

**SKIDEGATE BAND COUNCIL**

**FINANCIAL STATEMENTS**

**MARCH 31, 2016**

**SKIDEGATE BAND COUNCIL**  
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**MARCH 31, 2016**

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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, 2016 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, 2016 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.

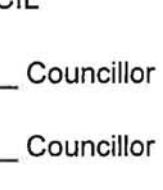
Prince Rupert, BC  
June 28, 2016

*Carlyle Shepherd & Co.*

## SKIDEGATE BAND COUNCIL

## STATEMENT OF FINANCIAL POSITION

MARCH 31

	2016	2015
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash (note 1)	3,541,374	4,181,876
Accounts receivable (note 2)	982,268	1,032,475
Ottawa Trust funds (note 3)	<u>781,987</u>	<u>749,949</u>
	<u>5,305,629</u>	<u>5,964,300</u>
<b>LIABILITIES</b>		
Accounts payable and accruals (note 4)	2,083,673	2,123,834
Replacement reserve (note 5)	52,616	46,036
Long-term debt (note 8)	<u>245,780</u>	<u>295,240</u>
	<u>2,382,069</u>	<u>2,465,110</u>
<b>NET FINANCIAL ASSETS</b>		
	<u>2,923,560</u>	<u>3,499,190</u>
<b>NON-FINANCIAL ASSETS</b>		
Investments (notes 1 and 9)	2,266,442	2,357,749
Prepaid expenses (note 6)	89,032	80,909
Property and equipment (notes 1 and 10)	<u>22,051,631</u>	<u>22,183,253</u>
	<u>24,407,105</u>	<u>24,621,911</u>
	<u>27,330,665</u>	<u>28,121,101</u>
<b>BAND POSITION</b>		
Surplus (note 11)	2,476,177	3,125,182
Equity in Ottawa Trust funds (note 3)	781,987	749,949
Equity in property and equipment (note 12)	21,806,059	21,888,221
Equity in investments (note 9)	<u>2,266,442</u>	<u>2,357,749</u>
	<u>27,330,665</u>	<u>28,121,101</u>
<b>CONTINGENT LIABILITIES (note 7)</b>		
APPROVED ON BEHALF OF COUNCIL		
		Councillor
		Councillor

SKIDEgate BAND COUNCIL

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	Budget	2016	2015
	\$	\$	\$
<b>REVENUE</b>			
INAC	9,480,753	9,372,480	7,794,481
First Nations Health Authority	3,092,500	3,083,603	2,819,574
Ottawa Trust funds	30,000	32,038	21,759
CMHC	23,203	23,203	113,208
Parks Canada	390,000	399,466	383,000
Other	<u>2,017,000</u>	<u>1,756,129</u>	<u>2,575,692</u>
	<u>15,033,456</u>	<u>14,666,919</u>	<u>13,707,714</u>
<b>EXPENDITURE</b>			
Administration	1,442,300	1,465,677	1,451,610
Amortization	1,200,000	1,234,996	1,214,344
Capital projects	2,065,144	1,919,998	1,394,588
Community infrastructure	1,038,260	1,094,417	890,732
Education	3,777,500	3,774,137	3,269,868
Health	3,255,485	3,498,798	2,596,108
Other	596,848	585,937	712,582
Parks and recreation	600,000	617,843	599,655
Social housing	21,980	24,803	19,834
Social services	775,000	760,662	1,001,960
Training	55,000	40,812	36,855
Youth	<u>418,000</u>	<u>439,275</u>	<u>344,993</u>
	<u>15,245,517</u>	<u>15,457,355</u>	<u>13,533,129</u>
<b>REVENUE OVER EXPENDITURE</b>	<b>-212,061</b>	<b>-790,436</b>	<b>174,585</b>
<b>OPENING POSITION</b>	<u>28,121,101</u>	<u>28,121,101</u>	<u>27,946,516</u>
<b>CLOSING POSITION</b>	<u>27,909,040</u>	<u>27,330,665</u>	<u>28,121,101</u>

## SKIDEGATE BAND COUNCIL

## STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2016	2015
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Revenue over expenditure	-790,436	174,585
Amortization	1,234,996	1,214,344
Accounts payable and accruals	-40,161	1,133,828
Replacement reserve	6,580	-8,320
Accounts receivable	50,207	-46,261
Ottawa Trust funds	-32,038	-21,759
Investments	91,307	190,844
Prepaid expenses	<u>-8,123</u>	<u>14,499</u>
	<u>512,332</u>	<u>2,651,760</u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt	<u>-49,460</u>	<u>-48,325</u>
<b>INVESTING ACTIVITIES</b>		
Property and equipment additions	<u>-1,103,374</u>	<u>-589,347</u>
<b>CHANGE IN CASH</b>		
	-640,502	2,014,088
<b>OPENING CASH BALANCE</b>	<u>4,181,876</u>	<u>2,167,788</u>
<b>CLOSING CASH BALANCE</b>	<u>3,541,374</u>	<u>4,181,876</u>
<b>Represented by :</b>		
Cash		
Unrestricted	3,488,758	4,135,840
Restricted	<u>52,616</u>	<u>46,036</u>
	<u>3,541,374</u>	<u>4,181,876</u>

SKIDEGATE BAND COUNCIL

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEAR ENDED MARCH 31

	Budget	2016	2015
	\$	\$	\$
Revenue over expenditure	-212,061	-790,436	174,585
Amortization	1,200,000	1,234,996	1,214,344
Property and equipment additions	-1,200,000	-1,103,374	-589,347
Prepaid expenses	-10,000	-8,123	14,499
Investments	-	91,307	190,844
Change in net financial assets	-222,061	-575,630	1,004,925
Opening net financial assets	<u>3,499,190</u>	<u>3,499,190</u>	<u>2,494,265</u>
Closing net financial assets	<u>3,277,129</u>	<u>2,923,560</u>	<u>3,499,190</u>

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2016

**1. SIGNIFICANT ACCOUNTING POLICIES**

a) Fund Accounting

These financial statements have been prepared using the fund accounting method and guidelines issued by Indigenous and Northern Affairs Canada (INAC) 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, 2016

**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**

	2016	2015
INAC	\$ 143,374	\$ 290,787
Receiver General	59,524	59,872
Other funding sources	741,296	652,486
Local	901,096	883,099
	<hr/> 1,845,290	<hr/> 1,886,244
Allowance for doubtful accounts	863,022	853,769
	<hr/> \$ 982,268	<hr/> \$ 1,032,475

**3. OTTAWA TRUST FUNDS**

Indigenous and Northern Affairs Canada (INAC) 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 INAC. A summary of activity follows:

	Revenue	Capital	Total
Opening balance	\$ 472,964	\$ 276,985	\$ 749,949
Interest and other	32,038	-	32,038
Closing balance	<hr/> \$ 505,002	<hr/> \$ 276,985	<hr/> \$ 781,987

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2016

**4. ACCOUNTS PAYABLE AND ACCRUALS**

	2016	2015
Trade accounts	\$ 1,557,520	\$ 1,752,454
Receiver General	17,607	14,292
Wages and Benefits	<u>508,546</u>	<u>357,088</u>
	<u><u>\$ 2,083,673</u></u>	<u><u>\$ 2,123,834</u></u>

**5. REPLACEMENT RESERVE**

Opening balance	\$ 46,036
Current provision	5,680
Interest	<u>900</u>
Closing balance	<u><u>\$ 52,616</u></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**

	2016	2015
Post-secondary allowances	\$ 32,369	\$ 33,873
Social services	39,193	43,259
Deposits and other	<u>17,470</u>	<u>3,777</u>
	<u><u>\$ 89,032</u></u>	<u><u>\$ 80,909</u></u>

**7. CONTINGENT LIABILITIES**

Guarantor of Band member mortgages to \$3,933,777.

Guarantor of related entities loans to \$1,350,000.

SKIDEGATE BAND COUNCIL

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MARCH 31, 2016

**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.	\$ 204,406
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.	<u>41,374</u>
	<u>\$ 245,780</u>

Principal repayment during the next five years is as follows:

2017	\$ 50,661
2018	51,900
2019	53,182
2020	40,714
2021	<u>42,082</u>
	<u>\$ 238,539</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	\$ 2,260,442
Delmas Co-operative, at cost	<u>6,000</u>
	<u>\$ 2,266,442</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, 2016

**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.
	\$	\$	\$	\$
<b>ASSETS</b>				
Current	295,673	265,462	14,472	735,036
Property and equipment	1,343,926	484,030	39,018	740,451
Other	<u>720,056</u>	<u>—</u>	<u>—</u>	<u>2,625</u>
	<u>2,359,655</u>	<u>749,492</u>	<u>53,490</u>	<u>1,478,112</u>
<b>LIABILITIES</b>				
Current	<u>99,213</u>	<u>105,883</u>	<u>1,713</u>	<u>316,828</u>
Non-current	<u>—</u>	<u>720,055</u>	<u>—</u>	<u>1,768,238</u>
<b>Equity (Deficit)</b>	<u>2,260,442</u>	<u>-76,446</u>	<u>51,777</u>	<u>-606,954</u>
<b>INCOME</b>	479,660	3,167,668	61,915	2,186,911
<b>EXPENSES</b>	<u>570,967</u>	<u>3,199,372</u>	<u>61,834</u>	<u>2,493,222</u>
<b>NET INCOME (LOSS)</b>	<u>-91,307</u>	<u>-31,704</u>	<u>81</u>	<u>-306,311</u>

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

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2016

**10. PROPERTY AND EQUIPMENT**

	PROPERTY AND EQUIPMENT			ACCUMULATED AMORTIZATION			NET BOOK VALUE		
	Opening Balance	Additions	Disposals	Closing Balance	Annual Amortization	Disposals	Closing Balance	2016	2015
Land	\$ 620,712	-	-	620,712	-	-	-	620,712	620,712
Buildings	7,539,630	-	-	7,539,630	3,827,525	160,566	-	3,988,092	3,551,538
Infrastructure	36,875,310	913,478	-	37,788,788	19,335,256	922,677	-	20,257,933	17,530,855
Equipment	<u>2,441,153</u>	<u>189,896</u>	<u>1,252,037</u>	<u>1,379,012</u>	<u>2,130,770</u>	<u>151,753</u>	<u>1,252,037</u>	<u>1,030,486</u>	<u>17,540,054</u>
	<u>47,476,805</u>	<u>1,103,374</u>	<u>1,252,037</u>	<u>47,328,142</u>	<u>25,293,551</u>	<u>1,234,996</u>	<u>1,252,037</u>	<u>25,276,511</u>	<u>22,051,631</u>
									<u>22,183,253</u>
									<u>310,383</u>

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2016

**11. SURPLUS (DEFICIT)**

	2016	2015
Administration	\$ 205,477	\$ 698,824
Capital Projects	822,024	386,877
Community Infrastructure	267,986	294,176
Education	8,072	41,975
Health	-85,011	371,500
Other	876,140	1,019,448
Parks and Recreation	55,780	50,016
Social Housing	83,057	63,351
Social Services	280	-18,450
Training	20,183	5,995
Youth	<u>222,189</u>	<u>211,470</u>
	<u><u>\$ 2,476,177</u></u>	<u><u>\$ 3,125,182</u></u>

**12. EQUITY IN PROPERTY AND EQUIPMENT**

	2016	2015
Opening balance	\$ 21,888,221	\$ 22,464,892
Contributions from operations	1,103,374	589,347
Loan repayment	49,460	48,326
Amortization	<u>-1,234,996</u>	<u>-1,214,344</u>
Closing balance	<u><u>\$ 21,806,059</u></u>	<u><u>\$ 21,888,221</u></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:

SKIDEGATE BAND COUNCIL

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MARCH 31, 2016

13. SEGMENT DISCLOSURE (continued)

	Budget	Administration	Capital Projects	Community Infrastructure	Education	Health	Other	Parks and Recreation	Social Housing	Social Services	Training	Youth	Amortization	Total 2016	Total 2015
<b>REVENUE</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Government of Canada	12,573,253	754,345	3,072,461	1,046,920	3,427,356	2,923,715	199,735	509,466	23,203	711,663	-	209,888	-	12,878,752	11,110,263
Province of British Columbia	107,000	136,531	474,800	35,060	252,582	118,572	234,410	89,641	56,975	54,084	-	103,514	-	103,514	106,868
Other	2,253,203											164,897	-	1,684,653	2,490,583
	<b>15,033,456</b>	<b>892,576</b>	<b>3,547,261</b>	<b>1,081,980</b>	<b>3,669,939</b>	<b>3,042,287</b>	<b>434,145</b>	<b>539,107</b>	<b>80,178</b>	<b>765,747</b>	<b>55,000</b>	<b>478,299</b>	<b>-</b>	<b>14,666,919</b>	<b>13,707,714</b>
<b>EXPENDITURE</b>															
Administration	240,700	-	-	-	-	-	-	173,625	-	44,407	1,670	-	-	219,702	287,306
Advances to Band entities	120,000	-	-	-	-	-	-	119,412	-	-	-	-	-	119,412	472,899
Amortization	1,200,000	5,854,904	181,784	1,720,926	335,352	178,429	365,038	240,682	4,834	-	-	7,982	-	1,234,996	1,214,344
Contract services	425,000	418,866	-	-	-	-	-	-	-	-	-	-	-	3,054,118	1,719,816
Council operations	-	-	-	-	-	-	-	-	-	-	-	-	-	418,866	462,179
Insurance	89,000	14,049	128,852	42,352	11,110	1,794	13,093	50,521	4,613	7,708	3,265	1,463	-	87,738	92,692
Maintenance and repairs	73,000	62,565	222,362	268,962	40,902	321,028	1,485	128,687	-	5,746	-	-	-	214,891	242,456
Materials and supplies	1,114,848	299,780	76,600	8,202	7,688	99,914	77,968	43,940	-	14,530	-	-	-	890,764	1,179,121
Office and other	76,600	72,962	-	-	-	-	-	9,600	-	1,000	-	-	-	485,196	182,598
Professional services	1,968,600	-	-	-	-	-	-	3,243,856	857,244	-	-	-	-	85,362	101,783
Program allowances	86,885	-	-	-	-	-	-	-	-	-	-	-	-	4,632,344	4,171,464
Recovery	274,500	40,709	1,512	109,008	13,060	65,890	5,743	26,990	-	4,805	-	-	-	111,598	-
Telephone and utilities	280,500	45,137	13,984	6,236	57,388	145,389	1,254	30,342	-	7,221	-	-	-	281,931	279,984
Travel and training	3,141,300	390,826	54,724	313,195	231,020	1,397,456	134,780	330,935	-	193,447	40,812	317,379	-	327,461	337,657
Wages and benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	3,404,574	2,677,232
	<b>15,245,517</b>	<b>1,465,677</b>	<b>1,919,998</b>	<b>1,094,417</b>	<b>3,774,137</b>	<b>3,498,798</b>	<b>585,937</b>	<b>617,843</b>	<b>24,803</b>	<b>760,662</b>	<b>40,812</b>	<b>439,275</b>	<b>-</b>	<b>15,457,355</b>	<b>13,533,129</b>
<b>REVENUE OVER EXPENDITURE</b>	<b>-212,061</b>	<b>-572,701</b>	<b>1,627,263</b>	<b>-12,437</b>	<b>-84,198</b>	<b>-456,511</b>	<b>-151,792</b>	<b>-18,736</b>	<b>55,375</b>	<b>5,085</b>	<b>14,188</b>	<b>39,024</b>	<b>-1,234,996</b>	<b>-790,436</b>	<b>174,585</b>
<b>TRANSFERS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>-212,061</b>	<b>-543,231</b>	<b>1,510,913</b>	<b>-18,540</b>	<b>-33,903</b>	<b>-456,511</b>	<b>-143,308</b>	<b>5,764</b>	<b>55,375</b>	<b>18,730</b>	<b>14,188</b>	<b>35,083</b>	<b>-1,234,996</b>	<b>-790,436</b>	<b>174,585</b>

**SKIDEGATE BAND COUNCIL**  
**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**  
**YEAR ENDED MARCH 31, 2016**

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

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Councilor