

METLAKATLA FIRST NATION

FINANCIAL STATEMENTS

MARCH 31, 2018

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METLAKATLA FIRST NATION

YEAR ENDED MARCH 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Metlakatla First 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. Financial statements are not precise since they include some amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Metlakatla First 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 relevant, reliable and accurate and that the Nation's assets are appropriately accounted for and adequately safeguarded.

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

The Chief and Council review the Nation's financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Chief and Council take this information into consideration when approving the financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

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 METLAKATLA FIRST NATION**

Report on the Financial Statements

We have audited the statement of financial position of the Metlakatla First 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 the 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 First 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
July 17, 2018

Carlyle Shepherd & Co.

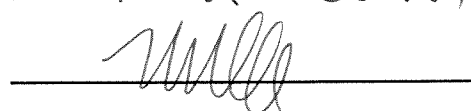
METLAKATLA FIRST NATION
STATEMENT OF FINANCIAL POSITION
MARCH 31

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash	5,998,304	6,257,522
Marketable securities (note 1)	3,100,992	3,020,294
Accounts receivable (note 2)	1,406,969	484,757
Ottawa trust funds (note 5)	156,423	947,829
	<u>10,662,688</u>	<u>10,710,402</u>
FINANCIAL LIABILITIES		
Accounts payable and accruals (note 3)	616,546	742,175
Deferred revenue (notes 1 and 4)	215,000	9,707
	<u>831,546</u>	<u>751,882</u>
NET FINANCIAL ASSETS	<u>9,831,142</u>	<u>9,958,520</u>
NON-FINANCIAL ASSETS		
Inventory (note 1)	218,970	254,166
Prepaid expenses (note 6)	32,469	47,914
Property and equipment (notes 1 and 7)	23,866,424	22,573,768
	<u>24,117,863</u>	<u>22,875,848</u>
	<u>33,949,005</u>	<u>32,834,368</u>
FIRST NATION POSITION		
Operating surplus (note 8)	9,926,158	9,312,771
Equity in property and equipment (note 9)	23,866,424	22,573,768
Ottawa Trust Funds (note 5)	156,423	947,829
	<u>33,949,005</u>	<u>32,834,368</u>

CONTINGENT LIABILITY (note 10)

APPROVED ON BEHALF OF COUNCIL

 Chief Councillor

 CFO

METLAKATLA FIRST NATION
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED MARCH 31

	Unaudited Budget 2018 \$	2018 \$	2017 \$
REVENUE			
INAC	3,392,421	3,784,177	5,448,442
First Nations Health Authority	441,763	501,973	472,197
Ottawa Trust Funds	-	9,481	19,826
Province of British Columbia	333,952	1,343,108	2,621,603
Other	<u>1,430,320</u>	<u>1,885,662</u>	<u>4,594,697</u>
	<u>5,598,456</u>	<u>7,524,401</u>	<u>13,156,765</u>
EXPENDITURE			
Administration	969,400	832,617	888,939
Community Health	441,740	443,469	350,721
Education	1,092,922	1,089,976	917,014
Lands Management	463,219	342,337	271,324
Other	1,281,786	1,573,110	5,211,894
Public Works and Capital	2,696,241	1,779,172	1,833,165
Social Services	<u>311,289</u>	<u>349,083</u>	<u>290,712</u>
	<u>7,256,597</u>	<u>6,409,764</u>	<u>9,763,769</u>
REVENUE OVER EXPENDITURE	-1,658,141	1,114,637	3,392,996
OPENING POSITION	<u>32,834,368</u>	<u>32,834,368</u>	<u>29,441,372</u>
CLOSING POSITION	<u>31,176,227</u>	<u>33,949,005</u>	<u>32,834,368</u>

METLAKATLA FIRST NATION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	1,114,637	3,392,996
Amortization	574,492	1,025,300
Accounts receivable	-922,212	3,077,321
Accounts payable and accruals	-125,629	41,811
Deferred revenue	205,293	-1,539,356
Marketable securities	-80,698	-980,227
Inventory	35,196	-
Prepaid expenses	15,445	2,313
Ottawa Trust Funds	791,406	-19,826
	<u>1,607,930</u>	<u>5,000,332</u>
INVESTING ACTIVITIES		
Property and equipment additions	-1,883,121	-2,895,698
Property and equipment disposals	15,973	-
	<u>-1,867,148</u>	<u>-2,895,698</u>
CHANGE IN CASH	-259,218	2,104,634
OPENING CASH BALANCE	<u>6,257,522</u>	<u>4,152,888</u>
CLOSING CASH BALANCE	<u>5,998,304</u>	<u>6,257,522</u>

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

	Unaudited Budget 2018 \$	2018 \$	2017 \$
Revenue over expenditure	-1,658,141	1,114,637	3,392,996
Amortization	-	574,492	1,025,300
Inventory	-	35,196	-
Prepaid expenses	-	15,445	2,313
Property and equipment additions	-530,250	-1,883,121	-2,895,698
Property and equipment disposals	<u>-</u>	<u>15,973</u>	<u>-</u>
 CHANGE IN NET FINANCIAL ASSETS	 -2,188,391	 -127,378	 1,524,911
 OPENING NET FINANCIAL ASSETS	 <u>9,958,520</u>	 <u>9,958,520</u>	 <u>8,433,609</u>
 CLOSING NET FINANCIAL ASSETS	 <u>7,770,129</u>	 <u>9,831,142</u>	 <u>9,958,520</u>

METLAKATLA FIRST 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 Canadian public sector accounting standards.

b) Property and Equipment

Property and equipment are reported at cost and are amortized using the declining balance method at the following annual rates:

Buildings	2.22%
Infrastructure	1.5%
Vehicles	20%
Equipment	20%

Purchases costing more than \$5,000 are capitalized.

c) Recognition of Revenue and Expenditures

Revenue is recognized as it becomes receivable under the terms of the contractual funding arrangements.

Other revenue is reported in the period which the goods are sold or services rendered.

Expenditures are reported in the period which the goods are received or services delivered.

d) 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.

e) Financial Instruments

Financial assets and liabilities are reported at market value at the date of acquisition except for marketable securities which are reported at market value at year-end. 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.

METLAKATLA FIRST NATION

NOTES

MARCH 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Marketable Securities

Marketable securities classified as held for trading are reported at market value (cost \$2,641,738).

g) Inventory

Inventory is reported at the lesser of cost and net realizable value.

2. ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
INAC	57,084	150,473
Government of Canada	6,758	4,319
Housing	29,665	77,250
Metlakatla Development Corporation	1,246,457	295,680
Metlakatla Stewardship Society	20,386	-
Metlakatla Treaty	25,000	-
Trade and Other	51,284	34,285
	<u>1,436,634</u>	<u>562,007</u>
Allowance for doubtful accounts	<u>29,665</u>	<u>77,250</u>
	<u>1,406,969</u>	<u>484,757</u>

3. ACCOUNTS PAYABLE AND ACCRUALS

	2018	2017
	\$	\$
Trade and other	559,438	692,349
Wages and benefits	57,108	49,826
	<u>616,546</u>	<u>742,175</u>

METLAKATLA FIRST NATION

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MARCH 31, 2018

4. DEFERRED REVENUE

	2018 \$	2017 \$
Coast Conservation Endowment Fund	200,000	-
Other	<u>15,000</u>	<u>9,707</u>
	<u>215,000</u>	<u>9,707</u>

5. 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 requires the consent of the Minister of INAC.

	Revenue \$	Capital \$	Total \$
Opening balance	793,173	154,656	947,829
Interest and other	9,481	-	9,481
Withdrawals	<u>-800,887</u>	<u>-</u>	<u>-800,887</u>
Closing balance	<u>1,767</u>	<u>154,656</u>	<u>156,423</u>

6. PREPAID EXPENSES

	2018 \$	2017 \$
Legal retainer	15,815	15,815
Post-secondary living allowances	12,047	26,959
Social assistance allowances	4,607	3,172
Other	<u>-</u>	<u>1,968</u>
	<u>32,469</u>	<u>47,914</u>

METLAKATLA FIRST NATION

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MARCH 31, 2018

7. PROPERTY AND EQUIPMENT

	Cost			Accumulated Amortization			Net Book Value	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Current Provision	Closing Balance	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure	20,112,384	-245,767	-	19,866,617	4,049,833	231,887	4,281,720	15,584,897
Buildings	7,852,248	1,912,998	-	9,765,246	1,991,213	172,584	2,163,797	7,601,449
Vehicles	614,530	215,890	-	830,420	418,927	82,299	501,226	329,194
Equipment	936,477	-	38,995	897,482	481,898	87,722	546,598	350,884
	<u>29,515,639</u>	<u>1,883,121</u>	<u>38,995</u>	<u>31,359,765</u>	<u>6,941,871</u>	<u>574,492</u>	<u>7,493,341</u>	<u>23,866,424</u>
								<u>22,573,768</u>

METLAKATLA FIRST NATION

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MARCH 31, 2018

8. OPERATING SURPLUS

	2018	2017
	\$	\$
Administration	298,927	115,741
Community Health	309,605	241,745
Education	323,351	288,785
Lands Management	157,097	-6,925
Public Works and Capital	-236,263	1,895,763
Social Services	22,840	33,336
Other	9,050,601	6,744,326
	<u>9,926,158</u>	<u>9,312,771</u>

9. EQUITY IN PROPERTY AND EQUIPMENT

Opening balance	\$ 22,573,768
Equipment purchases	2,280,003
Equipment disposals	-15,973
Cancelled projects	-396,882
Amortization	<u>-574,492</u>
Closing balance	<u>\$ 23,866,424</u>

10. CONTINGENT LIABILITY

The Nation, through the L.C.H. Committee, received funding to pursue a treaty settlement. Upon settlement, \$8,006,071 is payable.

11. COMPARATIVES

Certain comparatives have been restated to conform to current year presentation.

12. 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 period are as follows:

METLAKATLA FIRST NATION

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12. SEGMENT DISCLOSURE continued

	Unaudited Budget 2018 \$	Administration \$	Community Health \$	Education \$	Management \$	Lands \$	Other \$	Public Works and Capital \$	Social Services \$	Total 2018 \$	Total 2017 \$
REVENUE											
Government of Canada	3,834,184	729,057	501,973	911,540	506,359	618,763	719,869	298,589	4,286,150	5,920,639	
Province of British Columbia	333,952	-	6,127	-	-	1,296,981	-	40,000	1,343,108	2,621,603	
Other	1,430,320	296,230	3,230	213,000	-	1,197,534	185,149	-	1,895,143	4,614,523	
	5,598,456	1,025,287	511,330	1,124,540	506,359	3,113,278	905,018	338,589	7,524,401	13,156,765	
EXPENDITURE											
Administration and office	230,070	26,084	19,863	1,979	14,276	4,705	2,006	792	69,705	69,873	
Advertising and communications	11,030	8,425	-	-	-	-	-	-	8,425	18,404	
Amortization	-	-	-	-	-	-	574,492	-	574,492	1,025,300	
Audit and legal	148,806	101,343	-	-	3,695	167,143	-	-	272,181	575,666	
Bad debts	-	-	-	-	1,021	-	5,746	4,790	11,557	54,562	
Basic and special needs	40,169	-	-	2,050	-	-	-	40,958	43,008	26,528	
Contract services	530,250	-	-	-	-	22,167	597,177	-	621,418	167,785	
Council remuneration and travel	391,809	-	2,074	-	-	326,857	-	-	326,857	364,475	
Insurance	48,500	-	-	-	-	-	49,716	-	49,716	56,166	
LEA	325,000	-	-	370,252	-	-	-	-	370,252	336,002	
Materials and supplies	20,400	7,168	10,828	-	-	595	1,475	23,729	43,795	41,428	
Meetings and community events	482,377	148,390	27,707	195,505	1,000	32,793	126	45,259	450,780	426,459	
Member distributions	75,000	-	-	-	-	71,000	-	-	71,000	3,603,000	
Other operating expenses	189,184	9,310	75	-	-	136,448	101,438	-	247,271	261,043	
Professional fees	2,232,315	5,384	26,972	1,885	179,191	623,877	58,060	1,996	897,365	533,400	
Rent	33,080	37,722	-	-	-	6,686	-	28,841	73,249	36,449	
Repairs and maintenance	233,145	-	9,699	-	-	8,552	102,632	-	120,883	96,706	
Telephone and utilities	111,763	24,302	26,358	2,008	3,744	20,686	54,891	4,264	136,253	121,148	
Training	26,900	4,019	824	84	315	2,044	1,904	178	9,368	4,431	
Travel	168,212	30,041	31,749	29,989	2,607	7,857	15,293	6,023	123,559	124,280	
Tuition and supplies	348,200	-	-	351,292	-	-	-	-	351,292	239,903	
Wages and benefits	1,630,387	430,429	287,320	134,932	136,488	141,700	214,216	192,253	1,537,338	1,580,761	
	7,256,597	832,617	443,469	1,089,976	342,337	1,573,110	1,779,172	349,083	6,409,764	9,763,769	
REVENUE OVER EXPENDITURE	-1,658,141	192,670	67,861	34,564	164,022	1,540,168	-874,154	-10,494	1,114,637	3,392,996	
TRANSFERS	-	-	-	-	-	-34,783	34,783	-	-	-	
ANNUAL SURPLUS (DEFICIT)	-1,658,141	192,670	67,861	34,564	164,022	1,505,385	-839,371	-10,494	1,114,637	3,392,996	