

**GITXAALA NATION
FINANCIAL STATEMENTS
MARCH 31, 2018**

GITXAALA NATION
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MARCH 31, 2018

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GITXAALA NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

YEAR ENDED MARCH 31, 2018

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 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 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 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, 2018 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, 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
September 18, 2018



GITXAALA NATION
STATEMENT OF FINANCIAL POSITION
MARCH 31

	2018	2017
	\$	\$
Financial Assets		
Cash	1,243,446	1,469,253
Cash held in lawyer trusts (note 2)	8,367,895	8,443,288
Marketable securities (note 1)	1,132,763	1,107,137
Accounts receivable (note 3)	1,686,043	2,422,392
Ottawa trust funds (note 4)	836,750	814,088
	<u>13,266,897</u>	<u>14,256,158</u>
Liabilities		
Accounts payable and accruals (note 5)	783,805	1,399,092
Deferred revenue (note 1)	960,354	637,436
Replacement reserve (note 6)	244,180	217,611
Bank and other loans (note 7)	3,439,897	3,649,994
	<u>5,428,236</u>	<u>5,904,133</u>
Net Financial Assets	<u>7,838,661</u>	<u>8,352,025</u>
Non-Financial Assets		
Prepaid expenses	74,403	135,918
Property and equipment (notes 1 and 8)	27,383,020	28,549,331
Investments (notes 1 and 9)	2,048,609	1,789,991
	<u>29,506,032</u>	<u>30,475,240</u>
	<u>37,344,693</u>	<u>38,827,265</u>
Nation Position		
Operating surplus (note 10)	7,920,389	8,728,027
Equity in Ottawa trust funds	836,750	814,088
Equity in property and equipment (note 11)	26,538,945	27,495,159
Equity in investments (note 9)	2,048,609	1,789,991
	<u>37,344,693</u>	<u>38,827,265</u>
CONTINGENCY (note 12)		

APPROVED ON BEHALF OF COUNCIL

Clifford D. St. Omer

Chief

Keith O.

Councillor

GITXAALA NATION
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED MARCH 31

	Unaudited Budget 2018	2018	2017
	\$	\$	\$
REVENUES			
INAC	4,722,752	4,722,752	6,929,301
CMHC	122,220	122,220	223,497
Department of Fisheries and Oceans	24,700	24,700	144,127
First Nations Education Steering Committee	542,375	489,527	430,466
First Nations Health Authority	1,453,253	1,470,253	1,254,818
Investment	151,281	71,513	151,281
LNG proponent revenue	-	276,875	5,102,468
Ottawa trust funds	22,662	22,662	19,773
Prince Rupert Port Authority	-	-	172,061
Province of British Columbia	935,493	1,241,897	935,493
Rental	342,350	372,709	337,372
Other	<u>4,058,510</u>	<u>2,775,902</u>	<u>3,949,130</u>
	<u>12,375,596</u>	<u>11,591,010</u>	<u>19,649,787</u>
EXPENDITURE			
Administration	4,439,045	4,519,386	6,087,336
Amortization	1,294,376	1,326,393	1,326,831
Capital Projects	750,883	777,883	1,218,862
Education	3,813,192	3,780,437	3,813,195
Forestry	10,087	355,598	10,087
Health	1,363,629	1,258,888	1,424,747
Social Housing	196,080	136,592	90,011
Social Services	<u>1,022,747</u>	<u>918,405</u>	<u>1,022,746</u>
	<u>12,890,039</u>	<u>13,073,582</u>	<u>14,993,815</u>
REVENUE OVER EXPENDITURE	-514,443	-1,482,572	4,655,972
OPENING POSITION	<u>38,827,265</u>	<u>38,827,265</u>	<u>34,171,293</u>
CLOSING POSITION	<u>38,312,822</u>	<u>37,344,693</u>	<u>38,827,265</u>

GITXAALA NATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	-1,482,572	4,655,972
Amortization	1,326,393	1,326,831
Accounts payable and accruals	-615,287	337,064
Deferred revenue	322,918	392,321
Replacement reserve	26,569	26,569
Accounts receivable	736,349	-1,608,959
Ottawa trust funds	-22,662	-19,774
Prepaid expenses	<u>61,515</u>	<u>-75,842</u>
	<u>353,223</u>	<u>5,034,182</u>
FINANCING ACTIVITIES		
Bank and other loans	<u>-210,097</u>	<u>-435,539</u>
INVESTING ACTIVITIES		
Property and equipment additions	-160,082	-509,984
Property and equipment disposals	-	128,950
Investments	<u>-258,618</u>	<u>-409,662</u>
Marketable securities	<u>-25,626</u>	<u>150,280</u>
	<u>-444,326</u>	<u>-640,416</u>
CHANGE IN CASH	-301,200	3,958,227
OPENING CASH BALANCE	<u>9,912,541</u>	<u>5,954,314</u>
CLOSING CASH BALANCE	<u>9,611,341</u>	<u>9,912,541</u>
Cash is comprised as follows:		
Cash held by the Nation	1,243,446	1,469,253
Cash held in lawyers trusts	<u>8,367,895</u>	<u>8,443,288</u>
	<u>9,611,341</u>	<u>9,912,541</u>

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

	2018	2017
	\$	\$
Revenue over expenditure	-1,482,572	4,655,972
Amortization	1,326,393	1,326,831
Property and equipment additions	-160,082	-509,984
Property and equipment disposals	-	128,950
Prepaid expenses	61,515	-75,842
Investments	<u>-258,618</u>	<u>-409,662</u>
 CHANGE IN NET FINANCIAL ASSETS	 -513,364	 5,116,265
 OPENING NET FINANCIAL ASSETS	 <u>8,352,025</u>	 <u>3,235,760</u>
 CLOSING NET FINANCIAL ASSETS	 <u>7,838,661</u>	 <u>8,352,025</u>

GITXAALA NATION

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 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 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

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MARCH 31, 2018

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. CASH HELD IN LAWYER TRUSTS

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

3. ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
INAC	279,152	333,400
Canada Revenue Agency - GST	283,158	228,996
Other Federal	100,202	213,443
Province of British Columbia	395,327	830,009
Social housing rent	531,097	503,543
Trade and other	941,391	1,087,040
	<hr/>	<hr/>
	2,530,327	3,196,431
Allowance for doubtful accounts	844,284	774,039
	<hr/>	<hr/>
	1,686,043	2,422,392

GITXAALA NATION

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MARCH 31, 2018

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	\$ 809,641	\$ 4,447	\$ 814,088
Interest	<u>22,662</u>	<u>-</u>	<u>22,662</u>
Closing balance	<u>\$ 832,303</u>	<u>\$ 4,447</u>	<u>\$ 836,750</u>

5. ACCOUNTS PAYABLE AND ACCRUALS

	2018	2017
	\$	\$
Governmental payables	7,852	8,339
Trade and other	593,984	1,238,548
Wages and benefits	<u>181,969</u>	<u>152,205</u>
	<u>783,805</u>	<u>1,399,092</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, 2018, \$150,259 of the required \$244,180 is in a separate bank account.

Opening balance	\$ 217,611
Current provision	<u>26,569</u>
Closing balance	<u>\$ 244,180</u>

GITXAALA NATION

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MARCH 31, 2018

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.	\$ 444,989
\$749/month including interest at 5.99% per annum; secured by a charge on specified equipment.	5,863
\$1,074/month including interest at 5.99% per annum; secured by a charge on specified equipment.	17,472
All Nations Trust Company; secured by mortgages against the social housing units.	
\$3,590/month including interest at 1.08% per annum.	21,477
\$3,702/month including interest at 1.08% per annum.	87,856
\$2,240/month including interest at 1.92% per annum.	266,418
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>\$ 3,439,897</u>

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

2019	\$ 188,318
2020	159,001
2021	114,153
2022	118,982
2023	<u>111,307</u>
	<u>\$ 691,761</u>

GITXAALA NATION

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MARCH 31, 2018

8. PROPERTY AND EQUIPMENT

	COST		ACCUMULATED AMORTIZATION			NET BOOK VALUE		
	Opening Balance	Additions	Closing Balance	Opening Balance	Annual Amortization	Closing Balance	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Land	589,000	-	589,000	-	-	-	589,000	589,000
Buildings	13,891,416	-	13,891,416	7,254,282	328,171	7,582,453	6,308,963	6,637,134
Infrastructure	29,303,504	-	29,303,504	8,636,106	826,696	9,462,802	19,840,702	20,667,398
Equipment	1,757,226	160,082	1,917,308	1,210,395	141,382	1,351,777	565,531	546,831
Vessels	597,250	-	597,250	488,282	30,144	518,426	78,824	108,968
	<u>46,138,396</u>	<u>160,082</u>	<u>46,298,478</u>	<u>17,589,065</u>	<u>1,326,393</u>	<u>18,915,458</u>	<u>27,383,020</u>	<u>28,549,331</u>

GITXAALA NATION

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MARCH 31, 2018

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 (loss)	Closing balance
Partnerships			
Tyee Building Supplies	\$ 1,141,448	\$ -11,891	\$ 1,129,557
Non-controlled enterprises			
North Coast Skeena CFE	648,541	270,509	919,050
North-Co-Corp Ferry Services Ltd. shares - 33.33% interest	2	-	2
	<u>\$ 1,789,991</u>	<u>\$ 258,618</u>	<u>\$ 2,048,609</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

	2018	2017
	\$	\$
Administration	3,631,389	4,325,206
Capital Projects	845,683	1,511,253
Education	3,887,738	3,719,460
Forestry	1,551,346	1,412,270
Health	503,392	285,421
Social Housing	104,286	140,182
Social Services	-140,002	-202,322
Treaty	<u>-2,463,443</u>	<u>-2,463,443</u>
	<u>7,920,389</u>	<u>8,728,027</u>

GITXAALA NATION

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MARCH 31, 2018

11. EQUITY IN PROPERTY AND EQUIPMENT

Opening balance	\$ 27,495,159
Contribution from operations	160,082
Principal repayment	210,097
Amortization	<u>-1,326,393</u>
Closing balance	<u>\$ 26,538,945</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 rock truck loans for four members to \$200,000.

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

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MARCH 31, 2018

13. SEGMENT DISCLOSURE (continued)

	Budget Total 2018	Administration	Capital Projects	Education	Forestry	Health	Social Housing	Social Services	Amortization	Total 2018	Total 2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE											
INAC	4,722,752	1,355,841	-	2,386,186	-	-	-	980,725	-	4,722,752	6,929,301
CMHC	122,220	-	48,760	-	-	-	73,460	-	-	122,220	223,497
Department of Fisheries and Oceans	24,700	24,700	-	-	-	-	-	-	-	24,700	144,127
First Nations Education Steering Committee	542,375	-	-	489,527	-	-	-	-	-	489,527	430,466
First Nations Health Authority	1,453,253	50,000	27,000	-	-	1,393,253	-	-	-	1,470,253	1,254,818
Investment	151,281	71,513	-	-	-	-	-	-	-	71,513	151,281
LNG proponent revenue	-	176,875	-	100,000	-	-	-	-	-	276,875	5,102,468
Ottawa trust funds	22,662	22,662	-	-	-	-	-	-	-	22,662	19,773
Province of British Columbia	935,493	93,924	-	794,173	353,800	-	-	-	-	1,241,897	935,493
Prince Rupert Port Authority	-	-	-	-	-	-	-	-	-	-	172,061
Rental	342,350	207,696	6,300	24,000	-	100	134,613	-	-	372,709	337,372
Other	4,058,510	2,356,129	30,254	305,972	43	83,504	-	-	-	2,775,902	3,949,130
	<u>12,375,596</u>	<u>4,359,340</u>	<u>112,314</u>	<u>4,099,858</u>	<u>353,843</u>	<u>1,476,857</u>	<u>208,073</u>	<u>980,725</u>	<u>-</u>	<u>11,591,010</u>	<u>19,649,787</u>
EXPENDITURE											
Administration	1,052,740	152,938	-	523,508	-	190,413	-	18,926	-	885,785	1,200,754
Administration (recovery)	-1,201,575	-851,820	-	-	-	-	-	-	-	-851,820	-1,140,455
Allowances	1,106,470	4,189	-	424,796	-	-	-	749,952	-	1,178,937	1,106,470
Amortization	1,294,376	-	-	-	-	-	-	-	-	1,326,393	1,326,393
Bad debts	10,212	27,555	-	-	-	-	-	-	-	27,555	10,212
Bank charge and interest	272,500	37,769	-	-	920	1,532	6,913	-	-	47,134	56,961
Chief and Council	338,900	312,864	-	-	-	-	-	-	-	312,864	338,900
Contract services	3,931,536	1,312,956	652,694	1,860,089	348,636	140,995	-	13,245	-	4,328,615	4,889,974
Funding recoveries	226,611	266,661	-	611	-	-	-	2,651	-	269,923	226,611
Insurance	96,123	96,507	5,282	3,128	-	451	21,189	-	-	126,557	96,123
Materials and supplies	1,672,679	804,561	28,578	443,737	-	124,547	58,952	53,774	-	1,514,149	2,011,015
Professional services	603,715	520,256	8,845	1,960	-	-	5,000	-	-	536,061	898,137
Telephone and utilities	311,353	255,235	3,807	71,474	-	24,301	2,210	3,799	-	360,826	307,962
Travel and workshops	898,972	281,902	3,158	162,501	6,042	381,805	-	138	-	835,546	1,056,257
Wages and benefits	2,275,427	1,297,813	75,519	288,633	-	394,844	42,328	75,920	-	2,175,057	2,608,063
	<u>12,890,039</u>	<u>4,519,386</u>	<u>777,883</u>	<u>3,780,437</u>	<u>355,598</u>	<u>1,258,888</u>	<u>136,592</u>	<u>918,405</u>	<u>1,326,393</u>	<u>13,073,582</u>	<u>14,993,815</u>
REVENUE OVER EXPENDITURE	-514,443	-160,046	-665,569	319,421	-1,755	217,969	71,481	62,320	-1,326,393	-1,482,572	4,655,972
TRANSFERS	-	-140,869	-	38	140,831	-	-	-	-	-	-
ANNUAL SURPLUS (DEFICIT)	-514,443	-300,915	-665,569	319,459	139,076	217,969	71,481	62,320	-1,326,393	-1,482,572	4,655,972