

METLAKATLA FIRST NATION

FINANCIAL STATEMENTS

MARCH 31, 2019

**METLAKATLA FIRST NATION
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MARCH 31, 2019**

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METLAKATLA FIRST NATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
YEAR ENDED MARCH 31, 2019

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

Robert Nelson
Councillor

INDEPENDENT AUDITOR'S REPORT
TO THE METLAKATLA FIRST NATION

Opinion

We have audited the financial statements of Metlakatla First 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
July 24, 2019

Carlyle Shepherd & Co.

METLAKATLA FIRST NATION

STATEMENT OF FINANCIAL POSITION

MARCH 31

	2019	2018
	\$	\$
FINANCIAL ASSETS		
Cash (note 2)	10,327,138	5,998,304
Marketable securities (note 1)	3,146,114	3,100,992
Accounts receivable (note 3)	1,285,849	1,406,969
Ottawa Trust funds (note 6)	<u>156,850</u>	<u>156,423</u>
	<u>14,915,951</u>	<u>10,662,688</u>
FINANCIAL LIABILITIES		
Accounts payable and accruals (note 4)	1,260,180	616,546
Deferred revenue (notes 1 and 5)	<u>285,000</u>	<u>215,000</u>
	<u>1,545,180</u>	<u>831,546</u>
NET FINANCIAL ASSETS	<u>13,370,771</u>	<u>9,831,142</u>
NON-FINANCIAL ASSETS		
Inventory	-	218,970
Prepaid expenses (note 7)	51,995	32,469
Property and equipment (notes 1 and 8)	<u>24,413,840</u>	<u>23,866,424</u>
	<u>24,465,835</u>	<u>24,117,863</u>
	<u>37,836,606</u>	<u>33,949,005</u>
FIRST NATION POSITION		
Operating surplus (note 9)	13,265,916	9,926,158
Equity in property and equipment (note 10)	24,413,840	23,866,424
Ottawa Trust Funds (note 6)	<u>156,850</u>	<u>156,423</u>
	<u>37,836,606</u>	<u>33,949,005</u>
CONTINGENT LIABILITY (note 11)		

APPROVED ON BEHALF OF COUNCIL

Thurday Chief Councillor

M. Miller CFO

Ed
CARLYLE SHEPHERD & CO. 
 CHARTERED PROFESSIONAL ACCOUNTANTS

METLAKATLA FIRST NATION
STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	Unaudited Budget	2019	2018
	\$	\$	\$
REVENUE			
INAC	5,647,997	6,144,318	3,784,177
First Nations Health Authority	501,973	718,795	501,973
Ottawa Trust funds	-	427	9,481
Province of British Columbia	183,952	498,431	1,343,108
Other	<u>1,469,453</u>	<u>2,553,813</u>	<u>1,885,662</u>
	<u>7,803,375</u>	<u>9,915,784</u>	<u>7,524,401</u>
EXPENDITURE			
Administration	723,257	602,934	832,617
Community Health	807,987	523,861	443,469
Education	1,134,560	940,841	1,089,976
Lands Management	238,196	308,004	342,337
Other	1,701,109	2,027,818	1,573,110
Public Works and Capital	3,177,017	1,290,489	1,779,172
Social Services	<u>281,482</u>	<u>334,236</u>	<u>349,083</u>
	<u>8,063,608</u>	<u>6,028,183</u>	<u>6,409,764</u>
REVENUE OVER EXPENDITURE	-260,233	3,887,601	1,114,637
OPENING POSITION	<u>33,949,005</u>	<u>33,949,005</u>	<u>32,834,368</u>
CLOSING POSITION	<u>33,688,772</u>	<u>37,836,606</u>	<u>33,949,005</u>

METLAKATLA FIRST NATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	3,887,601	1,114,637
Amortization	540,849	574,492
Accounts receivable	121,120	-922,212
Accounts payable and accruals	643,634	-125,629
Deferred revenue	70,000	205,293
Marketable securities	-45,122	-80,698
Inventory	218,970	35,196
Prepaid expenses	-19,526	15,445
Ottawa Trust Funds	<u>-427</u>	<u>791,406</u>
	<u>5,417,099</u>	<u>1,607,930</u>
INVESTING ACTIVITIES		
Property and equipment additions	-1,088,265	-1,883,121
Property and equipment disposals	<u>-</u>	<u>15,973</u>
	<u>-1,088,265</u>	<u>-1,867,148</u>
CHANGE IN CASH	4,328,834	-259,218
OPENING CASH BALANCE	<u>5,998,304</u>	<u>6,257,522</u>
CLOSING CASH BALANCE	<u>10,327,138</u>	<u>5,998,304</u>

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

	Unaudited Budget	2019	2019	2018
	\$	\$	\$	\$
Revenue over expenditure	-260,233	3,887,601	1,114,637	
Amortization	-	540,849	574,492	
Inventory	-	218,970	35,196	
Prepaid expenses	-	-19,526	15,445	
Property and equipment additions	-	-1,088,265	-1,883,121	
Property and equipment disposals	<u>-</u>	<u>-</u>	<u>15,973</u>	
 CHANGE IN NET FINANCIAL ASSETS	 -260,233	 3,539,629	 -127,378	
 OPENING NET FINANCIAL ASSETS	 <u>9,831,142</u>	 <u>9,831,142</u>	 <u>9,958,520</u>	
 CLOSING NET FINANCIAL ASSETS	 <u>9,570,909</u>	 <u>13,370,771</u>	 <u>9,831,142</u>	

METLAKATLA FIRST 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 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, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Marketable Securities

Marketable securities are reported at market value (cost \$2,686,122).

2. CASH

	2019	2018
	\$	\$
Non restricted	10,166,808	5,998,304
Restricted – Letter of Guarantee	<u>160,330</u>	<u>-</u>
	<u>10,327,138</u>	<u>5,998,304</u>

3. ACCOUNTS RECEIVABLE

	2019	2018
	\$	\$
INAC	43,718	57,084
Government of Canada	3,155	6,758
Housing	32,840	29,665
Metlakatla Development Corporation	1,041,896	1,246,457
Metlakatla Stewardship Society	25,057	20,386
Metlakatla Treaty	17,073	25,000
Trade and Other	<u>151,775</u>	<u>51,284</u>
	<u>1,315,514</u>	<u>1,436,634</u>
Allowance for doubtful accounts	<u>29,665</u>	<u>29,665</u>
	<u>1,285,849</u>	<u>1,406,969</u>

4. ACCOUNTS PAYABLE AND ACCRUALS

	2019	2018
	\$	\$
Trade and other	1,197,902	559,438
Wages and benefits	<u>62,278</u>	<u>57,108</u>
	<u>1,260,180</u>	<u>616,546</u>

METLAKATLA FIRST NATION

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MARCH 31, 2019

5. DEFERRED REVENUE

	2019 \$	2018 \$
Coast Conservation Endowment Fund	200,000	200,000
Other	<u>85,000</u>	<u>15,000</u>
	<u>285,000</u>	<u>215,000</u>

6. OTTAWA TRUST FUNDS

Indigenous Services Canada (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 requires the consent of the Minister of ISC.

	Revenue \$	Capital \$	Total \$
Opening balance	1,767	154,656	156,423
Interest and other	<u>427</u>	<u>-</u>	<u>427</u>
Closing balance	<u>2,194</u>	<u>154,656</u>	<u>156,850</u>

7. PREPAID EXPENSES

	2019 \$	2018 \$
Legal retainer	15,815	15,815
Post-secondary living allowances	14,200	12,047
Social assistance allowances	9,246	4,607
Other	<u>12,734</u>	<u>-</u>
	<u>51,995</u>	<u>32,469</u>

METLAKATLA FIRST NATION

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MARCH 31, 2019

8. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization					Net Book Value	
		Opening Balance	Additions	Closing Balance	Opening Balance	Current Provision	Closing Balance	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure	19,866,617	874,974	20,741,591	4,281,720	228,408	4,510,128	16,231,463	15,584,897
Buildings	9,765,246	196,770	9,962,016	2,163,797	173,121	2,336,918	7,625,098	7,601,449
Vehicles	830,420	16,521	846,941	501,226	69,143	570,369	276,572	329,194
Equipment	<u>897,482</u>	<u>-</u>	<u>897,482</u>	<u>546,598</u>	<u>70,177</u>	<u>616,775</u>	<u>280,707</u>	<u>350,884</u>
	<u>31,359,765</u>	<u>1,088,265</u>	<u>32,448,030</u>	<u>7,493,341</u>	<u>540,849</u>	<u>8,034,190</u>	<u>24,413,840</u>	<u>23,866,424</u>

METLAKATLA FIRST NATION

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MARCH 31, 2019

9. OPERATING SURPLUS

	2019	2018
	\$	\$
Administration	518,814	298,927
Community Health	484,798	309,605
Education	462,144	323,351
Lands Management	217,292	157,097
Public Works and Capital	1,629,318	-236,263
Social Services	69,805	22,840
Other	<u>9,883,745</u>	<u>9,050,601</u>
	<u>13,265,916</u>	<u>9,926,158</u>

10. EQUITY IN PROPERTY AND EQUIPMENT

Opening balance	\$ 23,866,424
Equipment purchases	1,088,265
Amortization	<u>-540,849</u>
Closing balance	<u>\$ 24,413,840</u>

11. CONTINGENT LIABILITY

The Nation, through the L.C.H. Committee, received funding to pursue a treaty settlement. Upon settlement, \$8,019,617 is payable. The Federal Government has indicated that the treaty loans will be forgiven in the 2020 fiscal year.

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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MARCH 31, 2019

12. SEGMENT DISCLOSURE (continued)

	Unaudited Budget \$	Administration \$	Community Health \$	Education \$	Land Management \$	Other and Capital \$	Public Works \$	Social Services \$	Total 2019 \$	Total 2018 \$
REVENUE										
Government of Canada	6,149,970	530,607	687,560	1,079,633	288,034	693,719	3,242,658	340,902	6,863,113	4,286,150
Province of British Columbia	183,952	-	12,962	-	-	445,469	-	40,000	498,131	1,343,108
Other	1,469,453	292,642	15,050	-	80,167	1,918,545	247,536	300	2,554,240	1,895,143
	7,803,375	823,249	715,572	1,079,633	368,201	3,057,733	3,490,194	381,202	9,915,784	7,524,401
EXPENDITURE										
Administration and office	84,840	27,871	31,487	1,877	14,356	20,820	358	1,284	98,053	69,705
Advertising and communications	9,950	8,071	-	-	407	-	540,849	-	8,478	8,425
Amortization	-	-	-	-	-	-	-	-	540,849	574,492
Audit and legal	76,500	38,938	-	-	1,591	163,311	-	-	203,340	272,181
Bad debts	-	-	-	-	-	-	-	-	-	11,557
Basic and special needs	41,700	-	-	1,875	-	-	-	-	-	43,008
Contract services	2,918,921	8,037	9,773	-	30,554	3,531	17,890	1,105	78,977	80,852
Council remuneration and travel	391,810	-	-	-	-	367,208	-	-	70,920	621,418
Insurance	56,000	-	-	-	-	-	57,794	-	367,208	326,857
Local education agreement	336,000	-	-	348,613	-	-	-	-	348,613	370,252
Materials and supplies	32,600	896	20,733	-	-	1,518	2,679	-	47,762	43,795
Meetings and community events	731,616	131,299	69,424	191,575	14,709	35,357	450	30,157	472,971	450,780
Member distributions	135,000	-	-	-	-	124,000	-	-	124,000	71,000
Other operating expenses	317,853	9,337	-	-	-	185,020	326,664	-	521,021	247,271
Professional fees	602,716	2,095	51,978	-	70,392	775,839	32,009	149	932,462	897,365
Rent	54,100	9,795	4,200	-	-	13,315	-	25,906	53,216	73,249
Repairs and maintenance	120,317	-	988	-	-	4,004	44,858	-	49,830	120,883
Telephone and utilities	131,076	25,840	28,683	1,535	5,459	23,924	36,733	5,037	127,211	136,253
Training	35,490	2,181	2,845	-	1,705	2,885	976	165	10,757	9,368
Travel	165,612	17,772	45,928	20,380	18,564	15,702	11,951	3,661	133,958	123,559
Tuition and supplies	413,000	-	-	232,721	-	-	-	-	252,721	351,292
Wages and benefits	1,408,587	320,803	257,782	122,265	150,237	291,384	217,278	165,918	1,525,667	1,537,338
	8,063,608	602,934	523,861	940,841	308,004	2,027,818	1,290,489	334,236	6,028,183	6,409,764
REVENUE OVER EXPENDITURE	-260,233	220,315	191,711	138,792	60,197	1,029,915	2,199,705	46,966	3,887,601	1,114,637
TRANSFERS	-	-	-	-	-	-	-	-	-	-
ANNUAL SURPLUS (DEFICIT)	-260,233	220,316	191,711	138,792	60,197	1,029,915	2,199,705	46,966	3,887,601	1,114,637