in property and equipment (note 11)	22,464,892	22,644,968
Equity in investments (note 7)	<u>2,548,593</u>	<u>2,457,689</u>
	<u>27,946,516</u>	<u>27,595,863</u>
<b>CONTINGENT LIABILITIES (note 5)</b>		

APPROVED ON BEHALF OF COUNCIL

Raymond Councillor  
Wendy Donald Councillor

SKIDEGATE BAND COUNCIL

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	2014	2013
	\$	\$
<b>REVENUE</b>		
AANDC	8,118,703	6,563,339
First Nations Health Authority	2,206,031	2,096,827
Ottawa Trust funds	23,923	38,507
CMHC	23,203	130,107
Investment	15,758	384,824
Parks Canada	293,012	484,678
Rent	671,696	371,134
Other	<u>2,336,382</u>	<u>2,336,446</u>
	<u>13,688,708</u>	<u>12,405,862</u>
 <b>EXPENDITURE</b>		
Administration	1,249,595	1,134,155
Amortization	1,244,419	1,336,660
Capital projects	1,399,336	786,474
Community infrastructure	871,990	805,166
Education	3,415,519	2,917,307
Health	2,303,476	2,472,315
Other	1,064,415	276,677
Parks and recreation	559,234	572,122
Social housing	18,302	49,843
Social services	817,505	916,131
Training	42,600	38,131
Youth	<u>351,664</u>	<u>348,015</u>
	<u>13,338,055</u>	<u>11,652,996</u>
 <b>REVENUE OVER EXPENDITURE</b>	 350,653	 752,866
 <b>OPENING POSITION</b>	 <u>27,595,863</u>	 <u>26,842,997</u>
 <b>CLOSING POSITION</b>	 <u>27,946,516</u>	 <u>27,595,863</u>

**SKIDEGATE BAND COUNCIL**  
**STATEMENT OF CASH FLOWS**

**YEAR ENDED MARCH 31**

	<b>2014</b>	<b>2013</b>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Revenue over expenditure	350,653	752,866
Amortization	1,244,419	1,336,660
Loss on disposal of assets	216,719	-
Accounts payable and accruals	168,423	-587,680
Replacement reserve	-33,245	-345,185
Accounts receivable	-246,371	213,178
Ottawa Trust funds	-23,923	-38,507
Prepaid expenses	<u>22,340</u>	<u>17,043</u>
	<u>1,699,015</u>	<u>1,348,375</u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt	<u>-47,125</u>	<u>-121,933</u>
<b>INVESTING ACTIVITIES</b>		
Investments	-90,904	-384,824
Property and equipment additions	<u>-1,231,219</u>	<u>-84,230</u>
	<u>-1,322,123</u>	<u>-469,054</u>
<b>CHANGE IN CASH</b>		
	329,767	757,388
<b>OPENING CASH BALANCE</b>		
	<u>1,838,021</u>	<u>1,080,633</u>
<b>CLOSING CASH BALANCE</b>		
	<u>2,167,788</u>	<u>1,838,021</u>
<b>Represented by</b>		
Cash		
Unrestricted	2,113,432	1,750,420
Restricted	<u>54,356</u>	<u>87,601</u>
	<u>2,167,788</u>	<u>1,838,021</u>

**SKIDEGATE BAND COUNCIL**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**YEAR ENDED MARCH 31**

	<b>2014</b>	<b>2013</b>
	\$	\$
Revenue over expenditure	350,653	752,866
Amortization	1,244,419	1,336,660
Loss on disposal of assets	216,719	-
Property and equipment additions	-1,231,219	-84,230
Prepaid expenses	22,340	17,043
Investments	<u>-90,904</u>	<u>-384,824</u>
Change in net financial assets	512,008	1,637,515
Opening net financial assets	<u>1,982,257</u>	<u>344,742</u>
Closing net financial assets	<u>2,494,265</u>	<u>1,982,257</u>

## SKIDEGATE BAND COUNCIL

### NOTES

MARCH 31, 2014

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### a) Fund Accounting

These financial statements have been prepared using the fund accounting method and guidelines issued by Aboriginal Affairs and Northern Development Canada which included compliance with Canadian public sector accounting standards.

##### b) Revenue Recognition

Revenue is recorded in the period in which the transactions or events that give rise to the revenue occur. Funding from external parties restricted by agreement or legislation is reported as deferred revenue until used for the purposes specified. Investment revenue is recognized when earned.

##### c) Property and Equipment

Property and equipment purchases with a value greater than \$5,000 are reported on the statement of financial position. Property and equipment are reported at cost and are amortized using the declining balance method at the following annual rates:

Buildings	5%
Infrastructure	5%
Equipment	20%

Social Housing asset purchases under the CMHC sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in the related debt, as required for CMHC reporting purposes.

##### d) Accrual Accounting

Revenue and expenditures are reported in the period which the services are rendered or products received.

##### e) Use Of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from these estimates.

## SKIDEGATE BAND COUNCIL

### NOTES

MARCH 31, 2014

#### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### f) Financial Instruments

It is management's opinion that the Band's financial instruments are not exposed to significant interest rate, liquidity, market or other price risks.

Financial assets and financial liabilities are recorded at market value at the date of acquisition.

##### g) Restricted Cash

The replacement reserve account funds are restricted.

##### h) Budget Information

Budget information is not reported.

##### i) Investments

Investments are reported using the modified equity method.

#### 2. ACCOUNTS RECEIVABLE

Accounts receivable are reported net of a \$965,980 allowance for doubtful accounts (2013 \$781,932).

#### 3. OTTAWA TRUST FUNDS

Aboriginal Affairs and Northern Development Canada (AANDC) holds funds in trust for the Band. These funds are designated as revenue or capital funds as is required by the Indian Act. The Band is permitted to expend its revenue fund for any purpose that will promote the general progress and welfare of the Band and its members. The expenditure of capital funds must be for projects of a capital nature and require the consent of the Minister of AANDC. A summary of activity follows:

	Revenue	Capital	Total
Opening balance	\$ 427,282	\$ 276,985	\$ 704,267
Interest and other	<u>23,923</u>	<u>-</u>	<u>23,923</u>
Closing balance	<u>\$ 451,205</u>	<u>276,985</u>	<u>728,190</u>

## SKIDEGATE BAND COUNCIL

### NOTES

MARCH 31, 2014

#### 4. REPLACEMENT RESERVE

Opening balance	\$ 87,601
Current provision	5,680
Interest	2,728
Withdrawals	<u>-41,653</u>
 Closing balance	 <u>\$ 54,356</u>

A replacement reserve is maintained to provide for future asset replacement and is funded by an annual charge against earnings. The reserve is fully funded and in a separate bank account as specified in an agreement with Canada Mortgage and Housing Corporation.

#### 5. CONTINGENT LIABILITIES

Guarantor of Band member mortgages to \$3,298,699.

Guarantor of related entities loans to \$1,250,000.

#### 6. LONG-TERM DEBT

Royal Bank of Canada, \$3,590/month including interest at 3.31% per annum; secured by a mortgage on specified houses. \$ 274 ,608

Canada Mortgage and Housing Corporation, without specified interest, forgivable over 15 years if the terms of the agreement are met at \$13,791 per annum. 68,957

\$ 343,565

Principal repayment during the next five years is as follows:

2015	\$ 48,302
2016	49,462
2017	50,660
2018	51,900
2019	<u>53,180</u>
	 <u>\$ 253,504</u>

## SKIDEGATE BAND COUNCIL

### NOTES

MARCH 31, 2014

#### 7. INVESTMENTS

Losses are recorded to the extent of the Band's investment. The investment value is nil for Skidegate Bowling Lanes Ltd., Haida Expeditions Ltd., Skidegate Financial Services Ltd. and Taaw Naay Enterprises Ltd.

Investment book values are as follows:

Gwaalagaa Naay Corporation	\$ 2,306,373
Delmas Co-Operative, at cost	6,000
Skidegate Enterprises Limited Partnership	<u>236,220</u>
<u><u>\$ 2,548,593</u></u>	

The Band controls, with 100% ownership, the following entities:

Gwaalagaa Naay Corporation  
Taaw Naay Enterprises Ltd.  
Skidegate Bowling Lanes Ltd.  
Haida Expeditions Ltd.  
Skidegate Financial Services Ltd.  
Skidegate Enterprises Ltd.

The Band has a 70% interest in Skidegate Enterprises Limited Partnership.

Complete financial information for the entities is available to members of the Skidegate Band.

#### 8. PREPAID EXPENSES

	2014	2013
Post secondary allowances	\$ 26,990	\$ 34,720
Social services	52,933	51,499
Employee benefits	9,136	5,886
Deposits and other	<u>6,350</u>	<u>25,644</u>
	<u><u>\$ 95,409</u></u>	<u><u>\$ 117,749</u></u>

**SKIDEGATE BAND COUNCIL**

**NOTES**

**MARCH 31, 2014**

**9. PROPERTY AND EQUIPMENT**

<b>PROPERTY AND EQUIPMENT</b>				<b>ACCUMULATED AMORTIZATION</b>				<b>NET BOOK VALUE</b>		
<b>Opening Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Closing Balance</b>	<b>Opening Balance</b>	<b>Annual Disposals</b>	<b>Closing Balance</b>	<b>2014</b>	<b>2013</b>	<b>\$</b>	
Land	376,212	350,000	114,000	612,212	-	-	612,212	376,212		
Buildings	7,913,334	-	373,705	7,593,629	3,663,840	270,986	221,084	3,613,938	3,925,691	
Infrastructure	35,562,587	807,051	-	36,369,638	17,466,961	-	945,134	18,412,095	17,957,543	
Equipment	2,291,809	74,168	-	2,365,977	1,974,973	-	78,201	2,053,174	312,803	
	<u>46,143,942</u>	<u>1,231,219</u>	<u>487,705</u>	<u>46,887,456</u>	<u>23,105,774</u>	<u>270,986</u>	<u>1,244,419</u>	<u>24,079,207</u>	<u>22,808,249</u>	<u>316,836</u>

## SKIDEGATE BAND COUNCIL

### NOTES

MARCH 31, 2014

#### 10. SURPLUS (DEFICIT)

	2014	2013
Administration	\$ 571,912	\$ 836,794
Capital Projects	124,317	142,806
Community Infrastructure	103,299	968
Education	120,651	-26,417
Health	84,743	40,907
Other	711,047	364,886
Parks and Recreation	23,220	71,533
Social Housing	275,542	248,958
Social Services	37,059	9,718
Training	30,822	21,722
Youth	<u>122,229</u>	<u>77,064</u>
	<u><u>\$ 2,204,841</u></u>	<u><u>\$ 1,788,939</u></u>

#### 11. EQUITY IN PROPERTY AND EQUIPMENT

	2014	2013
Opening balance	\$ 22,644,968	\$ 23,775,464
Contributions from operations	1,231,219	84,230
Loan repayment	47,124	121,934
Amortization	-1,244,419	-1,336,660
Asset disposals	<u>-214,000</u>	<u>-</u>
Closing balance	<u><u>\$ 22,464,892</u></u>	<u><u>\$ 22,644,968</u></u>

#### 12. SEGMENT DISCLOSURE

The presentation by segment is based on the same accounting policies as described in the summary of significant accounting policies as described in note one. The following table presents the expenses incurred and the revenue generated by main object of expense and by major revenue type. The segment results for the year are as follows:

SKIDEGATE BAND COUNCIL  
SEGMENT DISCLOSURE

MARCH 31, 2014

Note 12 (continued)

	Administration	Capital Projects	Community Infrastructure	Education	Health	Other Recreation	Parks and Housing	Social Services	Social Training	Youth	Amortization	Total 2014	Total 2013
<b>REVENUE</b>													
Government of Canada	791,768	2,235,552	743,356	3,257,227	2,052,481	184,220	365,874	23,203	830,716	-	146,552	-	10,540,949
Rental and sales	-	131,479	-	-	-	40,696	-	54,960	-	-	-	-	227,135
Province of BC	-	-	-	-	-	-	-	-	-	-	-	-	371,134
UBC	-	-	-	-	-	-	-	-	-	-	-	-	31,990
Wood Lot	-	-	-	-	47,006	-	-	-	-	-	-	-	47,006
Other	195,321	125,227	230,965	307,205	237,825	997,621	185,894	139,024	56	50,215	51,700	252,585	-
	<u>987,089</u>	<u>2,492,258</u>	<u>974,321</u>	<u>3,564,432</u>	<u>2,347,312</u>	<u>1,408,431</u>	<u>504,898</u>	<u>78,219</u>	<u>880,931</u>	<u>51,700</u>	<u>399,117</u>	<u>-</u>	<u>13,688,708</u>
<b>EXPENDITURE</b>													
Administration	-	7,499	-	1,700	263,116	1,269	43,952	-	-	-	17,944	-	335,480
Advances to Band entities	-	-	-	-	-	117,564	-	-	-	-	-	-	117,564
Amortization	-	-	-	-	-	-	-	-	-	-	-	-	195,203
Contract services	57,802	907,120	205,035	87,392	214,118	691,619	45,399	-	12,469	-	3,150	1,244,419	1,244,419
Council operations	374,945	-	-	-	-	-	-	-	-	-	-	-	2,224,102
Insurance	52,899	-	32,199	3,403	13,819	350	4,659	-	1,818	-	-	-	374,945
Maintenance and repairs	15,824	-	70,712	-	49,741	8,514	-	2,080	-	-	-	-	109,147
Materials and supplies	57,889	356,864	171,815	31,537	101,263	45,094	108,443	-	9,382	-	-	-	146,871
Office and other	369,344	13,761	-	42,908	48,000	11,785	15,388	-	-	12,000	-	-	703,629
Professional services	97,019	105,514	-	-	7,500	2,365	-	834	-	1,500	-	-	513,186
Program allowances	-	-	3,072,807	764,377	-	-	-	-	638,145	-	-	-	214,732
Recovery	-	-	-	-	-	-	-	-	-	-	-	-	4,475,329
Telephone and utilities	27,589	-	98,356	5,591	24,722	23,022	25,440	-	2,507	-	2,561	-	78,801
Travel and training	41,540	8,578	1,935	34,110	50,562	1,151	6,382	-	4,858	-	211	-	209,788
Wages and benefits	154,744	-	281,938	178,979	771,352	125,467	313,174	-	148,326	42,600	269,641	-	149,327
	<u>1,249,595</u>	<u>1,399,336</u>	<u>871,990</u>	<u>3,415,519</u>	<u>2,303,476</u>	<u>1,084,415</u>	<u>559,234</u>	<u>18,302</u>	<u>817,505</u>	<u>42,600</u>	<u>351,664</u>	<u>1,244,419</u>	<u>13,338,055</u>
<b>REVENUE OVER EXPENDITURE</b>													
TRANSFERS	112,451	-154,569	-	-1,845	-	76,313	6,023	-	-36,085	-	-2,288	-	-
ANNUAL SURPLUS (DEFICIT)	-150,055	938,353	102,331	148,913	43,836	344,016	-54,338	59,917	63,428	9,100	47,453	-1,244,419	350,553
	<u>102,331</u>	<u>147,088</u>	<u>43,836</u>	<u>420,329</u>	<u>-48,313</u>	<u>59,917</u>	<u>27,341</u>	<u>9,100</u>	<u>45,165</u>	<u>-1,244,419</u>	<u>350,553</u>	<u>752,866</u>	