

SKIDEGATE BAND COUNCIL

FINANCIAL STATEMENTS

MARCH 31, 2018

SKIDEGATE BAND COUNCIL
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SKIDEGATE BAND COUNCIL

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

YEAR ENDED MARCH 31, 2018

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

Councillor



**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, 2018 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, 2018 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.

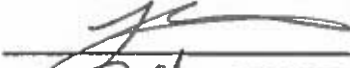

Prince Rupert, BC
July 23, 2018

SKIDEGATE BAND COUNCIL
STATEMENT OF FINANCIAL POSITION

MARCH 31

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash (note 1)	5,535,848	5,784,038
Accounts receivable (note 2)	1,019,622	1,378,285
Ottawa Trust funds (note 3)	<u>835,900</u>	<u>807,408</u>
	<u>7,391,370</u>	<u>7,969,731</u>
LIABILITIES		
Accounts payable and accruals (note 4)	1,553,344	1,533,752
Replacement reserve (note 5)	124,103	104,677
Subsidy surplus reserve (note 6)	5,000	5,000
Long-term debt (note 9)	<u>317,053</u>	<u>194,412</u>
	<u>1,999,500</u>	<u>1,837,841</u>
NET FINANCIAL ASSETS	<u>5,391,870</u>	<u>6,131,890</u>
NON-FINANCIAL ASSETS		
Investments (notes 1 and 10)	2,363,243	2,315,762
Prepaid expenses (note 7)	106,364	121,808
Property and equipment (notes 1 and 11)	<u>22,771,490</u>	<u>22,179,264</u>
	<u>25,241,097</u>	<u>24,616,834</u>
	<u>30,632,967</u>	<u>30,748,724</u>
BAND POSITION		
Surplus (note 12)	4,804,097	5,640,495
Equity in Ottawa Trust funds (note 3)	835,900	807,408
Equity in property and equipment (note 13)	22,629,727	21,985,059
Equity in investments (note 10)	<u>2,363,243</u>	<u>2,315,762</u>
	<u>30,632,967</u>	<u>30,748,724</u>
CONTINGENT LIABILITIES (note 8)		

APPROVED ON BEHALF OF COUNCIL

 Councillor
 Councillor

SKIDEGATE BAND COUNCIL
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED MARCH 31

	Budget	2018	2017
	\$	\$	\$
REVENUE			
INAC	7,857,000	7,889,611	9,849,636
First Nations Health Authority	1,190,000	1,257,136	463,948
Ottawa Trust funds	26,000	28,492	25,421
CMHC	22,600	22,622	22,544
Parks Canada	430,000	425,489	431,944
Other	<u>1,720,500</u>	<u>1,911,067</u>	<u>3,893,135</u>
	<u>11,246,100</u>	<u>11,534,417</u>	<u>14,686,628</u>
EXPENDITURE			
Administration	1,560,500	1,494,298	1,445,728
Amortization	600,000	578,223	1,227,968
Capital projects	3,020,000	2,342,029	904,416
Community infrastructure	1,010,000	1,122,812	1,019,058
Education	3,631,500	3,661,828	3,628,955
Health	15,000	16,524	105,930
Other	530,000	431,139	1,096,740
Parks and recreation	577,000	669,933	548,062
Social housing	71,555	72,623	111,283
Social services	709,500	735,774	699,248
Youth	<u>523,500</u>	<u>524,991</u>	<u>481,181</u>
	<u>12,248,555</u>	<u>11,650,174</u>	<u>11,268,569</u>
REVENUE OVER EXPENDITURE	-1,002,455	-115,757	3,418,059
OPENING POSITION	<u>30,748,724</u>	<u>30,748,724</u>	<u>27,330,665</u>
CLOSING POSITION	<u>29,746,269</u>	<u>30,632,967</u>	<u>30,748,724</u>

SKIDEGATE BAND COUNCIL
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	-115,757	3,418,059
Amortization	578,223	1,227,968
Accounts payable and accruals	19,592	-549,921
Replacement reserve	19,426	52,061
Subsidy surplus reserve	-	5,000
Accounts receivable	358,663	-396,017
Ottawa Trust funds	-28,492	-25,421
Prepaid expenses	15,444	-32,776
	<u>847,099</u>	<u>3,698,953</u>
FINANCING ACTIVITIES		
Long-term debt	<u>122,641</u>	<u>-51,368</u>
INVESTING ACTIVITIES		
Property and equipment additions (net)	-1,170,449	-1,355,601
Investments	<u>-47,481</u>	<u>-49,320</u>
	<u>-1,217,930</u>	<u>-1,404,921</u>
CHANGE IN CASH	-248,190	2,242,664
OPENING CASH BALANCE	<u>5,784,038</u>	<u>3,541,374</u>
CLOSING CASH BALANCE	<u>5,535,848</u>	<u>5,784,038</u>
Represented by :		
Cash		
Unrestricted	5,406,745	5,674,361
Restricted	<u>129,103</u>	<u>109,677</u>
	<u>5,535,848</u>	<u>5,784,038</u>

CARLYLE SHEPHERD & CO.
 CHARTERED PROFESSIONAL ACCOUNTANTS



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

	Budget	2018	2017
	\$	\$	\$
Revenue over expenditure	-1,002,455	-115,757	3,418,059
Amortization	600,000	578,223	1,227,968
Property and equipment additions (net)	-800,000	-1,170,449	-1,355,601
Prepaid expenses	20,000	15,444	-32,776
Investments	<u>-48,000</u>	<u>-47,481</u>	<u>-49,320</u>
Change in net financial assets	-1,230,455	-740,020	3,208,330
Opening net financial assets	<u>6,131,890</u>	<u>6,131,890</u>	<u>2,923,560</u>
Closing net financial assets	<u>4,901,435</u>	<u>5,391,870</u>	<u>6,131,890</u>

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2018

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	2.5%
Infrastructure	2.5%
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, 2018

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 and subsidy reserve account funds are restricted.

h) Investments

Investments are reported using the modified equity method.

2. ACCOUNTS RECEIVABLE

	2018	2017
INAC	\$ 324,796	\$ 423,880
Receiver General	14,250	13,398
Other funding sources	677,397	956,577
Local	890,168	857,575
	<u>1,906,611</u>	<u>2,251,430</u>
Allowance for doubtful accounts	<u>886,989</u>	<u>873,145</u>
	<u>\$ 1,019,622</u>	<u>\$ 1,378,285</u>

3. OTTAWA TRUST FUNDS

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	\$ 530,423	\$ 276,985	\$ 807,408
Interest and other	<u>28,492</u>	<u>-</u>	<u>28,492</u>
Closing balance	<u>\$ 558,915</u>	<u>\$ 276,985</u>	<u>\$ 835,900</u>

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2018

4. ACCOUNTS PAYABLE AND ACCRUALS

	2018	2017
Trade accounts and accruals	\$ 1,261,665	\$ 1,242,929
Receiver General	8,008	7,560
Wages and benefits	283,671	283,263
	<u>\$ 1,553,344</u>	<u>\$ 1,533,752</u>

5. REPLACEMENT RESERVE

Opening balance	\$ 104,677
CMHC adjustment	11,766
Current provision	5,680
Interest	1,980
	<u>\$ 124,103</u>
Closing balance	

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. SUBSIDY SURPLUS RESERVE

Subsidy surplus reserve has been accrued at \$500 per unit as required in the CMHC funding agreement.

7. PREPAID EXPENSES

	2018	2017
Post-secondary allowances	\$ 41,638	\$ 36,260
Social services	32,318	32,941
Deposits and other	32,408	52,607
	<u>\$ 106,364</u>	<u>\$ 121,808</u>

8. CONTINGENT LIABILITIES

Guarantor of Band member mortgages to \$4,848,511.

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2018

9. LONG-TERM DEBT

Royal Bank of Canada, \$3,511/month including interest at 2.33% per annum; secured by a mortgage on specified houses.	\$ 128,179
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.	13,791
Bank of Montreal, term loan, \$852/month including interest at 2.99%; secured by Band Council guarantee.	<u>175,083</u>
	<u>\$ 317,053</u>

Principal repayment during the next five years is as follows:

2019	\$ 58,430
2020	45,704
2021	46,815
2022	12,193
2023	<u>5,695</u>
	<u>\$ 168,837</u>

10. INVESTMENTS

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

Investment book values are as follows:

Gwaalagaa Naay Corporation	\$ 2,351,130
Delmas Co-operative, at cost	<u>12,113</u>
	<u>\$ 2,363,243</u>

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

Gwaalagaa Naay Corporation
Taaw Naay Enterprises Ltd.
Haida Expeditions Ltd.

NOTES

MARCH 31, 2018

NET BOOK VALUE

	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Annual Amortization	Disposals	Closing Balance	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	620,712	-	-	620,712	-	-	-	-	620,712	620,712
Buildings	8,515,490	1,337,063	220,000	9,632,503	4,237,402	75,197	-	4,312,599	5,319,904	4,278,088
Infrastructure	38,140,230	-	-	38,140,230	21,152,048	424,705	-	21,576,753	16,563,477	16,988,182
Equipment	1,407,311	53,436	18,250	1,442,497	1,115,029	78,321	18,250	1,175,100	267,397	292,282
	48,683,743	1,390,449	238,250	49,835,942	26,504,479	578,223	18,250	27,064,452	22,771,490	22,179,264

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2018

12. SURPLUS (DEFICIT)

	2018	2017
Administration	\$ 445,219	\$ 497,670
Capital Projects	1,809,561	2,693,942
Community Infrastructure	403,638	340,068
Education	310,333	228,276
Health	-199,148	-165,945
Other	1,541,112	1,654,349
Parks and Recreation	93,456	70,415
Social Housing	-	11,766
Social Services	49,755	7,992
Youth	350,171	301,962
	<u>\$ 4,804,097</u>	<u>\$ 5,640,495</u>

13. EQUITY IN PROPERTY AND EQUIPMENT

	2018	2017
Opening balance	\$ 21,985,059	\$ 21,806,059
Contributions from operations	1,170,449	1,355,601
Loan repayment	52,442	51,367
Amortization	<u>-578,223</u>	<u>-1,227,968</u>
Closing balance	<u>\$ 22,629,727</u>	<u>\$ 21,985,059</u>

14. 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

NOTES

MARCH 31, 2018

14. SEGMENT DISCLOSURE (continued)

	Budget	Administration	Capital Projects	Community Infrastructure	Education	Health	Other	Parks and Recreation	Social Housing	Social Services	Youth	Amortization	Total 2018	Total 2017
REVENUE	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Government of Canada	8,499,600	1,124,434	2,459,213	825,881	3,429,519	16,521	138,564	540,489	22,622	707,000	330,615	-	9,594,858	10,768,072
Province of British Columbia	105,000	-	-	-	-	-	-	-	-	-	146,023	-	146,023	172,010
Other	1,641,500	284,480	293,611	250,638	288,288	750	288,220	118,251	47,352	70,537	141,409	-	1,793,536	3,746,546
	<u>11,246,100</u>	<u>1,418,914</u>	<u>2,752,824</u>	<u>1,076,519</u>	<u>3,717,807</u>	<u>17,271</u>	<u>426,784</u>	<u>658,740</u>	<u>69,974</u>	<u>777,537</u>	<u>618,047</u>	<u>-</u>	<u>11,534,417</u>	<u>14,686,628</u>
EXPENDITURE														
Administration	53,500	1,734	59,431	-	-	-	-	57,450	3,840	-	-	-	122,455	85,047
Advances to Band entities	125,000	-	-	-	-	-	124,042	-	-	-	-	-	124,042	121,192
Amortization	600,000	-	-	-	-	-	-	-	-	-	-	578,223	578,223	1,227,968
Contract services	5,812,800	39,465	1,941,792	392,709	2,744,314	2,478	41,983	71,909	-	6,371	121,529	-	5,362,550	4,477,963
Council operations	450,000	367,830	-	-	-	-	-	-	-	-	-	-	367,830	444,775
Insurance	136,500	69,912	-	48,439	2,442	-	4,613	9,140	3,141	1,462	3,635	-	140,784	87,291
Maintenance and repairs	185,000	13,782	-	124,513	-	-	3,700	-	43,221	-	-	-	185,216	87,784
Materials and supplies	988,500	37,299	328,486	96,476	45,735	14,043	73,768	162,492	22,980	-	98,240	-	879,519	924,003
Office and other	305,755	352,612	-	-	9,852	-	-	5,958	20,921	-	12,000	-	401,341	348,063
Professional services	126,500	126,827	-	-	13,553	-	-	-	1,500	-	-	-	141,890	178,983
Program allowances	1,058,500	-	-	-	518,468	-	-	-	-	460,208	-	-	978,676	1,023,146
Telephone and utilities	216,000	31,629	933	110,331	11,876	3	9,491	14,636	-	6,429	3,793	-	189,121	198,563
Travel and training	213,500	43,460	11,001	3,213	109,508	-	20,082	730	-	9,139	6,156	-	203,269	184,698
Wages and benefits	1,977,000	409,748	386	349,131	206,080	-	153,480	347,620	-	229,185	279,638	-	1,975,268	1,899,093
	<u>12,248,555</u>	<u>1,494,298</u>	<u>2,342,029</u>	<u>1,122,812</u>	<u>3,661,828</u>	<u>16,524</u>	<u>431,139</u>	<u>668,933</u>	<u>72,623</u>	<u>735,774</u>	<u>524,991</u>	<u>578,223</u>	<u>11,650,174</u>	<u>11,268,569</u>
REVENUE OVER EXPENDITURE	-1,002,455	-75,384	410,795	-48,293	55,979	747	-4,355	-11,193	-2,849	41,763	93,058	-578,223	-115,757	3,418,059
TRANSFERS	-	98,906	-241,204	109,863	26,078	-33,950	20,001	34,234	-	-	-13,928	-	-	-
ANNUAL SURPLUS (DEFICIT)	-1,002,455	23,522	169,591	63,570	82,057	-33,203	15,646	23,041	-2,649	41,763	79,128	-578,223	-115,757	3,418,059