

GITXAALA NATION
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GITXAALA NATION
FINANCIAL STATEMENTS
MARCH 31, 2015

INDEPENDENT AUDITOR'S REPORT

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, 2015 and the statements of financial activities, cash flows and changes in net financial 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.

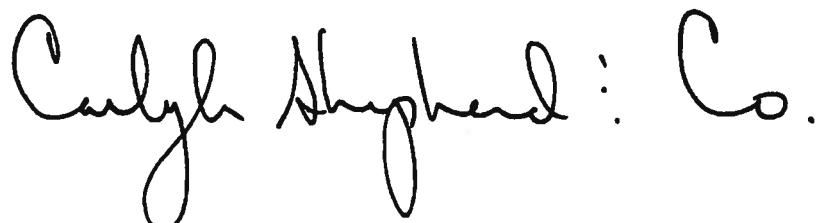
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, 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, 2015 and the results of its operations, cash flows and changes in net financial liabilities for the year then ended in accordance with Canadian public sector accounting standards.

Prince Rupert, BC
October 21, 2015



GITXAALA NATION

STATEMENT OF FINANCIAL POSITION

MARCH 31

	2015	2014
	\$	\$
Financial Assets		
Cash	738,462	416,436
Marketable securities (note 1)	2,146,872	2,289,375
Accounts receivable (note 2)	1,373,945	1,810,895
Ottawa trust funds (note 3)	<u>773,829</u>	<u>751,100</u>
	<u>5,033,108</u>	<u>5,267,806</u>
Liabilities		
Accounts payable and accruals (note 4)	1,267,235	1,516,051
Replacement reserve (note 5)	176,896	154,598
Bank and other loans (note 6)	<u>4,076,254</u>	<u>4,179,546</u>
	<u>5,520,385</u>	<u>5,850,195</u>
Net Financial Liabilities	<u>-487,277</u>	<u>-582,389</u>
Non-Financial Assets		
Prepaid expenses	100,785	80,175
Property and equipment (notes 1 and 7)	25,607,274	26,557,295
Investments (notes 1 and 8)	<u>1,097,090</u>	<u>952,983</u>
	<u>26,805,149</u>	<u>27,590,453</u>
	<u>26,317,872</u>	<u>27,008,064</u>
Nation Position		
Operating surplus (note 9)	320,111	330,410
Equity in Ottawa trust funds	773,829	751,100
Equity in property and equipment (note 10)	24,126,842	24,973,571
Equity in investments (note 8)	<u>1,097,090</u>	<u>952,983</u>
	<u>26,317,872</u>	<u>27,008,064</u>

APPROVED ON BEHALF OF COUNCIL

Clifford A. Orr Chief

Anna Dean Councillor

GITXAALA NATION
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED MARCH 31

	Unaudited Budget	2015	2015	2014
		\$	\$	\$
REVENUES				
AANDC	4,013,394	4,279,873	6,186,482	
CMHC	178,185	178,185	76,861	
Department of Fisheries and Oceans	175,000	172,774	439,952	
First Nations Health Authority	1,092,466	1,088,423	1,062,998	
Investment	181,296	275,166	181,296	
LNG proponent revenue	2,500,000	2,833,209	489,635	
Ottawa trust funds	25,207	22,729	25,207	
Rental	165,861	180,202	175,436	
Other	<u>1,982,410</u>	<u>1,978,876</u>	<u>2,046,724</u>	
	<u>10,313,819</u>	<u>11,009,437</u>	<u>10,684,591</u>	
EXPENDITURE				
Administration	5,670,859	5,899,616	5,365,545	
Amortization	1,176,909	1,204,699	1,176,909	
Capital Projects	256,317	313,160	359,050	
Education	1,826,169	2,134,235	1,826,169	
Forestry	86,003	22,607	86,003	
Health	1,261,680	1,169,407	1,165,197	
Social Housing	96,480	101,124	97,486	
Social Services	<u>824,551</u>	<u>854,781</u>	<u>935,415</u>	
	<u>11,198,968</u>	<u>11,699,629</u>	<u>11,011,774</u>	
REVENUE OVER EXPENDITURE	-885,149	-690,192	-327,183	
OPENING POSITION	<u>27,008,064</u>	<u>27,008,064</u>	<u>27,335,247</u>	
CLOSING POSITION	<u>26,122,915</u>	<u>26,317,872</u>	<u>27,008,064</u>	

GITXAALA NATION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2015	2014
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	-690,192	-327,183
Amortization	1,204,699	1,176,909
Accounts payable and accruals	-248,816	-150,069
Replacement reserve	22,298	-9,945
Subsidy surplus reserve	-	-24,126
Accounts receivable	436,950	-930,041
Ottawa trust funds	-22,729	-25,207
Prepaid expenses	<u>-20,610</u>	<u>-24,330</u>
	<u>681,600</u>	<u>-313,992</u>
FINANCING ACTIVITIES		
Bank and other loans	<u>-103,292</u>	<u>-271,223</u>
INVESTING ACTIVITIES		
Property and equipment additions	-254,678	-1,334,806
Investments	-144,107	-83,471
Marketable securities	<u>142,503</u>	<u>2,434,129</u>
	<u>-256,282</u>	<u>1,015,852</u>
CHANGE IN CASH	322,026	430,637
OPENING CASH BALANCE	<u>416,436</u>	<u>-14,201</u>
CLOSING CASH BALANCE	<u>738,462</u>	<u>416,436</u>

GITXAALA NATION

STATEMENT OF CHANGES IN NET FINANCIAL LIABILITIES

YEAR ENDED MARCH 31

	Unaudited Budget	2015	2015	2014
		\$	\$	\$
Revenue over expenditure		-885,149	-690,192	-327,183
Amortization		1,176,909	1,204,699	1,176,909
Property and equipment additions		-250,000	-254,678	-1,334,806
Prepaid expenses		-25,000	-20,610	-24,330
Investments		<u>-83,000</u>	<u>-144,107</u>	<u>-83,471</u>
 CHANGE IN NET FINANCIAL LIABILITIES		 -66,240	 95,112	 -592,881
 OPENING NET FINANCIAL LIABILITIES		 <u>-582,389</u>	 <u>-582,389</u>	 <u>10,492</u>
 CLOSING NET FINANCIAL LIABILITIES		 <u>-648,629</u>	 <u>-487,277</u>	 <u>-582,389</u>

GITXAALA NATION

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 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 purposes.

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, 2015

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.

2. ACCOUNTS RECEIVABLE

	2015	2014
AANDC	\$ 47,733	\$ 221,281
Canada Revenue Agency - GST	251,320	182,766
Social housing rent	461,214	416,243
Other	<u>1,226,033</u>	<u>1,558,048</u>
Allowance for doubtful accounts	<u>1,986,300</u> <u>612,355</u>	<u>2,378,338</u> <u>567,443</u>
	<u>\$ 1,373,945</u>	<u>\$ 1,810,895</u>

GITXAALA NATION

NOTES

MARCH 31, 2015

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	\$ 746,653	\$ 4,447	\$ 751,100
Interest	<u>22,729</u>	<u>-</u>	<u>22,729</u>
Closing balance	<u>\$ 769,382</u>	<u>\$ 4,447</u>	<u>\$ 773,829</u>

4. ACCOUNTS PAYABLE

	2015	2014
Governmental payables	\$ 4,777	\$ 5,261
Trade and other	1,184,431	1,445,803
Wages and benefits	<u>78,027</u>	<u>64,987</u>
	<u>\$ 1,267,235</u>	<u>\$ 1,516,051</u>

5. 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, 2015, \$137,530 of the required \$176,896 is in a separate bank account.

Opening balance	\$ 154,598
Current provision	26,569
Expenditures	<u>-4,271</u>
Closing balance	<u>\$ 176,896</u>

GITXAALA NATION

NOTES

MARCH 31, 2015

6. BANK AND OTHER LOANS

Royal Bank of Canada demand loans

\$8,525/month including interest at prime plus 4.1% per annum;
secured by a charge on specified property. \$ 682,598

\$381/month including interest at 4.99% per annum, secured by
a charge on specified equipment. 10,060

\$749/month including interest at 5.99% per annum, secured by
a charge on specified equipment. 29,520

\$1,074/month including interest at 5.99% per annum, secured
by a charge on specified equipment. 49,895

Toyota Credit Canada Limited, \$750/month including interest at
3.90% per annum; secured by a specific vehicle. 15,190

All Nations Trust Company; secured by mortgages against the
social housing units.

\$3,590/month including interest at 1.08% per annum. 147,905

\$3,848/month including interest at 2.78% per annum. 215,395

\$2,240/month including interest at 1.92% per annum. 329,869

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. 2,595,822

\$ 4,076,254

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

2016 \$ 209,190

2017 213,699

2018 210,680

2019 191,322

2020 162,445

\$ 987,336

GRITXAALA NATION

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MARCH 31, 2015

7. PROPERTY AND EQUIPMENT

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE		
	Opening Balance	Additions	Disposals	Closing Balance	Annual Amortization	Disposals	Closing Balance	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	589,000	-	-	589,000	-	-	-	589,000	589,000
Buildings	13,651,891	-	-	13,651,891	6,238,540	338,456	-	7,074,895	7,413,351
Infrastructure	24,179,980	-	-	24,179,980	6,168,896	720,443	-	17,290,641	18,011,084
Equipment	1,241,439	169,078	39,600	1,370,917	890,122	104,079	39,600	954,601	351,317
Vessels	607,250	85,600	10,000	682,850	414,707	41,721	10,000	446,428	236,422
	<u>40,269,560</u>	<u>254,678</u>	<u>49,600</u>	<u>40,474,638</u>	<u>13,712,265</u>	<u>1,204,699</u>	<u>49,600</u>	<u>14,867,364</u>	<u>25,607,274</u>
									<u>26,557,295</u>

GITXAALA NATION

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MARCH 31, 2015

8. 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	Closing balance
Partnerships			
Tyee Building Supplies	\$ 770,440	\$ 50,994	\$ 821,434
North Coast Skeena CFE	182,541	93,113	275,654
Non-controlled enterprises			
North-Co-Corp Ferry Services Ltd. shares – 33.33% interest	2	-	2
	<u>\$ 952,983</u>	<u>\$ 144,107</u>	<u>\$ 1,097,090</u>

Kitkatla Development Corporation carrying value is nil at year-end. Full financial disclosure has not been provided for Coast Industrial Construction Partnership, the primary asset of the corporation.

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

9. OPERATING SURPLUS (DEFICIT)

	2015	2014
	\$	\$
Administration	-2,077,796	-1,676,994
Capital Projects	213,289	144,764
Education	2,954,430	2,865,132
Forestry	1,235,415	1,126,963
Health	486,301	346,509
Social Housing	98,969	90,408
Social Services	-127,054	-102,929
Treaty	<u>-2,463,443</u>	<u>-2,463,443</u>
	<u>320,111</u>	<u>330,410</u>

GITXAALA NATION

NOTES

MARCH 31, 2015

10. EQUITY IN PROPERTY AND EQUIPMENT

Opening balance	\$ 24,973,571
Contribution from operations	167,213
Principal repayment	190,757
Amortization	<u>-1,204,699</u>
Closing balance	<u>\$ 24,126,842</u>

11. CONTINGENT LIABILITIES

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 \$2,847,450.

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

Guarantor on various Coast Industrial 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.

12. COMPARATIVES

Certain comparatives have been changed to conform with current year presentation.

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:

GITXAALA NATION

NOTES

MARCH 31, 2015

13. SEGMENT DISCLOSURE (continued)

	Budget Total 2015	Administration	Capital Projects	Education	Forestry	Health	Housing	Social Services	Amortization	Total 2015	Total 2014
REVENUE											
AANDC	4,013,394	1,136,770	266,479	2,045,968	-	-	76,915	830,656	-	4,279,873	6,186,482
CMHC	178,185	-	101,270	-	-	-	-	-	-	178,185	76,861
Department of Fisheries and Oceans	175,000	172,774	-	-	-	1,088,423	-	-	-	172,774	439,952
First Nations Health Authority	1,092,466	-	-	-	131,059	-	-	-	-	1,088,423	1,062,998
Investment	181,296	144,107	-	-	-	-	-	-	-	275,166	97,825
LNG proponent revenue	2,500,000	2,033,209	-	-	-	-	-	-	-	2,833,209	489,835
Ottawa trust funds	25,207	22,729	-	-	-	-	-	-	-	22,729	25,207
Rental	165,861	48,458	-	-	-	131,744	-	-	-	180,202	175,436
Other	1,882,410	1,403,584	86,760	255,970	-	232,562	-	-	-	1,978,876	2,130,195
	10,313,819	5,781,831	454,509	2,301,938	131,059	1,320,985	208,659	830,656	-	11,009,437	10,684,591
EXPENDITURE											
Allowances	1,054,500	-	-	481,889	-	-	-	736,976	-	1,218,865	1,094,842
AANDC recovery	-	-	-	-	-	-	-	-	-	-	36,132
Administration	537,641	138,367	6,794	322,946	-	198,488	-	22,167	-	888,762	546,212
Amortization	1,176,909	-	-	-	-	-	-	-	-	1,204,689	1,176,909
Bad debts	40,453	28,414	-	-	-	22,081	674	18,578	-	28,414	40,453
Bank charge and interest	51,957	46,824	-	-	-	-	-	-	-	88,157	80,486
Chief and Council	325,564	306,502	99,562	1,226,766	526	123,888	310	11,032	-	306,502	325,564
Contract services	2,936,407	1,280,142	-	-	-	13,324	-	-	-	2,742,226	3,444,649
FNHA recovery	-	-	-	-	-	-	-	-	-	13,324	1,817
Insurance	123,051	95,248	-	-	-	26,556	-	-	-	121,804	123,051
Materials and supplies	800,942	844,827	205,811	827	-	121,438	41,158	7,171	-	1,221,232	984,236
Office	-	37,870	-	-	-	-	-	-	-	37,870	63,582
Professional services	1,636,017	1,434,741	-	-	-	-	5,000	-	-	1,439,741	1,410,690
Telephone and utilities	195,614	170,814	-	-	-	23,520	321	1,079	-	195,734	195,716
Travel and workshops	689,990	450,083	-	15,000	-	283,307	-	3,196	-	761,586	592,577
Wages and benefits	1,519,923	964,514	102,263	86,807	-	394,768	9,201	73,160	-	1,630,713	894,858
	11,188,968	5,798,346	414,430	2,134,235	22,807	1,169,407	101,124	854,781	1,204,869	11,698,629	11,011,774
REVENUE OVER EXPENDITURE											
TRANSFERS	-885,149	-36,715	40,078	167,703	108,452	151,578	107,535	-24,125	-1,204,869	-890,192	-327,183
	-	28,789	24,292	-45,224	-	-7,867	-	-	-	-	-
ANNUAL SURPLUS (DEFICIT)	-885,149	-7,916	64,371	122,479	108,452	143,711	107,535	-24,125	-1,204,869	-890,192	-327,183

CARLYLE SHEPHERD & CO.

CHARTERED ACCOUNTANTS

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