

GITXAALA NATION

YEAR ENDED MARCH 31, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Gitxaala Nation 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 Gitxaala Nation 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 Nation's assets are appropriately accounted for and adequately safeguarded.

The Nation's 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 Nation'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.

Chairman
Chief

B. Barker
Councillor

Kitkatla, BC
December 11, 2014

RECONCILIATION OF
ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT CANADA (AANDC)
REVENUE FROM FINANCIAL STATEMENTS TO
AANDC FUNDING CONFIRMATION (FNITP)
2014 FISCAL YEAR

Recipient Name	Recipient #
GITXAALA NATION	672
AANDC Revenue per financial statements	\$6,186,482
Explanations:	
Net Adjustments	NIL
Net Budget per AANDC Funding Confirmation	\$6,186,482

(1) Includes Current year end payable from AANDC
Excludes BCTC Treaty Loans
Excludes Recoveries for the prior year
Includes Reimbursements for the prior year

**GITXAALA NATION
FINANCIAL STATEMENTS
MARCH 31, 2014**

GITXAALA NATION
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MARCH 31, 2014

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TO THE GITXAALA NATION

Report on the Financial Statements

We have audited the accompanying statement of financial position of the Gitxaala Nation as at March 31, 2014 and the statements of financial activities, cash flows and changes in net financial assets (liabilities) for the year then ended 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.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Nation as at March 31, 2014 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Prince Rupert, BC
December 11, 2014

Carlyle Shepherd & Co.

GITXAALA NATION

STATEMENT OF FINANCIAL POSITION

MARCH 31

	2014	2013
	\$	\$
Financial Assets		
Cash	416,436	-
Marketable securities (note 1)	2,289,375	4,723,504
Accounts receivable (note 2)	1,810,895	880,854
Ottawa trust funds (note 3)	751,100	725,893
	<u>5,267,806</u>	<u>6,330,251</u>
Liabilities		
Bank overdraft	-	14,201
Bank and other loans (note 5)	4,179,546	4,450,769
Accounts payable and accruals	1,516,051	1,666,120
Replacement reserve (note 4)	154,598	164,543
Subsidy surplus reserve	-	24,126
	<u>5,850,195</u>	<u>6,319,759</u>
Net Financial Assets (Liabilities)	-582,389	10,492
Non-Financial Assets		
Prepaid expenses	80,175	55,845
Property and equipment (notes 1 and 7)	26,557,295	26,399,398
Investments (notes 1 and 6)	952,983	869,512
	<u>27,590,453</u>	<u>27,324,755</u>
	<u>27,008,064</u>	<u>27,335,247</u>
Nation Position		
Operating surplus (note 9)	330,410	1,085,391
Equity in Ottawa trust funds	751,100	725,893
Equity in property and equipment (note 11)	24,973,571	24,654,451
Equity in investments (note 6)	952,983	869,512
	<u>27,008,064</u>	<u>27,335,247</u>

APPROVED ON BEHALF OF COUNCIL

Chief Chair Chief

Councillor Councillor

GITXAALA NATION
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED MARCH 31

	2014	2013
	\$	\$
REVENUES		
AANDC	6,186,482	6,231,698
Health Canada	1,062,998	1,059,343
Investment	97,825	398,906
Ottawa trust funds	25,207	21,121
CMHC	76,861	209,537
Rental	175,436	208,095
Department of Fisheries and Oceans	439,952	79,450
Transport Canada	-	5,782,500
Other	<u>2,619,830</u>	<u>1,326,349</u>
	<u>10,684,591</u>	<u>15,316,999</u>
EXPENDITURE		
Administration	5,352,177	5,661,463
Amortization / loss on disposal of assets	1,176,909	1,432,682
Capital Projects	372,418	306,341
Education	1,826,169	2,215,320
Forestry	86,003	54,369
Health	1,165,197	1,271,563
Social Housing	97,486	101,703
Social Services	<u>935,415</u>	<u>1,087,511</u>
	<u>11,011,774</u>	<u>12,130,952</u>
REVENUE OVER EXPENDITURE	-327,183	3,186,047
OPENING POSITION	<u>27,335,247</u>	<u>24,149,200</u>
CLOSING POSITION	<u>27,008,064</u>	<u>27,335,247</u>

GITXAALA NATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

	2014	2013
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	-327,183	3,186,047
Amortization / loss on disposal of assets	1,176,909	1,432,682
Accounts payable and accruals	-150,069	-263,337
Replacement reserve	-9,945	-116,977
Subsidy surplus reserve	-24,126	-
Accounts receivable	-930,041	-325,038
Ottawa trust funds	-25,207	-21,121
Prepaid expenses	<u>-24,330</u>	<u>-4,671</u>
	<u>-313,992</u>	<u>3,887,585</u>
FINANCING ACTIVITIES		
Bank and other loans	<u>-271,223</u>	<u>-596,839</u>
INVESTING ACTIVITIES		
Property and equipment additions	-1,334,806	-557,161
Investments	-83,471	126,304
Marketable securities	<u>2,434,129</u>	<u>-3,041,394</u>
	<u>1,015,852</u>	<u>-3,472,251</u>
CHANGE IN CASH	430,637	-181,505
OPENING CASH BALANCE	<u>-14,201</u>	<u>167,304</u>
CLOSING CASH BALANCE	<u>416,436</u>	<u>-14,201</u>

GITXAALA NATION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (LIABILITIES)
YEAR ENDED MARCH 31

	2014	2013
	\$	\$
Revenue over expenditure	-327,183	3,186,047
Amortization / loss on disposal of assets	1,176,909	1,432,682
Property and equipment additions	-1,334,806	-557,161
Prepaid expenses	-24,330	-4,671
Investments	<u>-83,471</u>	<u>126,304</u>
CHANGE IN NET FINANCIAL ASSETS	-592,881	4,183,201
OPENING NET FINANCIAL ASSETS (LIABILITIES)	<u>10,492</u>	<u>-4,172,709</u>
CLOSING NET FINANCIAL ASSETS (LIABILITIES)	<u>-582,389</u>	<u>10,492</u>

GITXAALA NATION

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 include compliance with the CICA Public Sector Accounting Handbook.

b) Property and Equipment

Property and equipment are reported at cost.

Amortization is calculated on the declining balance method at the following annual rates:

Buildings	4%
Infrastructure	4%
Equipment	15% & 20%

Purchases of Social Housing Fund assets are reported at cost. Amortization is provided on these assets at a rate equal to the annual principal reduction of the related mortgage that approximates consumption of the asset for accounting principles.

Purchases costing more than \$5,000 are capitalized.

c) Loans

Economic development and member loans issued and repaid under the fund accounting method are reported as expenditures and revenue respectively.

d) Accrual Accounting

Funding revenue is recognized as it becomes receivable under the terms of applicable funding agreements.

Interest and other income are recognized when earned.

Expenditures are reported in the period the goods or services are rendered or products received.

e) Investments

Band controlled enterprises and investments in limited partnerships are reported using the modified equity method. Other long-term investments are reported at cost. Losses are only recognized to the extent of the investment.

GITXAALA NATION

NOTES

MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Use of Estimates

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

g) Financial Instruments

The Nation measures financial assets and liabilities at market value at the date of acquisition except for marketable securities as described in note 1.h. It is management's opinion that the Nation's financial instruments are not exposed to significant interest rate, liquidity, market or other price risks except for marketable securities.

h) Marketable Securities

Marketable securities classified as held for trading are reported at market value (cost \$2,171,874)

i) Budget Information

Budget information is not reported.

2. ACCOUNTS RECEIVABLE

	2014	2013
AANDC	\$ 221,281	\$ 72,753
Social housing rent	416,243	470,359
Other	<u>1,740,814</u>	<u>975,894</u>
Allowance for doubtful accounts	2,378,338 <u>567,443</u>	1,519,006 <u>638,152</u>
	<u>\$ 1,810,895</u>	<u>\$ 880,854</u>

GITXAALA NATION

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MARCH 31, 2014

3. OTTAWA TRUST FUNDS

AANDC holds funds in trust for the Nation. These funds are designated as revenue or capital funds as is required by the Indian Act. The Nation is permitted to expend its revenue fund for any purpose that will promote the general progress and welfare of the Nation 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.

	Revenue	Capital	Total
Opening balance	\$ 721,446	\$ 4,447	\$ 725,893
Interest	25,207	-	25,207
Closing balance	<u>\$ 746,653</u>	<u>\$ 4,447</u>	<u>\$ 751,100</u>

4. REPLACEMENT RESERVE

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the replacement reserve account is to be credited annually. These funds, with accumulated interest, must be held in a separate bank account and/or invested in accounts or instruments insured by the Canada Deposit Insurance Corporation or as approved by CMHC. As at March 31, 2014 \$137,530 of the required \$154,598 is in a separate bank account.

Opening balance	\$ 164,543
Current provision	28,280
Expenditures	-38,225
Closing balance	<u>\$ 154,598</u>

GITXAALA NATION

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MARCH 31, 2014

5. BANK AND OTHER LOANS

Royal Bank of Canada

Demand loan, \$8,525/month including interest at prime plus 4.25% per annum; secured by a charge on specified property.	\$ 754,185
Term loan; \$381/month including interest at 4.99% per annum, secured by a charge on specified equipment.	13,979
Mortgage; \$3,749/month including interest at 3.56% per annum, secured by a mortgage against the social housing units.	186,890
Toyota Credit Canada Limited, \$750/month including interest at 4.5% per annum; secured by a specific vehicle.	23,417
Canada Mortgage and Housing Corporation; secured by mortgages against the social housing units.	
\$3,848/month including interest at 2.78% per annum.	255,014
\$2,240/month including interest at 1.92% per annum.	350,239
British Columbia Treaty Commission advances to be repaid upon completion of treaty negotiations or upon withdrawal from the process. The Nation is not participating in active negotiations. Interest is not charged on the advance.	<u>2,595,822</u>
	<u>\$ 4,179,546</u>

Scheduled principal repayment during the next five years is as follows:

2015	\$ 182,711
2016	189,264
2017	193,805
2018	190,719
2019	<u>173,414</u>
	<u>\$ 929,913</u>

GITXAALA NATION

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MARCH 31, 2014

6. INVESTMENTS

Controlled enterprises are accounted for using the modified equity method. Losses in each controlled enterprise are recorded only to the extent of the Nation's investment.

	Opening balance	Income (loss)	Closing balance
Partnerships			
Tyee Building Supplies	\$ 774,051	\$ -3,611	\$ 770,440
North Coast Skeena CFE	95,459	87,082	182,541
Non-controlled enterprises			
North-Co-Corp Ferry Services Ltd. shares – 33.33% interest	2	-	2
	<u>\$ 869,512</u>	<u>\$ 83,471</u>	<u>\$ 952,983</u>

The investment in Kitkatla Development Corporation was recorded to actual amounts available to the Band as management is of the opinion that the Nation will not receive any further benefit or return from the Corporation.

The Nation also owns the shares of three corporations that are inactive.

GITXAALA NATION

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MARCH 31, 2014

7. PROPERTY AND EQUIPMENT

	PROPERTY AND EQUIPMENT		ACCUMULATED AMORTIZATION			2014	2013	NET BOOK VALUE
	Opening Balance	Additions	Closing Balance	Opening Balance	Annual Amortization	Closing Balance		
Land	589,000	-	589,000	-	345,718	6,238,540	589,000	589,000
Buildings	13,651,891	-	13,651,891	5,892,822	345,718	6,238,540	7,413,351	7,759,069
Infrastructure	22,927,567	1,252,413	24,179,980	5,444,527	724,369	6,168,896	18,011,084	17,483,040
Equipment	1,159,046	82,393	1,241,439	817,277	72,845	890,122	351,317	341,769
Vessels	607,250	-	607,250	380,730	33,977	414,707	192,543	226,520
	<u>38,934,754</u>	<u>1,334,806</u>	<u>40,269,560</u>	<u>12,535,356</u>	<u>1,176,909</u>	<u>13,712,265</u>	<u>26,557,295</u>	<u>26,399,398</u>

GITXAALA NATION

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MARCH 31, 2014

8. CONTINGENT LIABILITIES & SUBSEQUENT EVENTS

Guarantor of CMHC loans to Gitxaala Nation members in the amount of \$3,306.

Guarantor on The Toronto-Dominion Bank loan for North-Co-Corp Ferry Services Ltd. to \$25,000.

Guarantor on Royal Bank of Canada loan for Tyee Building Supplies LP to \$2,502,000.

Guarantor on Royal Bank of Canada loan for Tyee Building Supplies (2009) Ltd. in the amount of \$480,000.

Guarantor on Royal Bank of Canada loan for Coast Industrial Construction LP to a maximum of \$6,100,000.

Guarantor on various Coast Construction LP capital leases to \$716,871.

Guarantor on road truck loans for four members to \$200,000.

Guarantor on Rona Inc. account for Tyee Building Supplies LP to an unlimited amount.

9. OPERATING SURPLUS (DEFICIT)

	2014	2013
	\$	\$
Administration	-1,601,540	-199,959
Capital Projects	56,195	36,154
Education	2,865,132	2,366,811
Health	282,498	289,389
Social Services	-30,803	-125,836
Social Housing	95,408	67,134
Forestry	1,126,963	1,115,141
Treaty	<u>-2,463,443</u>	<u>-2,463,443</u>
	<u>330,410</u>	<u>1,085,391</u>

10. 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:

GITXAALA NATION

SEGMENT DISCLOSURE

YEAR ENDED MARCH 31

	Administration	Capital Projects	Education	Forestry	Health	Housing	Social Services	Amortization	Total 2014	Total 2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE										
Federal Government	1,934,342	1,585,866	2,112,211	-	1,062,998	76,861	994,015	-	7,766,293	13,761,434
Other	2,280,268	39,443	212,280	97,825	148,326	140,156	-	-	2,918,298	1,555,565
	4,214,610	1,625,309	2,324,491	97,825	1,211,324	217,017	994,015	-	10,684,591	15,316,999
EXPENDITURE										
Allowances	-	-	377,896	-	-	-	716,946	-	1,094,842	1,359,987
AANDC recovery	-	-	227,586	-	149,868	-	36,132	-	36,132	-
Administration	124,719	19,563	-	-	-	-	24,476	-	546,212	556,201
Amortization	-	-	-	-	-	-	-	-	1,176,909	1,176,909
Bad debts	40,453	-	-	-	-	-	-	-	40,453	1,432,682
Bank charge and interest	59,158	-	-	-	-	21,328	-	-	80,486	28,007
Chief and Council	325,564	-	28,453	1,124,617	86,686	250,522	-	-	325,564	24,090
Contract services	1,672,091	-	-	-	-	-	-	-	-	337,000
Health Canada recovery	-	-	-	-	-	-	-	-	-	3,444,649
Insurance	81,300	14,044	-	-	-	1,817	-	-	-	1,817
Materials and supplies	744,994	34,562	-	7,666	-	451	27,256	-	-	192,872
Office	37,013	-	-	-	-	135,174	4,676	57,164	-	123,051
Professional services (recovery)	1,406,373	-	-	-	-	-	26,569	-	-	90,233
Telephone and utilities	164,181	2,592	-	-	-	-	5,000	-	-	984,236
Travel and workshops	335,271	-	-	21,996	-	25,873	-	-	-	1,453,211
Wages and benefits	361,080	20,204	-	66,408	-	229,201	-	-	-	63,582
	5,352,177	372,418	1,826,169	86,003	1,165,197	97,486	935,415	1,176,909	11,011,774	12,130,952
REVENUE OVER EXPENDITURE										
TRANSFERS	-1,137,567	1,252,891	498,322	11,822	46,127	119,531	58,600	-1,176,909	-327,183	3,186,047
ANNUAL SURPLUS (DEFICIT)	-1,137,567	1,252,891	498,322	11,822	35,693	-	-35,693	-	-	-
	-1,137,567	1,252,891	498,322	11,822	81,820	119,531	22,907	-1,176,909	-327,183	3,186,047

GITXAALA NATION

NOTES

MARCH 31, 2014

11. EQUITY IN PROPERTY AND EQUIPMENT

Opening balance	\$ 24,654,451
Contribution from operations	1,334,806
Principal repayment	161,223
Amortization	<u>-1,176 909</u>
Closing balance	<u>\$ 24,973,571</u>