

**GITXAALA NATION
FINANCIAL STATEMENTS
MARCH 31, 2021**

GITXAALA NATION
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MARCH 31, 2021

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GITXAALA NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

YEAR ENDED MARCH 31, 2021

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.



Linda James

Chief



Bill James

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, 2021 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, 2021 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
September 8, 2021

GITXAALA NATION

STATEMENT OF FINANCIAL POSITION

MARCH 31

	2021	2020
	\$	\$
Financial Assets		
Cash (note 1)	31,756,230	25,667,081
Cash held in lawyer trusts (note 2)	35,908,818	17,963,793
Marketable securities (note 1)	1,364,066	1,126,258
Accounts receivable (note 3)	14,990,619	31,068,566
Ottawa trust funds (note 4)	893,635	878,850
	<u>84,913,368</u>	<u>76,704,548</u>
Liabilities		
Accounts payable and accruals (note 5)	2,633,831	1,705,400
Replacement reserve (note 6)	89,904	90,975
Bank and other loans (note 7)	382,581	499,447
	<u>3,106,316</u>	<u>2,295,822</u>
Net Financial Assets	<u>81,807,052</u>	<u>74,408,726</u>
Non-Financial Assets		
Prepaid expenses	89,288	168,741
Property and equipment (notes 1 and 9)	26,267,575	25,667,739
Investments (notes 1 and 8)	14,481,211	2,560,432
	<u>40,838,074</u>	<u>28,396,912</u>
	<u>122,645,126</u>	<u>102,805,638</u>
Nation Position		
Operating surplus (note 10)	81,385,286	74,198,064
Equity in Ottawa trust funds (note 4)	893,635	878,850
Equity in property and equipment (note 11)	25,884,994	25,168,292
Equity in investments (note 8)	14,481,211	2,560,432
	<u>122,645,126</u>	<u>102,805,638</u>
CONTINGENT LIABILITIES (note 12)		

APPROVED ON BEHALF OF COUNCIL

Linda Davis Chief
Bill Amor Councillor

GITXAALA NATION
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED MARCH 31

	Unaudited Budget	2021	2021	2020
		\$	\$	\$
REVENUE				
ISC	7,154,594	9,329,025	7,154,594	
CMHC	299,103	23,682	299,103	
BC FN Gaming Revenue Sharing LP	946,751	1,012,733	946,751	
Department of Fisheries and Oceans	225,920	293,056	225,920	
First Nations Education Steering Committee	776,438	570,799	776,438	
First Nations Health Authority	2,127,708	2,952,845	2,127,708	
Investments	195,996	1,894,701	195,996	
LNG proponent revenue	1,939,962	1,428,678	1,939,962	
Marketable securities and interest	364,372	603,382	364,372	
Ottawa trust funds	18,381	14,785	18,381	
Province of British Columbia	12,000,000	12,291,731	29,377,119	
Prince Rupert Port Authority	227,922	266,371	227,922	
Rental	351,912	311,241	351,912	
Grant from sale of Ridley Terminal	-	-	13,000,000	
Other	<u>5,956,537</u>	<u>6,006,600</u>	<u>5,956,537</u>	
	<u>32,585,596</u>	<u>36,999,629</u>	<u>62,962,715</u>	
EXPENDITURE				
Capital Projects	801,419	349,365	801,419	
Education	4,152,761	2,961,736	4,152,761	
Forestry	76,328	284,513	76,328	
Health	1,717,514	1,397,193	1,717,514	
Housing	72,373	58,289	72,373	
Local Services, Economic Development and Fisheries	7,773,763	7,252,594	7,773,763	
Provincial Coastal and LNG Benefit Agreement	-	2,492,647	-	
Social Services	989,465	1,155,127	989,465	
Amortization	<u>1,589,526</u>	<u>1,208,677</u>	<u>1,589,526</u>	
	<u>17,173,149</u>	<u>17,160,141</u>	<u>17,173,149</u>	
REVENUE OVER EXPENDITURE	15,412,447	19,839,488	45,789,566	
OPENING POSITION	102,805,638	102,805,638	57,016,072	
CLOSING POSITION	118,218,085	122,645,126	102,805,638	

GITXAALA NATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	19,839,488	45,789,566
Amortization	1,208,677	1,589,526
Accounts payable and accruals	928,431	-288,692
Deferred revenue	-	-89,962
Replacement reserve	-1,071	-117,595
Accounts receivable	16,077,947	-12,696,856
Ottawa trust funds	-14,785	-18,381
Prepaid expenses	<u>79,453</u>	<u>-42,226</u>
	<u>38,118,140</u>	<u>34,125,380</u>
FINANCING ACTIVITIES		
Bank and other loans	<u>-116,866</u>	<u>-2,753,173</u>
INVESTING ACTIVITIES		
Property and equipment additions	-1,808,513	-1,000,158
Investments	-11,920,779	-195,996
Marketable securities	<u>-237,808</u>	<u>49,519</u>
	<u>-13,967,100</u>	<u>-1,146,635</u>
CHANGE IN CASH		
	24,034,174	30,225,572
OPENING CASH BALANCE	<u>43,630,874</u>	<u>13,405,302</u>
CLOSING CASH BALANCE	<u>67,665,048</u>	<u>43,630,874</u>
Cash is comprised as follows:		
Cash held by the Nation	31,756,230	25,667,081
Cash held in lawyers trusts	<u>35,908,818</u>	<u>17,963,793</u>
	<u>67,665,048</u>	<u>43,630,874</u>

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

	2021	2020
	\$	\$
Revenue over expenditure	19,839,488	45,789,566
Amortization	1,208,677	1,589,526
Property and equipment additions	-1,808,513	-1,000,158
Prepaid expenses	79,453	-42,226
Investments	<u>-11,920,779</u>	<u>-195,996</u>
 CHANGE IN NET FINANCIAL ASSETS	 7,398,326	46,140,712
 OPENING NET FINANCIAL ASSETS	 <u>74,408,726</u>	<u>28,268,014</u>
 CLOSING NET FINANCIAL ASSETS	 <u>81,807,052</u>	<u>74,408,726</u>

GITXAALA NATION

NOTES

MARCH 31, 2021

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, 2021

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.

i) Cash

Cash includes \$20,273,387 (2020 \$19,241,105) that is restricted to the Gitxaala Legacy Trust and under the management of independently appointed Trustees.

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

	2021	2020
	\$	\$
Canada Revenue Agency - GST	486,506	408,409
Other Federal	673,376	334,218
Province of British Columbia	11,351,500	28,824,467
Social housing rent	470,859	505,795
Trade and other	<u>2,912,106</u>	<u>1,880,176</u>
	15,894,347	31,953,065
Allowance for doubtful accounts	<u>903,728</u>	<u>884,499</u>
	<u>14,990,619</u>	<u>31,068,566</u>

GITXAALA NATION

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MARCH 31, 2021

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	\$ 874,403	\$ 4,447	\$ 878,850
Interest	<u>14,785</u>	<u>-</u>	<u>14,785</u>
Closing balance	<u>\$ 889,188</u>	<u>\$ 4,447</u>	<u>\$ 893,635</u>

5. ACCOUNTS PAYABLE AND ACCRUALS

	2021	2020
	\$	\$
Governmental payables	244,703	27,120
Trade and other	2,183,160	1,404,542
Wages and benefits	<u>205,968</u>	<u>273,738</u>
	<u>2,633,831</u>	<u>1,705,400</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, 2021, all of the required funds are in a separate bank account.

Opening balance	\$ 90,975
Current provision	6,000
Expenditure	<u>-7,071</u>
Closing balance	<u>\$ 89,904</u>

GITXAALA NATION

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MARCH 31, 2021

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.	\$ 183,466
All Nations Trust Company, mortgage, \$2,233/month including interest at 1.86% per annum.	<u>199,115</u>
	<u>\$ 382,581</u>

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

2022	\$ 121,463
2023	109,336
2024	24,182
2025	24,635
2026	<u>25,097</u>
	<u>\$ 304,713</u>

8. INVESTMENTS

	Opening balance	Contribution	Income (loss)	Closing balance
Partnerships				
Tyee Building Supplies LP	\$ 1,174,098	\$ -	\$ 476,354	\$ 1,650,452
Gitxaala Horizon North Services LP	-	9,826,078	1,291,766	11,117,844
Non-controlled enterprises				
North Coast Skeena CFE	1,386,332	-	126,581	1,512,913
North-Co-Corp Ferry Services Ltd. Shares – 33.33% interest	2	200,000	-	200,002
	<u>\$ 2,560,432</u>	<u>\$ 10,026,078</u>	<u>\$ 1,894,701</u>	<u>\$ 14,481,211</u>

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

The Nation has a 60% partnership share in HaiSea LP and owns all issued share capital of Gitxaala Forest Products Ltd. Both entities are inactive.

GITXAALA NATION

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MARCH 31, 2021

9. PROPERTY AND EQUIPMENT

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE	
	Opening Balance	Additions	Closing Balance	Opening Balance	Annual Amortization	Closing Balance	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Land	208,000	-	208,000	-	-	-	208,000	208,000
Buildings	14,743,862	985,224	15,729,086	8,155,045	264,381	8,419,426	7,309,660	6,588,817
Infrastructure	29,303,504	-	29,303,504	11,018,313	731,408	11,749,721	17,553,783	18,285,191
Equipment	2,083,866	146,400	2,230,266	1,599,576	126,138	1,725,714	504,552	484,290
Vessels	232,562	676,889	909,451	131,121	86,750	217,871	691,580	101,441
	46,571,794	1,808,513	48,380,307	20,904,055	1,208,677	22,112,732	26,267,575	25,667,739

GITXAALA NATION

NOTES

MARCH 31, 2021

10. OPERATING SURPLUS

	2021	2020
	\$	\$
Capital Projects	1,701,856	251,518
Education	9,101,494	7,621,544
Forestry	2,475,779	2,406,491
Health	1,920,378	1,207,997
Housing	283,540	247,097
Local Services, Economic Development and Fisheries	20,652,528	17,062,306
Provincial Coastal and LNG Benefit Agreements	44,593,794	45,186,828
Social Services	655,917	81,904
Treaty	<u>-</u>	<u>132,379</u>
	<u>81,385,286</u>	<u>74,198,064</u>

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

Base funding	\$ 2,254,812
Cultural centre	9,984,078
Economic development	172,765
Employment and training	14,319,774
Ferry service / landing	16,744,055
Implementation	<u>1,118,310</u>
	<u>\$ 44,593,794</u>

11. EQUITY IN PROPERTY AND EQUIPMENT

Opening balance	\$ 25,168,292
Contribution from operations	1,808,513
Principal repayment	116,866
Amortization	<u>-1,208,677</u>
Closing balance	<u>\$ 25,884,994</u>

GITXAALA NATION

NOTES

MARCH 31, 2021

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. COMPARATIVES

Certain comparatives have been restated 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:

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MARCH 31, 2021

14. SEGMENT DISCLOSURE (continued)

	Budget Total 2021	Capital Projects	Education	Forestry	Health	Housing	Local Services, Economic Development and Fisheries	Provincial Coastal and LNG Benefit Agreements	Social Services	Amortization	Total 2021	Total 2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE												
ISC	7,154,594	1,639,459	3,355,281	-	-	-	2,629,285	-	1,705,000	-	9,329,025	7,154,594
CMHC	299,103	1,250	-	-	-	22,432	-	-	-	-	23,682	299,103
BC FN Gaming Revenue Sharing LP	946,751	-	-	-	-	-	1,012,733	-	-	-	1,012,733	946,751
Department of Fisheries and Oceans	225,920	-	-	-	-	-	293,056	-	-	-	293,056	225,920
First Nations Education Steering Committee	776,438	-	570,799	-	-	-	-	-	-	-	570,799	776,438
First Nations Health Authority	2,127,708	954,099	-	-	1,998,746	-	-	-	-	-	2,952,845	2,127,708
Investments	195,996	-	-	-	-	-	1,894,701	-	-	-	1,894,701	195,996
LNG proponent revenue	1,939,962	-	101,898	-	-	-	750,000	576,780	-	-	1,428,678	1,939,962
Marketable securities and interest	364,372	-	-	-	-	-	534,653	68,729	-	-	603,382	364,372
Ottawa trust funds	18,381	-	-	-	-	-	14,785	-	-	-	14,785	18,381
Province of British Columbia	12,000,000	-	274,561	353,800	-	-	495,230	11,144,600	23,540	-	12,291,731	29,377,119
Prince Rupert Port Authority	227,922	-	-	-	-	-	266,371	-	-	-	266,371	227,922
Rental	351,912	15,813	-	-	-	89,531	205,897	-	-	-	311,241	351,912
Grant from sale of Ridley Terminal	-	-	-	-	-	-	-	-	-	-	-	13,000,000
Other	5,956,537	15,693	196,793	-	133,113	5,656	5,625,320	29,425	600	-	6,006,600	5,956,537
	32,585,596	2,626,314	4,499,332	353,800	2,131,859	117,619	13,722,031	11,819,534	1,729,140	-	36,999,629	62,962,715
EXPENDITURE												
Administration	1,398,319	-	519,745	-	245,574	-	653,746	836,517	82,164	-	2,337,746	1,398,319
Administration recovery	-1,281,422	-	-	-	-	-	-2,269,113	-	-	-	-2,269,113	-1,281,422
Allowances	1,436,656	-	568,545	-	-	-	454,759	171,452	927,170	-	2,121,926	1,436,656
Amortization/loss on disposal	1,589,526	-	-	-	-	-	-	-	-	1,208,677	1,208,677	1,589,526
Bad debts	69,023	-	-	-	-	-	54,166	-	-	-	54,166	69,023
Bank charge and interest	97,739	-	-	-	-	3,936	97,354	8,701	-	-	109,991	97,739
Chief and Council	374,275	-	-	-	-	2,500	355,726	-	-	-	358,226	374,275
Contract services	4,929,114	130,497	277,096	237,131	168,390	-	2,095,029	621,016	48,506	-	3,577,665	4,929,114
Funding recoveries	46,264	-	-	-	-	-	-	-	-	-	-	46,264
Insurance	107,776	7,209	-	-	-	33,370	107,369	973	-	-	148,921	107,776
Materials and supplies	2,322,359	111,128	452,500	-	179,381	8,973	1,253,991	527,886	14,638	-	2,548,497	2,322,359
Professional services	709,946	23,453	2,759	47,382	-	5,000	1,219,453	30,277	-	-	1,328,324	709,946
Telephone and utilities	292,648	4,875	10,718	-	48,254	-	233,576	22,053	1,563	-	321,039	292,648
Travel and workshops	1,187,259	-	72,538	-	256,812	-	246,322	1,096	1,469	-	578,237	1,187,259
Wages and benefits	3,893,667	72,203	1,057,835	-	498,782	4,510	2,750,216	272,676	79,617	-	4,735,839	3,893,667
	17,173,149	349,365	2,961,736	284,513	1,397,193	58,289	7,252,594	2,492,647	1,155,127	1,208,677	17,160,141	17,173,149
REVENUE OVER EXPENDITURE	15,412,447	2,276,949	1,537,596	69,287	734,666	59,330	6,469,437	9,326,887	574,013	-1,208,677	19,839,488	45,789,566
TRANSFERS	-	158,613	22,287	-	-22,287	-	-103,035	-55,578	-	-	-	-
ANNUAL SURPLUS (DEFICIT)	15,412,447	2,435,562	1,559,883	69,287	712,379	59,330	6,366,402	9,271,309	574,013	-1,208,677	19,839,488	45,789,566