

**GITXAALA NATION**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

**GITXAALA NATION**  
**INDEX TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

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

## **GITXAALA NATION**

### **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

**YEAR ENDED MARCH 31, 2019**

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.

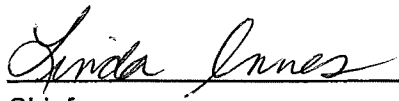
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards which includes certain amounts based on judgments and estimates. Management has chosen the most appropriate method to determine the judgments/estimates to ensure that the financial 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**

**Opinion**

We have audited the financial statements of the Gitxaala Nation, which comprise the statement of financial position as at March 31, 2019 and the statements of financial activities, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Nation as at March 31, 2019 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. We are independent of the Nation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit.

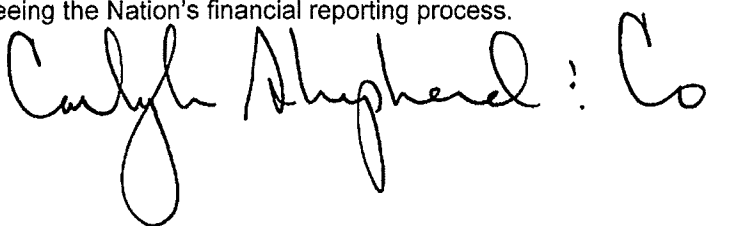
**Responsibilities of Management and Council for the Financial Statements**

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.

In preparing the financial statements, management is responsible for assessing the Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless conditions exist that do not allow for the going concern basis to be used.

The Council is responsible for overseeing the Nation's financial reporting process.

Prince Rupert, BC  
March 8, 2020



Carlyle Shepherd : Co.

**GITXAALA NATION**  
**STATEMENT OF FINANCIAL POSITION**

**MARCH 31**

	2019	2018
	\$	\$
<b>Financial Assets</b>		
Cash	3,221,571	1,243,446
Cash held in lawyer trusts (note 2)	10,183,731	8,367,895
Marketable securities (note 1)	1,175,777	1,132,763
Accounts receivable (note 3)	18,371,710	1,686,043
Ottawa trust funds (note 4)	860,469	836,750
	<u>33,813,258</u>	<u>13,266,897</u>
<b>Liabilities</b>		
Accounts payable and accruals (note 5)	1,994,092	783,805
Deferred revenue (note 1)	89,962	960,354
Replacement reserve (note 6)	208,570	244,180
Bank and other loans (note 7)	3,252,620	3,439,897
	<u>5,545,244</u>	<u>5,428,236</u>
<b>Net Financial Assets</b>	<u>28,268,014</u>	<u>7,838,661</u>
<b>Non-Financial Assets</b>		
Prepaid expenses	126,515	74,403
Property and equipment (notes 1 and 8)	26,257,107	27,383,020
Investments (notes 1 and 9)	2,364,436	2,048,609
	<u>28,748,058</u>	<u>29,506,032</u>
	<u>57,016,072</u>	<u>37,344,693</u>
<b>Nation Position</b>		
Operating surplus (note 10)	28,190,858	7,920,389
Equity in Ottawa trust funds	860,469	836,750
Equity in property and equipment (note 11)	25,600,309	26,538,945
Equity in investments (note 9)	2,364,436	2,048,609
	<u>57,016,072</u>	<u>37,344,693</u>

**CONTINGENT LIABILITIES (note 12)**

APPROVED ON BEHALF OF COUNCIL

Linda Innes Chief

Bruce Innes Councillor

**GITXAALA NATION**

**STATEMENT OF FINANCIAL ACTIVITIES**

**YEAR ENDED MARCH 31**

	Unaudited Budget 2019 \$	2019 \$	2018 \$
<b>REVENUES</b>			
ISC	6,156,702	6,165,702	4,722,752
CMHC	81,838	81,838	122,220
Department of Fisheries and Oceans	24,700	283,742	24,700
First Nations Education Steering Committee	489,527	707,746	489,527
First Nations Health Authority	1,544,236	1,544,236	1,470,253
Investment	71,513	442,743	71,513
LNG proponent revenue	3,026,875	3,022,455	276,875
Ottawa trust funds	-	23,719	22,662
Province of British Columbia	1,241,897	17,772,072	1,241,897
Prince Rupert Port Authority	-	203,839	-
Rental	372,709	326,160	372,709
Other	<u>2,247,098</u>	<u>2,629,153</u>	<u>2,775,902</u>
	<u>15,257,095</u>	<u>33,203,405</u>	<u>11,591,010</u>
<b>EXPENDITURE</b>			
Administration	4,236,786	4,940,930	4,519,386
Amortization	1,200,000	1,240,596	1,326,393
Capital Projects	777,885	494,611	777,883
Education	3,931,008	4,274,375	3,780,437
Forestry	355,598	26,127	355,598
Health	1,258,888	1,394,473	1,258,888
Social Housing	143,968	58,920	136,592
Social Services	<u>915,754</u>	<u>1,101,994</u>	<u>918,405</u>
	<u>12,819,887</u>	<u>13,532,026</u>	<u>13,073,582</u>
<b>REVENUE OVER EXPENDITURE</b>	2,437,208	19,671,379	-1,482,572
<b>OPENING POSITION</b>	<u>37,344,693</u>	<u>37,344,693</u>	<u>38,827,265</u>
<b>CLOSING POSITION</b>	<u>39,781,901</u>	<u>57,016,072</u>	<u>37,344,693</u>

**GITXAALA NATION**

**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**

**YEAR ENDED MARCH 31**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Revenue over expenditure	19,671,379	-1,482,572
Amortization	1,240,596	1,326,393
Property and equipment additions	-114,683	-160,082
Prepaid expenses	-52,112	61,515
Investments	<u>-315,827</u>	<u>-258,618</u>
 <b>CHANGE IN NET FINANCIAL ASSETS</b>	 20,429,353	 -513,364
 <b>OPENING NET FINANCIAL ASSETS</b>	 <u>7,838,661</u>	 <u>8,352,025</u>
 <b>CLOSING NET FINANCIAL ASSETS</b>	 <u>28,268,014</u>	 <u>7,838,661</u>

**GITXAALA NATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Revenue over expenditure	19,671,379	-1,482,572
Amortization	1,240,596	1,326,393
Accounts payable and accruals	1,210,287	-615,287
Deferred revenue	-870,392	322,918
Replacement reserve	-35,610	26,569
Accounts receivable	-16,685,667	736,349
Ottawa trust funds	-23,719	-22,662
Prepaid expenses	-52,112	61,515
	<u>4,454,762</u>	<u>353,223</u>
<b>FINANCING ACTIVITIES</b>		
Bank and other loans	<u>-187,277</u>	<u>-210,097</u>
<b>INVESTING ACTIVITIES</b>		
Property and equipment additions	-114,683	-160,082
Investments	-315,827	-258,618
Marketable securities	<u>-43,014</u>	<u>-25,626</u>
	<u>-473,524</u>	<u>-444,326</u>
<b>CHANGE IN CASH</b>	3,793,961	-301,200
<b>OPENING CASH BALANCE</b>	<u>9,611,341</u>	<u>9,912,541</u>
<b>CLOSING CASH BALANCE</b>	<u>13,405,302</u>	<u>9,611,341</u>
Cash is comprised as follows:		
Cash held by the Nation	3,221,571	1,243,446
Cash held in lawyers trusts	<u>10,183,731</u>	<u>8,367,895</u>
	<u>13,405,302</u>	<u>9,611,341</u>



# **GITXAALA NATION**

## **NOTES**

**MARCH 31, 2019**

### **1. SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Fund Accounting**

These financial statements have been prepared using the fund accounting method and guidelines issued by Indigenous Services Canada (ISC) 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

## NOTES

MARCH 31, 2019

### 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

	2019	2018
	\$	\$
ISC	-	279,152
Canada Revenue Agency - GST	366,259	283,158
Other Federal	194,379	100,202
Province of British Columbia	16,899,700	395,327
Social housing rent	562,809	531,097
Trade and other	<u>1,220,352</u>	<u>941,391</u>
	19,243,499	2,530,327
Allowance for doubtful accounts	<u>871,789</u>	<u>844,284</u>
	<u>18,371,710</u>	<u>1,686,043</u>

## GITXAALA NATION

### NOTES

MARCH 31, 2019

#### 4. OTTAWA TRUST FUNDS

ISC 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 ISC.

	Revenue	Capital	Total
Opening balance	\$ 832,303	\$ 4,447	\$ 836,750
Interest	<u>23,719</u>	<u>-</u>	<u>23,719</u>
Closing balance	<u>\$ 856,022</u>	<u>\$ 4,447</u>	<u>\$ 860,469</u>

#### 5. ACCOUNTS PAYABLE AND ACCRUALS

	2019	2018
	\$	\$
Governmental payables	575,699	7,852
Trade and other	1,215,632	593,984
Wages and benefits	<u>202,761</u>	<u>181,969</u>
	<u>1,994,092</u>	<u>783,805</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, 2019, \$150,219 of the required \$208,570 is in a separate bank account.

Opening balance	\$ 244,180
Current provision	22,399
Expenditure	<u>-58,009</u>
Closing balance	<u>\$ 208,570</u>

**GITXAALA NATION**

**NOTES**

**MARCH 31, 2019**

**7. BANK AND OTHER LOANS**

Royal Bank of Canada, demand loans

\$8,525/month including interest at 5.2%; secured by a charge on specified property. \$ 362,888

\$1,074/month including interest at 5.99% per annum; secured by a charge on specified equipment. 5,299

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

\$3,702/month including interest at 1.08% per annum. 44,165

\$2,233/month including interest at 1.86% per annum. 244,446

British Columbia Treaty Commission advances for treaty negotiations. The Federal Government has indicated that treaty loans will be forgiven in 2020. 2,595,822

\$ 3,252,620

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

2020	\$ 2,753,176
2021	112,862
2022	118,084
2023	116,382
2024	<u>24,175</u>

\$ 3,124,679

GITXAALA NATION

NOTES

MARCH 31, 2019

8. PROPERTY AND EQUIPMENT

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE	
	Opening Balance \$	Additions \$	Closing Balance \$	Opening Balance \$	Annual Amortization \$	Closing Balance \$	2019 \$	2018 \$
Land	589,000	-	589,000	-	-	-	589,000	589,000
Buildings	13,891,416	-	13,891,416	7,582,453	299,101	7,881,554	6,009,862	6,308,963
Infrastructure	29,303,504	-	29,303,504	9,462,802	793,628	10,256,430	19,047,074	19,840,702
Equipment	1,917,308	114,683	2,031,991	1,351,777	136,043	1,487,820	544,171	565,531
Vessels	597,250	-	597,250	518,426	11,824	530,250	67,000	78,824
	<u>46,298,478</u>	<u>114,683</u>	<u>46,413,161</u>	<u>18,915,458</u>	<u>1,240,596</u>	<u>20,156,054</u>	<u>26,257,107</u>	<u>27,383,020</u>

# GITXAALA NATION

## NOTES

MARCH 31, 2019

### 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
<b>Partnerships</b>			
Tyee Building Supplies	\$ 1,129,557	\$ 111,862	\$ 1,241,419
<b>Non-controlled enterprises</b>			
North Coast Skeena CFE	919,050	203,965	1,123,015
North-Co-Corp Ferry Services Ltd. shares - 33.33% interest	<u>2</u>	<u>-</u>	<u>2</u>
	<u>\$ 2,048,609</u>	<u>\$ 315,827</u>	<u>\$ 2,364,436</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 (DEFICIT)

	2019	2018
	\$	\$
Administration	4,703,735	3,631,389
Capital Projects	880,460	845,683
Education	5,883,625	3,887,738
Forestry	2,129,019	1,551,346
Health	710,808	503,392
Provincial Coastal and Settlement Agreements	16,385,000	-
Social Housing	118,139	104,286
Social Services	-156,485	-140,002
Treaty	<u>-2,463,443</u>	<u>-2,463,443</u>
	<u>28,190,858</u>	<u>7,920,389</u>

## **GITXAALA NATION**

### **NOTES**

**MARCH 31, 2019**

#### **10. OPERATING SURPLUS (DEFICIT) (continued)**

The Provincial Coastal and Settlement Agreements require the funds to be spent as follows:

LNG support	\$ 885,000
Capacity building	500,000
Community infrastructure	5,000,000
Land development	5,000,000
Economic development	<u>5,000,000</u>
	<u>\$ 16,385,000</u>

#### **11. EQUITY IN PROPERTY AND EQUIPMENT**

Opening balance	\$ 26,538,945
Contribution from operations	114,683
Principal repayment	187,277
Amortization	<u>-1,240,596</u>
Closing balance	<u>\$ 25,600,309</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 \$13,500,000.

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

## NOTES

MARCH 31, 2019

## 13. SEGMENT DISCLOSURE (continued)

	Budget Total 2019 \$	Administration \$	Provincial Coastal and Settlement Agreement \$	Capital Projects \$	Education \$	Forestry \$	Health \$	Social Housing \$	Social Services \$	Amortization \$	Total 2019 \$	Total 2018 \$
<b>REVENUE</b>												
ISC	6,156,702	1,527,829	-	431,013	3,121,349	-	-	-	1,085,511	-	6,165,702	4,722,752
CMHC	81,838	-	-	-	-	-	-	81,838	-	-	81,838	122,220
Department of Fisheries and Oceans	24,700	283,742	-	-	-	-	-	-	-	-	283,742	24,700
First Nations Education Steering Committee	489,527	-	-	-	707,746	-	-	-	-	-	707,746	489,527
First Nations Health Authority	1,544,236	-	-	-	-	-	1,544,236	-	-	-	1,544,236	1,470,253
Investment	71,513	442,317	-	428	-	-	-	-	-	-	442,743	71,513
LNG proponent revenue	3,026,875	2,899,235	-	-	123,220	-	-	-	-	-	3,022,455	276,875
Ottawa trust funds	-	23,719	-	-	-	-	-	-	-	-	23,719	22,662
Province of British Columbia	1,241,897	402,644	16,385,000	-	630,828	353,800	-	-	-	-	17,772,072	1,241,897
Prince Rupert Port Authority	-	203,839	-	-	-	-	-	-	-	-	203,839	-
Rental	372,709	240,983	-	5,217	16,000	-	-	63,960	-	-	326,160	372,709
Other	2,247,098	1,912,008	-	26,076	588,281	-	108,674	14,114	-	-	2,629,153	2,775,902
	<u>15,257,095</u>	<u>7,936,316</u>	<u>16,385,000</u>	<u>462,732</u>	<u>5,167,224</u>	<u>353,800</u>	<u>1,652,910</u>	<u>159,912</u>	<u>1,085,511</u>	<u>-</u>	<u>33,203,405</u>	<u>11,591,010</u>
<b>EXPENDITURE</b>												
Administration	885,780	318,570	-	64,652	738,904	23,575	-	-	36,844	-	1,182,545	885,785
Administration (recovery)	-851,820	-1,398,920	-	-	-	-	232,315	-	-	-	-1,166,605	-851,820
Allowances	1,269,968	23,512	-	-	547,033	-	-	-	841,688	-	1,412,233	1,178,937
Amortization	1,200,000	-	-	-	-	-	-	-	-	1,240,596	1,240,596	1,326,393
Bad debts	-	-	-	-	-	-	-	-	-	-	-	27,555
Bank charge and interest	57,230	35,013	-	-	-	-	-	5,745	-	-	40,758	47,134
Chief and Council	312,864	315,640	-	-	-	-	-	-	-	-	315,640	312,864
Contract services	3,185,916	2,058,711	-	452	840,873	-	188,265	-	7,399	-	3,095,700	4,328,615
Funding recoveries	-	56,551	-	-	-	-	-	-	71,808	-	128,359	269,923
Insurance	126,557	104,455	-	4,532	3,667	-	-	22,026	-	-	134,680	126,557
Materials and supplies	1,663,567	816,457	-	300,293	532,407	-	196,842	25,008	51,130	-	1,921,937	1,514,149
Professional services	536,062	656,916	-	8,962	1,055	-	-	5,000	-	-	671,933	536,061
Telephone and utilities	360,826	222,489	-	1,138	45,637	-	20,038	1,141	3,190	-	293,633	360,826
Travel and workshops	835,546	431,794	-	5,883	173,701	2,552	377,695	-	8,155	-	999,780	835,546
Wages and benefits	3,237,393	1,299,742	-	108,699	1,391,098	-	379,518	-	81,780	-	3,260,837	2,175,057
	<u>12,819,887</u>	<u>4,940,930</u>	<u>-</u>	<u>494,611</u>	<u>4,274,375</u>	<u>26,127</u>	<u>1,394,473</u>	<u>58,920</u>	<u>1,101,994</u>	<u>1,240,596</u>	<u>13,532,026</u>	<u>13,073,582</u>
REVENUE OVER EXPENDITURE	2,437,208	2,995,386	16,385,000	-31,879	892,849	327,673	258,437	100,992	-16,483	-1,240,596	19,671,379	-1,482,572
TRANSFERS	-	-1,416,694	-	66,656	1,103,038	250,000	-3,000	-	-	-	-	-
ANNUAL SURPLUS (DEFICIT)	<u>2,437,208</u>	<u>1,578,692</u>	<u>16,385,000</u>	<u>34,777</u>	<u>1,995,887</u>	<u>577,673</u>	<u>255,437</u>	<u>100,992</u>	<u>-16,483</u>	<u>-1,240,596</u>	<u>19,671,379</u>	<u>-1,482,572</u>