

GITXAALA NATION
FINANCIAL STATEMENTS
MARCH 31, 2020

GITXAALA NATION
INDEX TO FINANCIAL STATEMENTS
MARCH 31, 2020

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, 2020

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, 2020 and the statements of financial activities, cash flows and changes in net financial assets 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, 2020 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.

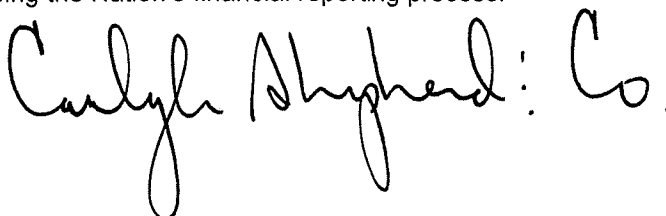
Responsibilities of Management and Council for the Financial Statements

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.

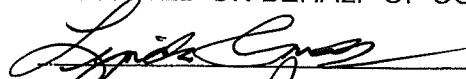
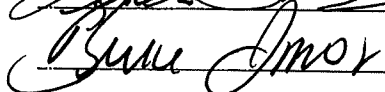
Prince Rupert, BC
October 6, 2020



GITXAALA NATION
STATEMENT OF FINANCIAL POSITION
MARCH 31

	2020	2019
	\$	\$
Financial Assets		
Cash	25,667,081	3,221,571
Cash held in lawyer trusts (note 2)	17,963,793	10,183,731
Marketable securities (note 1)	1,126,258	1,175,777
Accounts receivable (note 3)	31,068,566	18,371,710
Ottawa trust funds (note 4)	878,850	860,469
	<u>76,704,548</u>	<u>33,813,258</u>
Liabilities		
Accounts payable and accruals (note 5)	1,705,400	1,994,092
Deferred revenue	-	89,962
Replacement reserve (note 6)	90,975	208,570
Bank and other loans (note 7)	499,447	3,252,620
	<u>2,295,822</u>	<u>5,545,244</u>
Net Financial Assets	<u>74,408,726</u>	<u>28,268,014</u>
Non-Financial Assets		
Prepaid expenses	168,741	126,515
Property and equipment (notes 1 and 9)	25,667,739	26,257,107
Investments (notes 1 and 8)	2,560,432	2,364,436
	<u>28,396,912</u>	<u>28,748,058</u>
	<u>102,805,638</u>	<u>57,016,072</u>
Nation Position		
Operating surplus (note 10)	74,198,064	28,190,858
Equity in Ottawa trust funds	878,850	860,469
Equity in property and equipment (note 11)	25,168,292	25,600,309
Equity in investments (note 8)	2,560,432	2,364,436
	<u>102,805,638</u>	<u>57,016,072</u>
CONTINGENT LIABILITIES (note 12)		

APPROVED ON BEHALF OF COUNCIL

 Chief
 Councillor

GITXAALA NATION

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	Unaudited Budget 2020 \$	2020 \$	2019 \$
REVENUE			
ISC	7,154,594	7,154,594	6,165,702
CMHC	299,103	299,103	81,838
BC FN Gaming Revenue Sharing LP	-	946,751	-
Department of Fisheries and Oceans	283,742	225,920	283,742
First Nations Education Steering Committee	707,746	776,438	707,746
First Nations Health Authority	2,127,708	2,127,708	1,544,236
Investment	442,743	560,368	442,743
LNG proponent revenue	3,022,455	1,939,962	3,022,455
Ottawa trust funds	-	18,381	23,719
Province of British Columbia	30,086,272	29,377,119	17,772,072
Prince Rupert Port Authority	227,922	227,922	203,839
Rental	326,160	351,912	326,160
Grant from sale of Ridley Terminal	-	13,000,000	-
Other	2,637,666	5,956,537	2,629,153
	<u>47,316,111</u>	<u>62,962,715</u>	<u>33,203,405</u>
EXPENDITURE			
Administration	6,314,020	7,773,763	4,940,930
Amortization/loss on disposal	1,100,000	1,589,526	1,240,596
Capital Projects	494,751	801,419	494,611
Education	4,279,354	4,152,761	4,274,375
Forestry	26,126	76,328	26,127
Health	379,518	1,717,514	1,394,473
Social Housing	146,058	72,373	58,920
Social Services	1,049,286	989,465	1,101,994
	<u>13,789,113</u>	<u>17,173,149</u>	<u>13,532,026</u>
REVENUE OVER EXPENDITURE	33,526,998	45,789,566	19,671,379
OPENING POSITION	<u>57,016,072</u>	<u>57,016,072</u>	<u>37,344,693</u>
CLOSING POSITION	<u>90,543,070</u>	<u>102,805,638</u>	<u>57,016,072</u>

GITXAALA NATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	45,789,566	19,671,379
Amortization/loss on disposal	1,589,526	1,240,596
Accounts payable and accruals	-288,692	1,210,287
Deferred revenue	-89,962	-870,392
Replacement reserve	-117,595	-35,610
Accounts receivable	-12,696,856	-16,685,667
Ottawa trust funds	-18,381	-23,719
Prepaid expenses	-42,226	-52,112
	<u>34,125,380</u>	<u>4,454,762</u>
FINANCING ACTIVITIES		
Bank and other loans	<u>-2,753,173</u>	<u>-187,277</u>
INVESTING ACTIVITIES		
Property and equipment additions	-1,000,158	-114,683
Investments	-195,996	-315,827
Marketable securities	49,519	-43,014
	<u>-1,146,635</u>	<u>-473,524</u>
CHANGE IN CASH	30,225,572	3,793,961
OPENING CASH BALANCE	<u>13,405,302</u>	<u>9,611,341</u>
CLOSING CASH BALANCE	<u>43,630,874</u>	<u>13,405,302</u>
Cash is comprised as follows:		
Cash held by the Nation	25,667,081	3,221,571
Cash held in lawyers trusts	<u>17,963,793</u>	<u>10,183,731</u>
	<u>43,630,874</u>	<u>13,405,302</u>

GITXAALA NATION

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEAR ENDED MARCH 31

	2020	2019
	\$	\$
Revenue over expenditure	45,789,566	19,671,379
Amortization/loss on disposal	1,589,526	1,240,596
Property and equipment additions	-1,000,158	-114,683
Prepaid expenses	-42,226	-52,112
Investments	<u>-195,996</u>	<u>-315,827</u>
CHANGE IN NET FINANCIAL ASSETS	46,140,712	20,429,353
OPENING NET FINANCIAL ASSETS	<u>28,268,014</u>	<u>7,838,661</u>
CLOSING NET FINANCIAL ASSETS	<u>74,408,726</u>	<u>28,268,014</u>

GITXAALA NATION

NOTES

MARCH 31, 2020

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, 2020

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

	2020	2019
	\$	\$
Canada Revenue Agency - GST	408,409	366,259
Other Federal	334,218	194,379
Province of British Columbia	28,824,467	16,899,700
Social housing rent	505,795	562,809
Trade and other	<u>1,880,176</u>	<u>1,220,352</u>
	31,953,065	19,243,499
Allowance for doubtful accounts	<u>884,499</u>	<u>871,789</u>
	<u>31,068,566</u>	<u>18,371,710</u>

GITXAALA NATION

NOTES

MARCH 31, 2020

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	\$ 856,022	\$ 4,447	\$ 860,469
Interest	<u>18,381</u>	<u>-</u>	<u>18,381</u>
Closing balance	<u>\$ 874,403</u>	<u>\$ 4,447</u>	<u>\$ 878,850</u>

5. ACCOUNTS PAYABLE AND ACCRUALS

	2020	2019
	\$	\$
Governmental payables	27,120	575,699
Trade and other	1,404,542	1,215,632
Wages and benefits	<u>273,738</u>	<u>202,761</u>
	<u>1,705,400</u>	<u>1,994,092</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, 2020, all of the required funds are in a separate bank account.

Opening balance	\$ 208,570
Current provision	18,303
Completed phase	<u>-135,898</u>
Closing balance	<u>\$ 90,975</u>

GITXAALA NATION

NOTES

MARCH 31, 2020

7. BANK AND OTHER LOANS

Royal Bank of Canada, demand loan, \$8,558/month including interest at 3.7%; secured by a charge on specified property. \$ 277,444

All Nations Trust Company, mortgage, \$2,233/month including interest at 1.86% per annum. 222,003

\$ 499,447

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

2021	\$ 117,705
2022	120,869
2023	109,121
2024	24,182
2025	24,636

\$ 396,513

8. 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	\$ 1,241,419	\$ -67,321	\$ 1,174,098
Non-controlled enterprises			
North Coast Skeena CFE	1,123,015	263,317	1,386,332
North-Co-Corp Ferry Services Ltd. shares - 33.33% interest	<u>2</u>	<u>-</u>	<u>2</u>
	<u>\$ 2,364,436</u>	<u>\$ 195,996</u>	<u>\$ 2,560,432</u>

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

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

GITXAALA NATION

NOTES

MARCH 31, 2020

9. PROPERTY AND EQUIPMENT

	COST			ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Annual Amortization	Disposals	Closing Balance	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	589,000	-	381,000	208,000	-	-	-	-	589,000
Buildings	13,891,416	852,446	-	14,743,862	7,881,554	273,491	-	8,155,045	6,588,817
Infrastructure	29,303,504	-	-	29,303,504	10,256,430	761,883	-	11,018,313	18,285,191
Equipment	2,031,991	51,875	-	2,083,866	1,487,820	111,756	-	1,599,576	484,290
Vessels	597,250	95,837	460,525	232,562	530,250	17,902	417,031	131,121	101,441
	<u>46,413,161</u>	<u>1,000,158</u>	<u>841,525</u>	<u>46,571,794</u>	<u>20,156,054</u>	<u>1,165,032</u>	<u>417,031</u>	<u>20,904,055</u>	<u>25,667,739</u>
									<u>26,257,107</u>

GITXAALA NATION

NOTES

MARCH 31, 2020

10. OPERATING SURPLUS

	2020	2019
	\$	\$
Administration	16,895,847	4,703,735
Capital Projects	206,036	880,460
Education	7,936,113	5,883,625
Forestry	2,406,491	2,129,019
Health	1,207,997	710,808
Provincial Coastal and LNG Benefit Agreements	45,084,200	16,385,000
Social Housing	247,097	118,139
Social Services	81,904	-156,485
Treaty	132,379	-2,463,443
	<u>74,198,064</u>	<u>28,190,858</u>

Council's intentions are that the Provincial Coastal and LNG Benefit Agreements will be spent as follows:

LNG support	\$ 2,084,200
Capacity building	1,000,000
Community infrastructure	10,000,000
Land development	10,000,000
Economic development	10,000,000
Ferry infrastructure improvement	12,000,000
	<u>\$ 45,084,200</u>

11. EQUITY IN PROPERTY AND EQUIPMENT

Opening balance	\$ 25,600,309
Contribution from operations	1,000,158
Principal repayment	157,351
Amortization/loss on disposal	<u>-1,589,526</u>
Closing balance	<u>\$ 25,168,292</u>

GITXAALA NATION

NOTES

MARCH 31, 2020

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 Partnership to a maximum of \$13,500,000.

13. LEASE COMMITMENTS

Equipment lease commitments over the next five years are as follows:

2021	\$ 37,946
2022	37,946
2023	31,772
2024	28,684
2025	<u>9,561</u>
	<u>\$ 145,909</u>

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, 2020

14. SEGMENT DISCLOSURE (continued)

	Budget Total 2020	Administration	Provincial Coastal and LNG Benefit Agreements	Capital Projects	Education	Forestry	Health	Social Housing	Social Services	Amortization	Total 2020	Total 2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE												
ISC	7,154,594	1,837,101	-	562,071	3,527,568	-	-	-	1,227,854	-	7,154,594	6,165,702
CMHC	298,103	-	-	250,253	-	-	-	48,850	-	-	298,103	81,838
BC FN Gaming Revenue Sharing LP	-	946,751	-	-	-	-	-	-	-	-	946,751	-
Department of Fisheries and Oceans	283,742	225,920	-	-	-	-	-	-	-	-	225,920	283,742
First Nations Education Steering Committee	707,746	-	-	-	776,438	-	-	-	-	-	776,438	707,746
First Nations Health Authority	2,127,708	-	-	-	-	-	2,127,708	-	-	-	2,127,708	1,544,236
Investment	442,743	-	-	1,810	-	-	-	-	-	-	560,368	442,743
LNG proponent revenue	3,022,455	558,558	-	-	1,100,000	-	-	-	-	-	1,939,962	3,022,455
Ottawa trust funds	-	839,962	-	-	-	-	-	-	-	-	18,381	23,719
Province of British Columbia	30,086,272	265,692	28,699,200	-	58,427	353,800	-	-	-	-	29,377,119	17,772,072
Prince Rupert Port Authority	227,922	227,922	-	-	-	-	-	-	-	-	227,922	203,839
Rental	326,160	236,170	-	8,552	24,000	-	-	83,190	-	-	351,912	326,160
Grant from sale of Ridley Terminal	-	13,000,000	-	-	-	-	-	-	-	-	13,000,000	-
Other	2,637,666	5,419,593	-	129,053	172,118	-	99,875	135,898	-	-	5,956,537	2,629,153
	47,316,111	23,576,050	28,699,200	951,739	5,658,551	353,800	2,227,583	267,938	1,227,854	-	62,962,715	33,203,405
EXPENDITURE												
Administration	1,417,820	354,723	-	24,135	704,296	26,535	251,555	-	37,075	-	1,398,319	1,182,545
Administration (recovery)	-1,166,605	-1,281,422	-	-	-	-	-	-	-	-	-1,281,422	-1,166,605
Allowances	1,412,233	28,545	-	-	604,233	-	-	-	803,878	-	1,436,656	1,412,233
Amortization/loss on disposal	1,100,000	-	-	-	-	-	-	-	-	1,589,526	1,589,526	1,240,596
Bad debts	-	69,023	-	-	-	-	-	-	-	-	69,023	-
Bank charge and interest	225,076	82,118	-	-	10,999	-	-	4,622	-	-	97,739	40,758
Chief and Council	320,971	374,275	-	-	-	-	-	-	-	-	374,275	315,640
Contract services	3,086,577	3,381,416	-	344,254	847,664	49,793	304,501	-	1,486	-	4,929,114	3,095,700
Funding recoveries	-	22,181	-	-	4,979	-	-	-	19,104	-	46,264	128,359
Insurance	134,680	78,458	-	4,987	111	-	-	24,220	-	-	107,776	134,680
Materials and supplies	2,031,430	1,364,014	-	134,671	563,376	-	176,049	36,133	48,116	-	2,322,359	1,921,937
Professional services	671,933	643,189	-	61,253	504	-	-	5,000	-	-	709,946	671,933
Telephone and utilities	293,633	214,685	-	7,614	29,760	-	39,825	-	764	-	292,648	293,633
Travel and workshops	1,000,529	597,300	-	9,460	175,744	-	400,541	-	4,214	-	1,187,259	999,780
Wages and benefits	3,260,837	1,845,258	-	215,045	1,211,095	-	545,043	2,398	74,828	-	3,893,667	3,260,837
	13,789,113	7,773,763	-	801,419	4,152,761	76,328	1,717,514	72,373	989,465	1,589,526	17,173,149	13,532,026
REVENUE OVER EXPENDITURE	33,526,997	15,802,287	28,699,200	150,320	1,505,790	277,472	510,069	195,565	238,389	-1,589,526	45,789,566	19,671,379
TRANSFERS	-	-561,522	-	27,703	556,510	-	-22,691	-	-	-	-	-
ANNUAL SURPLUS (DEFICIT)	33,526,997	15,240,765	28,699,200	178,023	2,062,300	277,472	487,378	195,565	238,389	-1,589,526	45,789,566	19,671,379