

SKIDEGATE BAND COUNCIL

FINANCIAL STATEMENTS

MARCH 31, 2015

SKIDEGATE BAND COUNCIL
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MARCH 31, 2015

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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, 2015 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.

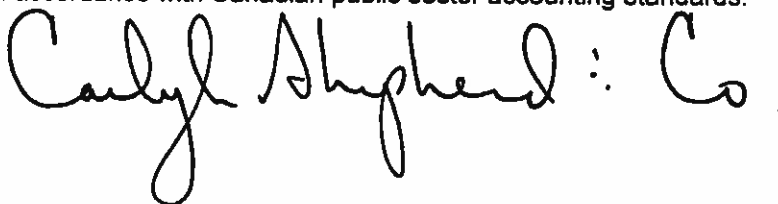
Basis for Qualified Opinion

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, 2015 and the results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.



Prince Rupert, BC
June 13, 2015



SKIDEGATE BAND COUNCIL
STATEMENT OF FINANCIAL POSITION
MARCH 31

	2015	2014
	\$	\$
FINANCIAL ASSETS		
Cash (note 1)	4,181,876	2,167,788
Accounts receivable (note 2)	1,032,475	986,214
Ottawa Trust funds (note 3)	<u>749,949</u>	<u>728,190</u>
	<u>5,964,300</u>	<u>3,882,192</u>
LIABILITIES		
Accounts payable and accruals (note 4)	2,123,834	990,006
Replacement reserve (note 5)	46,036	54,356
Long-term debt (note 8)	<u>295,240</u>	<u>343,565</u>
	<u>2,465,110</u>	<u>1,387,927</u>
NET FINANCIAL ASSETS	<u>3,499,190</u>	<u>2,494,265</u>
NON-FINANCIAL ASSETS		
Investments (notes 1 and 9)	2,357,749	2,548,593
Prepaid expenses (note 6)	80,909	95,409
Property and equipment (notes 1 and 10)	<u>22,183,253</u>	<u>22,808,249</u>
	<u>24,621,911</u>	<u>25,452,251</u>
	<u>28,121,101</u>	<u>27,946,516</u>
BAND POSITION		
Surplus (note 11)	3,125,182	2,204,841
Equity in Ottawa Trust funds (note 3)	749,949	728,190
Equity in property and equipment (note 12)	21,888,221	22,464,892
Equity in investments (note 8)	<u>2,357,749</u>	<u>2,548,593</u>
	<u>28,121,101</u>	<u>27,946,516</u>
CONTINGENT LIABILITIES (note 7)		

APPROVED ON BEHALF OF COUNCIL

 Councillor
 Councillor

SKIDEGATE BAND COUNCIL

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	Budget	2015	2014
	\$	\$	\$
REVENUE			
AANDC	7,794,481	7,794,481	8,118,703
First Nations Health Authority	2,817,021	2,819,574	2,206,031
Ottawa Trust funds	21,759	21,759	23,923
CMHC	110,203	113,208	23,203
Parks Canada	375,000	383,000	293,012
Other	2,734,026	2,575,692	3,023,836
	<u>13,852,490</u>	<u>13,707,714</u>	<u>13,688,708</u>
EXPENDITURE			
Administration	1,593,160	1,451,610	1,249,595
Amortization	1,214,344	1,214,344	1,244,419
Capital projects	1,387,002	1,394,588	1,399,336
Community infrastructure	900,000	890,732	871,990
Education	3,257,475	3,269,868	3,415,519
Health	2,427,340	2,596,108	2,303,476
Other	708,128	712,582	1,064,415
Parks and recreation	601,500	599,655	559,234
Social housing	22,220	19,834	18,302
Social services	936,375	1,001,960	817,505
Training	18,000	36,855	42,600
Youth	348,000	344,993	351,664
	<u>13,413,544</u>	<u>13,533,129</u>	<u>13,338,055</u>
REVENUE OVER EXPENDITURE	438,946	174,585	350,653
OPENING POSITION	<u>27,946,516</u>	<u>27,946,516</u>	<u>27,595,863</u>
CLOSING POSITION	<u>28,385,462</u>	<u>28,121,101</u>	<u>27,946,516</u>

SKIDEGATE BAND COUNCIL

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2015	2014
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	174,585	350,653
Amortization	1,214,344	1,244,419
Loss on disposal of assets	-	216,719
Accounts payable and accruals	1,133,828	168,423
Replacement reserve	-8,320	-33,245
Accounts receivable	-46,261	-246,371
Ottawa Trust funds	-21,759	-23,923
Prepaid expenses	14,499	22,340
	<u>2,460,916</u>	<u>1,699,015</u>
FINANCING ACTIVITIES		
Long-term debt	<u>-48,325</u>	<u>-47,125</u>
INVESTING ACTIVITIES		
Investments	190,844	-90,904
Property and equipment additions	<u>-589,347</u>	<u>-1,231,219</u>
	<u>-398,503</u>	<u>-1,322,123</u>
CHANGE IN CASH	2,014,088	329,767
OPENING CASH BALANCE	<u>2,167,788</u>	<u>1,838,021</u>
CLOSING CASH BALANCE	<u>4,181,876</u>	<u>2,167,788</u>
Represented by :		
Cash		
Unrestricted	4,135,840	2,113,432
Restricted	<u>46,036</u>	<u>54,356</u>
	<u>4,181,876</u>	<u>2,167,788</u>

SKIDEGATE BAND COUNCIL

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEAR ENDED MARCH 31

	Budget	2015	2014
	\$	\$	\$
Revenue over expenditure	438,946	174,585	350,653
Amortization	1,214,344	1,214,344	1,244,419
Loss on disposal of assets	-	-	216,719
Property and equipment additions	-600,000	-589,347	-1,231,219
Prepaid expenses	15,000	14,499	22,340
Investments	<u>-45,376</u>	<u>190,844</u>	<u>-90,904</u>
Change in net financial assets	1,022,914	1,004,925	512,008
Opening net financial assets	<u>2,494,265</u>	<u>2,494,265</u>	<u>1,982,257</u>
Closing net financial assets	<u>3,517,179</u>	<u>3,499,190</u>	<u>2,494,265</u>

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2015

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 includes 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, 2015

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 liabilities are recorded at market value at the date of acquisition.

g) Restricted Cash

The replacement reserve account funds are restricted.

h) Investments

Investments are reported using the modified equity method.

2. ACCOUNTS RECEIVABLE

	2015	2014
AANDC	\$ 290,787	\$ 203,283
Receiver General	59,872	35,949
Other funding sources	434,676	641,031
Local	883,099	880,263
Other	<u>217,810</u>	<u>191,668</u>
	1,886,244	1,952,194
Allowance for doubtful accounts	<u>853,769</u>	<u>965,980</u>
	<u>\$ 1,032,475</u>	<u>\$ 986,214</u>

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	\$ 451,205	\$ 276,985	\$ 728,190
Interest and other	<u>21,759</u>	<u>-</u>	<u>21,759</u>
Closing balance	<u>\$ 472,964</u>	<u>\$ 276,985</u>	<u>\$ 749,949</u>

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2015

4. ACCOUNTS PAYABLE AND ACCRUALS

	2015	2014
Trade accounts	\$ 1,752,454	\$ 681,420
Receiver General	14,292	9,396
Wages and Benefits	<u>357,088</u>	<u>299,190</u>
	<u>\$ 2,123,834</u>	<u>\$ 990,006</u>

5. REPLACEMENT RESERVE

Opening balance	\$ 54,356
Current provision	5,680
Interest	1,279
Withdrawals	<u>-15,279</u>
Closing balance	<u>\$ 46,036</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.

6. PREPAID EXPENSES

	2015	2014
Post-secondary allowances	\$ 33,873	\$ 26,990
Social services	43,259	52,933
Employee benefits	-	9,136
Deposits and other	<u>3,777</u>	<u>6,350</u>
	<u>\$ 80,909</u>	<u>\$ 95,409</u>

7. CONTINGENT LIABILITIES

Guarantor of Band member mortgages to \$4,050,309.

Guarantor of related entities loans to \$1,400,000.

SKIDEGATE BAND COUNCIL

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MARCH 31, 2015

8. LONG-TERM DEBT

Royal Bank of Canada, \$3,590/month including interest at 3.31% per annum; secured by a mortgage on specified houses. \$ 240,075

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. 55,165
\$ 295,240

Principal repayment during the next five years is as follows:

2016	\$ 49,462
2017	50,661
2018	51,900
2019	53,182
2020	<u>40,714</u>
	<u>\$ 245,919</u>

9. INVESTMENTS

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

Investment book values are as follows:

Gwaalagaa Naay Corporation	\$ 2,351,749
Delmas Co-Operative, at cost	<u>6,000</u>
	<u>\$ 2,357,749</u>

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

Gwaalagaa Naay Corporation
Taaw Naay Enterprises Ltd.
Haida Expeditions Ltd.
Skidegate Enterprises Ltd. – general partner inactive

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

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2015

9. INVESTMENTS (continued)

Summary of active company financial information is as follows:

	Gwaalagaa Naay Corporation	Taaw Naay Enterprises Ltd.	Haida Expeditions Ltd.	Skidegate Enterprises Ltd.
	\$	\$	\$	\$
ASSETS				
Current	356,469	313,283	13,162	2,112,910
Property and equipment	1,391,576	406,389	46,104	882,355
Other	<u>698,130</u>	<u>-</u>	<u>-</u>	<u>2,625</u>
	<u>2,446,175</u>	<u>719,672</u>	<u>59,266</u>	<u>2,997,890</u>
LIABILITIES				
Current	-	-	7,570	1,169,572
Accounts payable	94,426	66,285	-	-
Due to affiliated companies	-	698,129	-	1,824,795
Deferred grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,166</u>
	<u>94,426</u>	<u>764,414</u>	<u>7,570</u>	<u>3,298,533</u>
INCOME	626,415	3,272,006	39,324	1,217,721
EXPENSES	<u>581,039</u>	<u>3,279,456</u>	<u>45,113</u>	<u>1,855,821</u>
NET INCOME (LOSS)	<u>45,376</u>	<u>-7,450</u>	<u>-5,789</u>	<u>-638,100</u>

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

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2015

10. PROPERTY AND EQUIPMENT

	PROPERTY AND EQUIPMENT			ACCUMULATED AMORTIZATION			NET BOOK VALUE	
	Opening Balance	Additions	Closing Balance	Opening Balance	Annual Amortization	Closing Balance	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
Land	612,212	8,500	620,712	-	-	-	620,712	612,212
Buildings	7,539,630	-	7,539,630	3,613,938	213,587	3,827,525	3,712,104	3,925,691
Infrastructure	36,369,638	505,672	36,875,310	18,412,095	923,161	19,335,256	17,540,054	17,957,543
Equipment	2,365,978	75,175	2,441,153	2,053,174	77,596	2,130,770	310,383	312,803
	46,887,458	589,347	47,476,805	24,079,207	1,214,344	25,293,551	22,183,253	22,808,249

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2015

11. SURPLUS (DEFICIT)

	2015	2014
Administration	\$ 698,824	\$ 807,731
Capital Projects	386,877	124,317
Community Infrastructure	294,176	103,299
Education	41,975	120,651
Health	371,500	84,743
Other	1,019,448	711,047
Parks and Recreation	50,016	23,220
Social Housing	63,351	39,723
Social Services	-18,450	37,059
Training	5,995	30,822
Youth	211,470	122,229
	<u>\$ 3,125,182</u>	<u>\$ 2,204,841</u>

12. EQUITY IN PROPERTY AND EQUIPMENT

	2015	2014
Opening balance	\$ 22,464,892	\$ 22,644,968
Contributions from operations	589,347	1,231,219
Loan repayment	48,326	47,124
Amortization	-1,214,344	-1,244,419
Asset disposals	-	-214,000
	<u>\$ 21,888,221</u>	<u>\$ 22,464,892</u>

13. 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:

SKIDGATE BAND COUNCIL

NOTES

MARCH 31, 2015

13. SEGMENT DISCLOSURE (continued)

	Budget	Administration	Capital Projects	Community Infrastructure	Education	Health	Other Recreation	Parks and Recreation	Social Housing	Social Services	Training	Youth	Amortization	Total 2015	Total 2014
REVENUE	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Government of Canada	11,098,705	931,721	1,677,047	833,297	2,954,568	2,668,021	493,707	496,730	23,203	880,416	-	151,553	-	11,110,283	10,640,849
Province of BC	110,000	-	-	-	-	-	-	-	-	-	-	106,868	-	-	-
UBC	-	-	-	-	-	-	-	-	-	-	-	-	-	106,868	-
Wood Lot	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	2,645,785	1,147,659	341,813	122,229	256,363	214,844	243,418	124,582	54,794	74,946	-	146,156	-	-	47,008
	<u>13,852,490</u>	<u>2,079,379</u>	<u>2,018,860</u>	<u>955,526</u>	<u>3,210,931</u>	<u>2,882,865</u>	<u>737,125</u>	<u>621,312</u>	<u>77,997</u>	<u>955,362</u>	-	<u>404,577</u>	-	<u>2,490,583</u>	<u>2,003,132</u>
EXPENDITURE														<u>13,707,714</u>	<u>13,688,708</u>
Administration	262,484	-	2,250	-	-	217,324	-	44,407	1,837	654	-	20,834	-	287,306	335,480
Advances to Band entities	540,000	114,182	-	-	-	-	358,717	-	-	-	-	-	-	472,899	117,564
Amortization	1,214,344	-	-	-	-	-	-	-	-	-	-	-	1,214,344	1,214,344	1,244,419
Contract services	3,998,165	68,337	853,269	167,888	125,814	296,730	186,394	3,449	98	6,577	-	11,260	-	1,719,816	2,224,102
Council operations	450,000	462,179	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	131,000	12,124	-	47,279	2,442	14,171	4,479	7,659	2,502	1,932	-	-	-	482,179	374,945
Maintenance and repairs	135,500	126,254	-	72,785	-	26,357	2,412	14,468	170	-	-	104	-	92,682	109,147
Materials and supplies	1,003,356	102,852	479,726	192,648	39,478	120,830	74,661	102,242	-	17,053	-	49,631	-	242,456	146,871
Office and other	346,729	93,638	-	-	6,880	48,421	-	7,452	14,227	-	-	12,000	-	1,179,121	926,844
Professional services	100,500	100,783	-	-	-	-	-	-	-	-	-	-	-	182,598	513,186
Program allowances	2,044,475	-	-	-	2,766,561	775,280	-	-	1,000	-	-	-	-	101,783	214,732
Recovery	-	-	-	-	-	-	-	-	-	629,643	-	-	-	4,171,464	4,475,329
Telephone and utilities	241,500	40,632	-	102,866	10,620	73,663	14,016	28,707	-	111,598	-	-	-	111,598	-
Travel and training	273,800	49,808	12,147	16,355	129,630	73,753	1,062	53,732	-	3,682	-	5,788	-	279,984	208,768
Wages and benefits	2,671,691	280,821	47,196	290,901	188,463	949,599	70,841	337,539	-	131	-	1,039	-	337,857	149,327
	<u>13,413,544</u>	<u>1,451,610</u>	<u>1,394,588</u>	<u>890,732</u>	<u>3,269,868</u>	<u>2,596,108</u>	<u>712,582</u>	<u>599,655</u>	<u>19,834</u>	<u>1,001,960</u>	<u>36,855</u>	<u>344,993</u>	<u>1,214,344</u>	<u>2,677,232</u>	<u>2,296,221</u>
REVENUE OVER EXPENDITURE	438,946	627,769	624,272	64,794	-58,937	286,757	24,543	21,657	58,163	-46,598	-36,855	59,584	-1,214,344	174,585	350,653
TRANSFERS	-	-602,901	174,786	128,083	-19,739	-	283,858	5,139	-	-8,911	12,028	29,657	-	-	-
ANNUAL SURPLUS (DEFICIT)	438,946	24,868	799,058	190,877	-78,676	286,757	308,401	26,796	58,163	-55,509	-24,827	89,241	-1,214,344	174,585	350,653

SKIDEGATE BAND COUNCIL

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

YEAR ENDED MARCH 31, 2015

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.


Chief


Councilor