

**GITXAALA NATION
FINANCIAL STATEMENTS
MARCH 31, 2017**

GITXAALA NATION
INDEX TO FINANCIAL STATEMENTS
MARCH 31, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
INDEPENDENT AUDITOR'S REPORT
STATEMENT OF FINANCIAL POSITION
STATEMENT OF FINANCIAL ACTIVITIES
STATEMENT OF CASH FLOWS
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
NOTES

GITXAALA NATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
YEAR ENDED MARCH 31, 2017

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 which includes certain amounts based on judgments and estimates. Management has chosen the most appropriate method to determine the judgments/estimates to ensure 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 reliable and accurate and that assets are adequately safeguarded.

The Nation is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Nation meets regularly with management and is available to meet with the external auditor to satisfy themselves that each party is properly discharging their responsibilities. The Nation also considers the engagement of the external auditor.

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 the Chief and Council.



Chief



Councillor

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, 2017 and the statements of financial activities, cash flows and changes in net financial assets 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, 2017 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
November 15, 2017

Carlyle Shepherd & Co.

GITXAALA NATION
STATEMENT OF FINANCIAL POSITION
MARCH 31

	2017	2016
	\$	\$
Financial Assets		
Cash	1,469,253	258,234
Cash held in lawyer trusts (note 2)	8,443,288	5,696,080
Marketable securities (note 1)	1,107,137	1,257,417
Accounts receivable (note 3)	2,422,392	813,433
Ottawa trust funds (note 4)	814,088	794,314
	<hr/>	<hr/>
	14,256,158	8,819,478
Liabilities		
Accounts payable and accruals (note 5)	1,399,092	1,062,028
Deferred revenue (note 1)	637,436	245,115
Replacement reserve (note 6)	217,611	191,042
Bank and other loans (note 7)	3,649,994	4,085,533
	<hr/>	<hr/>
	5,904,133	5,583,718
Net Financial Assets	<hr/>	<hr/>
	8,352,025	3,235,760
Non-Financial Assets		
Prepaid expenses	135,918	60,076
Property and equipment (notes 1 and 8)	28,549,331	29,495,128
Investments (notes 1 and 9)	1,789,991	1,380,329
	<hr/>	<hr/>
	30,475,240	30,935,533
	<hr/>	<hr/>
	38,827,265	34,171,293
Nation Position		
Operating surplus (note 10)	8,728,027	3,771,232
Equity in Ottawa trust funds	814,088	794,314
Equity in property and equipment (note 11)	27,495,159	28,225,418
Equity in investments (note 9)	1,789,991	1,380,329
	<hr/>	<hr/>
	38,827,265	34,171,293

APPROVED ON BEHALF OF COUNCIL

 Chief
 Councillor

GITXAALA NATION
STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	Unaudited Budget	2017	2017	2016
		\$	\$	\$
REVENUES				
INAC	6,866,563	6,929,301	4,291,627	
CMHC	223,497	223,497	74,043	
Department of Fisheries and Oceans	144,127	144,127	161,118	
First Nations Education Steering Committee	188,108	430,466	188,108	
First Nations Health Authority	1,254,818	1,254,818	1,184,601	
Investment	28,892	151,281	28,892	
LNG proponent revenue	6,597,145	5,102,468	6,597,145	
Ottawa trust funds	19,773	19,773	20,485	
Prince Rupert Port Authority	464,811	172,061	464,811	
Province of British Columbia	935,493	935,493	5,575,000	
Rental	283,738	337,372	283,738	
Other	<u>2,061,979</u>	<u>3,949,130</u>	<u>2,345,873</u>	
	<u>19,068,944</u>	<u>19,649,787</u>	<u>21,215,441</u>	
EXPENDITURE				
Administration	6,106,368	6,087,336	6,206,897	
Amortization	1,360,663	1,326,831	1,394,870	
Capital Projects	1,482,820	1,218,862	959,085	
Education	2,695,162	3,813,195	2,391,717	
Forestry	16,858	10,087	16,858	
Health	1,402,576	1,424,747	1,401,843	
Social Housing	184,681	90,011	80,707	
Social Services	<u>910,044</u>	<u>1,022,746</u>	<u>910,043</u>	
	<u>14,159,172</u>	<u>14,993,815</u>	<u>13,362,020</u>	
REVENUE OVER EXPENDITURE	4,909,772	4,655,972	7,853,421	
OPENING POSITION	<u>34,171,293</u>	<u>34,171,293</u>	<u>26,317,872</u>	
CLOSING POSITION	<u>39,081,065</u>	<u>38,827,265</u>	<u>34,171,293</u>	

GITXAALA NATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	4,655,972	7,853,421
Amortization	1,326,831	1,394,870
Accounts payable and accruals	337,064	-205,207
Deferred revenue	392,321	245,115
Replacement reserve	26,569	14,146
Accounts receivable	-1,608,959	560,512
Ottawa trust funds	-19,774	-20,485
Prepaid expenses	<u>-75,842</u>	<u>40,709</u>
	<u>5,034,182</u>	<u>9,883,081</u>
FINANCING ACTIVITIES		
Bank and other loans	<u>-435,539</u>	<u>9,279</u>
INVESTING ACTIVITIES		
Property and equipment additions	-509,984	-5,282,724
Property and equipment disposals	128,950	-
Investments	-409,662	-283,239
Marketable securities	<u>150,280</u>	<u>889,455</u>
	<u>-640,416</u>	<u>-4,676,508</u>
CHANGE IN CASH	3,958,227	5,215,852
OPENING CASH BALANCE	<u>5,954,314</u>	<u>738,462</u>
CLOSING CASH BALANCE	<u>9,912,541</u>	<u>5,954,314</u>
Cash is comprised as follows:		
Cash held by the Nation	1,469,253	258,234
Cash held in lawyer trusts	<u>8,443,288</u>	<u>5,696,080</u>
	<u>9,912,541</u>	<u>5,954,314</u>

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

	2017	2016
	\$	\$
Revenue over expenditure	4,655,972	7,853,421
Amortization	1,326,831	1,394,870
Property and equipment additions	-509,984	-5,282,724
Property and equipment disposals	128,950	-
Prepaid expenses	-75,842	40,709
Investments	<u>-409,662</u>	<u>-283,239</u>
 CHANGE IN NET FINANCIAL ASSETS	 5,116,265	3,723,037
 OPENING NET FINANCIAL ASSETS (LIABILITIES)	 <u>3,235,760</u>	<u>-487,277</u>
 CLOSING NET FINANCIAL ASSETS	 <u>8,352,025</u>	<u>3,235,760</u>

GITXAALA NATION

NOTES

MARCH 31, 2017

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 include compliance with the 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

Government grants and subsidy revenue are recognized as the Nation becomes entitled to the funding under the applicable agreement. Funding from external parties restricted by agreement or legislation is reported as deferred revenue until used for the purposes specified.

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 non-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, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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.

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. CASH HELD IN LAWYER TRUSTS

Cash is held in two lawyer's trust accounts for the purpose of funding future expenditures.

3. ACCOUNTS RECEIVABLE

	2017	2016
INAC	\$ 333,400	\$ 81,331
Canada Revenue Agency - GST	228,996	290,468
Other Federal	213,443	158,518
Province of British Columbia	830,009	40,250
Social housing rent	503,543	492,992
Trade and other	<u>1,087,040</u>	<u>515,171</u>
	3,196,431	1,578,730
Allowance for doubtful accounts	<u>774,039</u>	<u>765,297</u>
	<u>\$ 2,422,392</u>	<u>\$ 813,433</u>

GITXAALA NATION

NOTES

MARCH 31, 2017

4. OTTAWA TRUST FUNDS

INAC 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 INAC.

	Revenue	Capital	Total
Opening balance	\$ 789,867	\$ 4,447	\$ 794,314
Interest	<u>19,774</u>	<u>-</u>	<u>19,774</u>
Closing balance	<u>\$ 809,641</u>	<u>\$ 4,447</u>	<u>\$ 814,088</u>

5. ACCOUNTS PAYABLE AND ACCRUALS

	2017	2016
Governmental payables	\$ 8,339	\$ 7,630
Trade and other	1,238,548	945,794
Wages and benefits	<u>152,205</u>	<u>108,604</u>
	<u>\$ 1,399,092</u>	<u>\$ 1,062,028</u>

6. 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, 2017, \$150,259 of the required \$217,611 is in a separate bank account.

Opening balance	\$ 191,042
Current provision	26,569
Expenditures	<u>-</u>
Closing balance	<u>\$ 217,611</u>

GITXAALA NATION

NOTES

MARCH 31, 2017

7. BANK AND OTHER LOANS

Royal Bank of Canada, demand loans

\$8,525/month including interest at prime per annum; secured by a charge on specified property.	\$ 526,383
\$381/month including interest at 4.99% per annum; secured by a charge on specified equipment.	1,510
\$749/month including interest at 5.99% per annum; secured by a charge on specified equipment.	14,222
\$1,074/month including interest at 5.99% per annum; secured by a charge on specified equipment.	28,930
All Nations Trust Company; secured by mortgages against the social housing units.	
\$3,590/month including interest at 1.08% per annum.	64,074
\$3,702/month including interest at 1.08% per annum.	131,079
\$2,240/month including interest at 1.92% per annum.	287,974
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>\$ 3,649,994</u>

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

2018	\$ 216,236
2019	211,061
2020	181,707
2021	159,655
2022	119,935
	<u>\$ 888,594</u>

GITXAALA NATION

NOTES

MARCH 31, 2017

8. PROPERTY AND EQUIPMENT

	COST			ACCUMULATED AMORTIZATION				NET BOOK VALUE		
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Annual Amortization	Disposals	Closing Balance	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	589,000	-	-	589,000	-	-	-	-	589,000	589,000
Buildings	13,835,610	55,806	-	13,891,416	6,918,220	336,062	-	7,254,282	6,637,134	6,917,390
Infrastructure	29,029,980	273,524	-	29,303,504	7,774,965	861,141	-	8,636,106	20,667,398	21,255,015
Equipment	1,609,754	180,654	33,182	1,757,226	1,085,632	124,763	-	1,210,395	546,831	524,122
Vessels	693,018	-	95,768	597,250	483,417	4,865	-	488,282	108,968	209,601
	<u>45,757,362</u>	<u>509,984</u>	<u>128,950</u>	<u>46,138,396</u>	<u>16,262,234</u>	<u>1,326,831</u>	<u>-</u>	<u>17,589,065</u>	<u>28,549,331</u>	<u>29,495,128</u>

GITXAALA NATION

NOTES

MARCH 31, 2017

9. INVESTMENTS

Non-controlled enterprises and partnerships are accounted for using the modified equity method. Losses in controlled enterprises are recorded only to the extent of the Nation's investment.

	Opening balance	Income	Closing balance
Partnerships			
Tyee Building Supplies	\$ 935,616	\$ 205,832	\$ 1,141,448
Non-controlled enterprises			
North Coast Skeena CFE	444,711	203,830	648,541
North-Co-Corp Ferry Services Ltd. shares - 33.33% interest	2	-	2
	<u>\$ 1,380,329</u>	<u>\$ 409,662</u>	<u>\$ 1,789,991</u>

Kitkatla Development Corporation carrying value is nil at year-end.

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

10. OPERATING SURPLUS

	2017	2016
	\$	\$
Administration	4,325,206	1,443,787
Capital Projects	1,511,253	562,602
Education	3,719,460	2,811,260
Forestry	1,412,270	1,068,557
Health	285,421	387,245
Social Housing	140,182	122,201
Social Services	-202,322	-160,977
Treaty	<u>-2,463,443</u>	<u>-2,463,443</u>
	<u>8,728,027</u>	<u>3,771,232</u>

GITXAALA NATION

NOTES

MARCH 31, 2017

11. EQUITY IN PROPERTY AND EQUIPMENT

Opening balance	\$ 28,225,418
Contribution from operations	381,034
Principal repayment	215,538
Amortization	<u>-1,326,831</u>
Closing balance	<u>\$ 27,495,159</u>

12. CONTINGENT LIABILITIES

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

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

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

13. COMPARATIVES

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

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:

GITXAALA NATION

NOTES

MARCH 31, 2017

14. SEGMENT DISCLOSURE (continued)

	Budget Total 2107 \$	Administration	Capital Projects	Education	Forestry	Health	Social Housing	Social Services	Amortization	Total 2017 \$	Total 2016 \$
REVENUE											
INAC	6,866,563	1,493,183	1,959,630	2,497,219	-	-	-	979,269	-	6,929,301	4,291,627
CMHC	223,497	-	150,037	-	-	-	73,460	-	-	223,497	74,043
Department of Fisheries and Oceans	144,127	144,127	-	-	-	-	-	-	-	144,127	161,118
First Nations Education Steering Committee	188,108	-	-	430,466	-	-	-	-	-	430,466	188,108
First Nations Health Authority	1,254,818	50,000	-	-	-	1,204,818	-	-	-	1,254,818	1,184,601
Investment	28,892	151,281	-	-	-	-	-	-	-	151,281	28,892
LNG proponent revenue	6,597,145	5,102,468	-	-	-	-	-	-	-	5,102,468	6,597,145
Ottawa trust funds	19,773	19,773	-	-	-	-	-	-	-	19,773	20,485
Province of British Columbia	935,493	-	-	581,693	353,800	-	-	-	-	935,493	5,575,000
Prince Rupert Port Authority	464,811	162,066	9,995	-	-	-	-	-	-	172,061	464,811
Rental	283,738	187,649	11,093	8,000	-	-	130,630	-	-	337,372	283,738
Other	2,061,979	2,217,113	397,792	1,204,016	-	118,107	9,970	2,132	-	3,949,130	2,345,873
	19,068,944	9,527,660	2,528,547	4,721,394	353,800	1,322,925	214,060	981,401	-	19,649,787	21,215,441
EXPENDITURE											
Administration	873,897	238,786	148,014	595,746	-	195,318	-	22,890	-	1,200,754	842,958
Administration (recovery)	-810,130	-1,140,455	-	-	-	-	-	-	-	-1,140,455	-810,130
Allowances	1,418,360	7,745	-	391,096	-	-	-	707,629	-	1,106,470	1,418,359
Amortization	1,360,663	-	-	-	-	-	-	-	-	1,326,831	1,326,831
Bad debts	138,680	10,212	-	-	-	-	-	-	-	10,212	138,680
Bank charge and interest	285,964	34,061	-	-	10,087	4,551	8,262	-	-	56,961	75,243
Chief and Council	343,385	338,900	-	-	-	-	-	-	-	338,900	343,385
Contract services	3,528,625	2,549,557	299,051	1,845,916	-	182,864	-	12,586	-	4,889,974	3,922,030
Funding recoveries	61,512	59,301	-	57,977	-	-	-	109,333	-	226,611	67,389
Insurance	117,199	62,488	5,282	3,002	-	451	24,900	-	-	96,123	113,514
Materials and supplies	1,957,087	825,992	351,177	558,314	-	167,973	43,054	64,505	-	2,011,015	1,227,535
Professional services	1,127,031	893,137	-	-	-	-	5,000	-	-	898,137	1,127,031
Telephone and utilities	267,904	223,998	415	40,764	-	37,000	135	5,650	-	307,962	268,840
Travel and workshops	1,210,598	475,275	6,768	142,686	-	425,600	-	5,928	-	1,056,257	1,208,266
Wages and benefits	2,278,397	1,508,339	408,155	177,694	-	410,990	8,660	94,225	-	2,608,063	2,024,050
	14,159,172	6,087,336	1,218,862	3,813,195	10,087	1,424,747	90,011	1,022,746	1,326,831	14,993,815	13,362,020
REVENUE OVER EXPENDITURE	4,909,772	3,440,324	1,309,685	908,199	343,713	-101,822	124,049	-41,345	-1,326,831	4,655,972	7,853,421
TRANSFERS	-	-20,000	20,000	-	-	-	-	-	-	-	-
ANNUAL SURPLUS (DEFICIT)	4,909,772	3,420,324	1,329,685	908,199	343,713	-101,822	124,049	-41,345	-1,326,831	4,655,972	7,853,421