

**GITGA'AT FIRST NATION**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**GITGA'AT FIRST NATION**  
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**MARCH 31, 2014**

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

The accompanying consolidated financial statements of Gitga'at First Nation for the year ended March 31, 2014 are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements. Financial statements are not precise since they include certain 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 aspects.

Gitga'at First Nation's management is responsible for maintaining 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 Gitga'at First Nation's assets are appropriately accounted for and adequately safeguarded.

Gitga'at First Nation's Chief and Council are responsible for ensuring that management fulfills its responsibilities of financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council meets periodically with management, as well as the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging its responsibilities, and to review the consolidated financial statements and the external auditor's report.

The consolidated financial statements have been audited by KNV Chartered Accountants LLP in accordance with Canadian generally accepting auditing standards on behalf of the members. KNV Chartered Accountants LLP has full and free access to the Chief and Council with regard to audit requirements.

On behalf of Gitga'at First Nation

A handwritten signature in black ink, appearing to be a stylized 'G' and 'F' followed by a surname.

## INDEPENDENT AUDITOR'S REPORT

To the Members,  
Gitga'at First Nation:

We have audited the accompanying consolidated financial statements of Gitga'at First Nation, which comprise the consolidated statements of financial position as at March 31, 2014 and the consolidated statements of change in net financial assets, operations and accumulated surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualified Opinion*

One of Gitga'at First Nation's programs and services derive a portion of its revenue from cash sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to cash revenues, accumulated surplus (deficit), assets and net assets.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these consolidated statements present fairly, in all material respects, the financial position of the Nation as at March 31, 2014 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



July 29, 2014

Chartered Accountants LLP

**GITGA'AT FIRST NATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2014 AND 2013**

	2014	2013
	(Note 15)	
<b>FINANCIAL ASSETS:</b>		
Cash and cash equivalents (Note 2)	\$ 2,144,684	\$ 479,103
Portfolio Investments (Note 3)	2,098,364	2,331,998
Trust funds held by federal government (Note 6)	639,281	619,852
Accounts receivable (Note 4)	1,547,527	1,585,005
Inventory for resale	35,072	45,818
Investment (Note 5)	41,844	(3,554)
<b>Total financial assets</b>	<b>6,506,772</b>	<b>5,058,222</b>
<b>FINANCIAL LIABILITIES:</b>		
Accounts payable and accrued liabilities (Note 7)	3,048,364	1,184,512
Tenant deposits (Note 8)	900	-
Deferred revenue (Note 9)	610,244	162,511
Obligation under capital leases (Note 10)	106,199	-
Long-term debt (Note 13)	245,000	364,000
<b>Total financial liabilities</b>	<b>4,010,707</b>	<b>1,711,023</b>
<b>NET FINANCIAL ASSETS</b>	<b>2,496,065</b>	<b>3,347,199</b>
<b>NON-FINANCIAL ASSETS:</b>		
Tangible capital assets (Note 11)	17,695,855	19,857,825
Prepaid expenses	34,300	-
Fishing licences	607,340	607,340
<b>Total non-financial assets</b>	<b>18,337,495</b>	<b>20,465,165</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 20,833,560</b>	<b>\$ 23,812,364</b>

**CONTINGENT LIABILITIES (Note 12)**

Approved on Behalf of the Chief and Council



The accompanying Notes are an integral part of this statement.

**GITGA'AT FIRST NATION**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**FOR THE YEARS ENDED MARCH 31, 2014 AND 2013**

	Budget	2014	2013
(Note 15)			
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>			
Annual surplus (deficit)	\$ -	\$ (2,978,804)	\$ 2,226,059
Amortization of tangible capital assets (Note 11)	-	792,291	763,598
Acquisition of prepaid expenses	-	(34,300)	5,053
Disposal (Acquisition) of tangible capital assets	-	1,369,679	(2,773,252)
Share of the loss from North Co-Corp Ferry Services Ltd.	\$ -	-	45,979
Increase (decrease) in net financial assets		(851,134)	267,437
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>		<b>3,347,199</b>	<b>3,079,762</b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 2,496,065</b>	<b>\$ 3,347,199</b>	

The accompanying Notes are an integral part of this statement.

**GITGA'AT FIRST NATION**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
**FOR THE YEARS ENDED MARCH 31, 2014 AND 2013**

	Budget	2014	2013
		(Note 15)	
<b>REVENUES:</b>			
Aboriginal Affairs and Northern Development Canada (AANDC)	\$ -	\$10,157,794	\$ 6,621,871
Health Canada / First Nation Health Authority (HC/FNHA)	-	686,160	817,096
Province of British Columbia (net of recoveries)	-	(105,000)	327,600
Interest and investment income	-	84,525	82,996
Other partnership income	-	45,399	(49,538)
Rental income	-	208,167	76,744
Government of Canada	-	575,324	434,723
BC Hydro	-	108,246	5,000
Own source revenue	-	284,074	312,001
Tribal Resources Investment Corporation	-	55,720	13,720
Fuel revenue	-	455,915	365,594
Management fees (recovery)	-	(36,000)	50,000
Other income	-	2,622,594	1,701,780
	-	15,142,918	10,759,587
<b>EXPENSES:</b>			
Administration	-	791,321	641,300
Capital Asset Program	-	2,568,750	887,139
Capital Projects	-	6,857,132	540,445
Community Health	-	704,023	621,649
Community Social Services	-	80,384	179,401
Economic Development	-	88,297	56,961
Education	-	1,417,913	1,146,120
Fisheries	-	326,085	324,269
Gitga'at Clean Energy	-	61,671	188,957
Gitga'at Development Corporation Setup	-	2,470	41,335
Guardian Watchman	-	772,462	644,495
Lands and Marine - Special Projects	-	903,149	156,010
Own Source Revenue	-	613,177	489,514
Social Assistance	-	352,964	233,285
Special Projects	-	619,210	317,502
Treaty Making Process	-	102,156	191,875
Village Operations	-	1,860,558	1,873,271
	\$ -	18,121,722	8,533,528
<b>ANNUAL SURPLUS (DEFICIT)</b>		<b>(2,978,804)</b>	<b>2,226,059</b>
<b>ACCUMULATED OPERATING SURPLUS (DEFICIT), BEGINNING OF YEAR</b>		<b>23,812,364</b>	<b>21,586,305</b>
<b>ACCUMULATED OPERATING SURPLUS (DEFICIT), END OF YEAR</b>		<b>\$20,833,560</b>	<b>\$23,812,364</b>

The accompanying Notes are an integral part of this statement.

**GITGA'AT FIRST NATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2014 AND 2013**

	2014	2013
CASH AND CASH EQUIVALENTS WAS PROVIDED FROM (USED IN):		
Operating transactions:		
Annual surplus (deficit)	\$ (2,978,804)	\$ 2,226,059
Item not affecting cash -		
Amortization of tangible capital assets	792,291	763,598
	(2,186,513)	2,989,657
Net change in non-cash working capital balances:		
Increase in accounts receivable	37,478	602,611
Increase in inventory for resale	10,746	231,284
Increase in prepaid expenses	(34,300)	5,053
Increase (decrease) in accounts payable and accrued liabilities	1,863,855	(1,007,590)
Increase in tenant deposits	900	-
Increase (decrease) in deferred revenue	447,733	98,602
	139,899	2,919,617
Investing transaction:		
Proceeds from North Co-Corp Ferry Services Ltd.	(45,398)	49,536
Proceeds from portfolio investments	233,634	123,980
	188,236	173,516
Financing transactions:		
Repayment of long-term debt	(119,000)	-
Proceeds from long-term debt	-	364,000
Repayment of obligation under capital lease	(27,097)	-
	(146,097)	364,000
Capital transaction:		
(Purchase) disposition of tangible capital assets	1,502,972	(2,773,252)
Increase (decreases) in cash and cash equivalents	1,685,010	683,881
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,098,955</b>	<b>415,074</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,783,965</b>	<b>\$ 1,098,955</b>
CASH AND CASH EQUIVALENTS COMPRISED OF:		
Cash and cash equivalents	\$ 2,144,684	\$ 479,103
Trust funds held by federal government	639,281	619,852
	\$ 2,783,965	\$ 1,098,955

## PRIOR YEAR COMPARATIVES (Note 15)

The accompanying Notes are an integral part of this statement.

**GITGA'AT FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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**PURPOSE OF GITGA'AT FIRST NATION**

Gitga'at First Nation (the "Nation") is a First Nations village government operating out of Hartley Bay, BC. The Nation is responsible for the well-being of its community and enacts legal policies and programs in the areas of Capital, Economic Development, Education, Community Health, Social Assistance, Administration, Village Operations, Community Services and Employment programs, Fisheries, Guardian Watchman, Land and Marine and Forest and Range. The Nation is also mandated to take actions to protect the well-being of members and the community, establish cultural programs, and undertake initiatives in economic development.

**1. SIGNIFICANT ACCOUNTING POLICIES**

(a) Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

(b) Reporting Entity

Included in the reporting entity are the Nation and all related entities that are controlled by the Nation.

(c) Principles of Consolidation

All fully owned and controlled entities are consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Entities that are controlled, but not fully owned, which meet the definition of a governmental unit are included in the consolidated financial statements on a proportionate consolidation basis, whereby a government's pro rata share of each of the assets, liabilities, revenues and expenses that are subject to shared control, is combined on a line-by-line basis with similar items in the government's financial statements.

Entities that are controlled, but not fully owned, which meet the definition of a joint venture are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are not eliminated upon consolidation.

Organizations accounted for on a modified equity basis include:

1. Gitga'at Development Corporation (inactive)
2. Gitga'at Economic Limited Partnership (inactive)
3. North-Co-Corp Ferry Services Ltd.

(d) Cash and Cash Equivalents

Cash and cash equivalents represent operating cash on hand, term deposits and short-term, highly liquid investments that are readily convertible to known amounts with an initial maturity of less than three months and which are subject to an insignificant risk of changes in value. Bank overdrafts that fluctuate frequently from being positive to overdrawn are also included.

(e) Inventory for Resale

Inventory is recorded at the lower of cost (first-in, first-out basis) and net realizable value. Net realizable value

# GITGA'AT FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2014 (Continued)

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### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Inventory for Resale (Continued)

is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale.

#### (f) Tangible Capital Assets

Material tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Maintenance and repair costs are recognized as an expense when incurred. Betterments that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded at fair value when received and shown as revenue in the capital fund, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

Revenue received for operations and used to purchase tangible capital assets are recorded in the individual funds with an offsetting transfer to the capital asset fund for the amount of the tangible capital asset. Revenue received directly for tangible capital assets are recorded in the capital asset fund where the amortization is expensed. Any gains or losses on the disposal of the capital assets are recorded in the capital asset fund.

All intangibles and items inherited by right of the Nation, such as reserve lands, forests, water, and mineral resources, are not recognized as assets in the Nation's consolidated financial statements.

The Nation's assets under construction consist of the material and labour costs for projects under construction that were not completed at March 31, 2014.

Historic works of art and treasures are not recorded as assets in these consolidated financial statements.

#### (g) Amortization

Tangible capital assets controlled by the Nation are amortized over their estimated useful lives on a declining balance basis using the following annual rates:

Infrastructure	4-5%
Equipment	20%
Boat	15%
Vehicles	30%

In the year of acquisition, the above rates are reduced by one half.

Assets under construction are not amortized until the asset becomes available for use.

#### (h) Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. Non-financial assets have useful lives

# GITGA'AT FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2014 (Continued)

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### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) Asset Classification (Continued)

extending beyond the current year and are not intended for sale in the ordinary course of operations. Non-financial assets include tangible capital assets, fishing licences and prepaid expenses.

#### (i) Fishing Licenses

Fishing licenses are recorded at the lower of cost and market value. Management has determined that market value exceeds the book value.

#### (j) Revenue Recognition

Funding received under funding arrangements which relates to a subsequent period is reflected as deferred revenue in the year of receipt and classified as such on the consolidated statement of financial position. Funding is recognized when conditions have been met.

Investment income reported on investments not subject to significant influence is recorded as revenue in the period earned.

Rental and other revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Government transfers are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

#### (k) Expenses

Expenses are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed. Interest expense is accrued as the obligation is incurred.

#### (l) Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

#### (m) Defined Contribution plans

Defined contribution plans are post-employment benefit plans under which the Nation pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further amounts. The contribution payables to defined contribution plans are recognized as a liability and expense during the periods which employees render service. Prepaid contributions are recognized as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

Contributions that are not due wholly within twelve months after the end of the period in which employees render service, are discounted to their present value. The discount rate is determined by market yields at the end of the reporting period on high quality corporate bonds or on government bonds.

# GITGA'AT FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2014 (Continued)

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### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (n) Budgets

Budget information has been included when the information is available. These budgets have been prepared by department managers and approved by Chief and Council.

#### (o) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of the property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

#### (p) Segment Disclosure

A segment is defined as a distinguishable activity or group of activities of the Nation for which it is appropriate to separately report financial information to achieve the objectives of the Nation. The objectives of disclosing information about segments are to:

- i. help users of the consolidated financial statements identify the resources allocated to support the major activities of the Nation;
- ii. help users of the consolidated financial statements make more informed judgments about the Nation and about its major activities;
- iii. help users of the consolidated financial statements better understand the manner in which the organizations in the Nation are organized and how the Nation discharges its accountability obligations;
- iv. enhance the transparency of financial reporting; and
- v. help users of the consolidated financial statements better understand the performance of the segments and the Nation.

The Nation identifies its segments based on specific projects and funding arrangements which have been disclosed in the consolidated financial statements. Management does not believe that any additional disclosures are helpful to the users due to the nature of their funding agreements and the fact that the nature of their operations are not diverse enough to warrant such disclosures.

## GITGA'AT FIRST NATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2014 (Continued)

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#### 2. CASH AND CASH EQUIVALENTS

##### (a) Restricted Cash and Cash Equivalents

Included in the Nation's cash and cash equivalents is externally restricted deferred revenue of \$610,244 (2013-\$162,511).

##### (b) Revolving Line of Credit

The Nation has available a \$350,000 line of credit which bears interest at prime plus 2% per annum and is secured by certain term deposits. At March 31, 2014, the outstanding line of credit balance was \$610,244 (2013-\$162,511).

#### 3. PORTFOLIO INVESTMENTS

The Nation's portfolio investments include term deposits of \$2,098,364 (2013 - \$2,331,998). The term deposits mature during the period of August 2014 to December 2015 and bear interest at varying rates of 2.0% - 3.65% per annum. \$215,000 of the term deposits have been pledged as security for a loan described in Note 13.

#### 4. ACCOUNTS RECEIVABLE

The Nation's accounts receivable are analyzed as follows:

	2014	2013
AANDC	\$ 636,558	\$ 980,470
Department of Fisheries	211,866	29,740
HC/FNHA	60,494	207,988
Member accounts receivable	892,014	846,473
Miscellaneous	637,708	507,914
	2,438,640	2,572,585
<u>Allowance for doubtful accounts</u>	<u>(891,113)</u>	<u>(987,580)</u>
	\$ 1,547,527	\$ 1,585,005

As at March 31, 2014, management determined that the collection of receivables impaired is \$891,113 (2013 - \$987,580).

## GITGA'AT FIRST NATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2014 (Continued)

#### 5. INVESTMENT

As at March 31, 2014, the Nation's investment and advances to North Co-Corp Ferry Services Ltd. are \$41,844 (2013 - (\$3,554)).

#### 6. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

AANDC holds certain funds in trust for the Nation. These funds are designated as revenue or capital funds as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. Subject to approval by the Minister of Aboriginal Affairs and Northern Development, the Nation is permitted to expend its revenue funds for any purpose that will promote the general progress and welfare of the Nation and members. The expenses of capital funds requires the consent of the Minister of Aboriginal Affairs and Northern Development and such expenses generally must be for projects of a capital nature.

The trust funds held by federal government are analyzed as follows:

	2013		2014	
	Total	Additions	Withdrawals	Total
Revenue	\$ 539,672	\$ 19,429	\$ -	\$ 559,101
Capital	80,180	-	-	80,180
	<b>\$ 619,852</b>	<b>\$ 19,429</b>	<b>\$ -</b>	<b>\$ 639,281</b>

#### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Nation's accounts payable and accrued liabilities are analyzed as follows:

	2014	2013
AANDC	\$ 84,143	\$ 19,519
Accrued salaries and employee benefits payable	34,004	18,074
BC Hydro for hydro facility project	947,233	400,000
Other accrued liabilities	60,211	60,311
Trade accounts payable	1,922,773	686,608
	<b>\$ 3,048,364</b>	<b>\$ 1,184,512</b>

#### 8. TENANT DEPOSITS

The Nation has entered into agreements with certain members of the Nation to purchase the homes they are currently living in. The agreement requires the members to meet certain ongoing conditions as well as to make monthly

## GITGA'AT FIRST NATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2014 (Continued)

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#### 8. TENANT DEPOSITS (Continued)

payments to the Nation, which will be applied to the purchase price of the home. Once the balance has been fully paid and the certain conditions have been met, then title to the house will transfer to the member. Should the individual members not comply with the requirements of the agreement or not make the monthly payments then the member forfeits any claim to the house as well as any amounts which have been paid to date.

#### 9. DEFERRED REVENUE

The Nation's deferred revenue is analyzed as follows:

	2013 Deferred Revenue	Current Year Funding Received	Current Year Revenue Recognized	2014 Deferred Revenue
HC/FNHA	\$ -	\$ 98,515	\$ -	\$ 98,515
Other deferred revenue	162,511	386,729	(162,511)	386,729
Province of British Columbia	-	125,000	-	125,000
	<b>\$ 162,511</b>	<b>\$ 610,244</b>	<b>\$ (162,511)</b>	<b>\$ 610,244</b>

## GITGA'AT FIRST NATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2014 (Continued)

#### 10. OBLIGATION UNDER CAPITAL LEASES

The Nation has entered into lease agreements to acquire equipment financed by a long-term liability. The liability recorded under the capital leases represents the minimum lease payments payable net of inputted interest at an average rate of 11.71% per annum. The obligation is secured by the related equipment under leases.

The Nation's obligation under capital leases consists of:

	2014	2013
Minimum lease payments payable	\$ 126,283	\$ -
<u>Less - portion representing interest to be recorded over the remaining term of the leases</u>	<u>(20,084)</u>	<u>-</u>
	106,199	-
<u>Less - current portion</u>	<u>(31,301)</u>	<u>-</u>
	\$ 74,898	\$ -

Future minimum annual lease payments payable under the capital leases are as follows:

2015	\$ 31,301
2016	35,171
<u>2017</u>	<u>39,727</u>
	\$ 106,199

#### 11. TANGIBLE CAPITAL ASSETS

The Nation's tangible capital assets are analyzed as follows:

	2013 Cost	2013 Accumulated Amortization	2013 Net Book Value	2014 Additions (Disposals)	2014 Amortization	2014 Net Book Value
Infrastructure	\$ 23,371,349	\$ 8,606,498	\$ 14,764,851	\$ 36,000	\$ 591,313	\$ 14,209,538
Equipment	2,167,401	1,785,154	382,247	133,298	89,779	425,766
Boat	412,987	33,056	379,931	140,124	67,500	452,555
Vehicles	148,934	22,340	126,594	38,139	43,699	121,034
Assets under construction	4,204,202	-	4,204,202	(1,717,240)	-	2,486,962
	<b>\$ 30,304,873</b>	<b>\$ 10,447,048</b>	<b>\$ 19,857,825</b>	<b>\$ (1,369,679)</b>	<b>\$ 792,291</b>	<b>\$ 17,695,855</b>

## GITGA'AT FIRST NATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2014 (Continued)

#### 11. TANGIBLE CAPITAL ASSETS (Continued)

	2014 Cost	2014 Accumulated Amortization	2014 Net Book Value
Infrastructure	\$ 23,407,349	\$ 9,197,811	\$14,209,538
Equipment	2,300,698	1,874,933	425,765
Boat	553,111	100,555	452,556
Vehicles	187,073	66,039	121,034
Assets under construction	2,486,962	-	2,486,962
	<b>\$ 28,935,193</b>	<b>\$11,239,338</b>	<b>\$17,695,855</b>

#### 12. CONTINGENT LIABILITIES

The Nation has entered into contribution agreements with various federal government departments for the purpose of negotiating a land claims treaty with the federal and provincial governments. Funding received under these contribution agreements is subject to repayment once a treaty enters into force between the Nation and the federal and provincial governments. No repayments are required under the contribution agreements during the period that negotiations continue, and is only repayable contingent upon the settlement of the treaty process which is ongoing. The balance owing under these agreements at March 31, 2014 is \$3,584,293 and has not been accrued in the consolidated financial statements.

#### 13. LONG TERM DEBT

The Nation's long-term debt is analyzed as follows:

	2014	2013
Northern Savings Credit Union - Boat loan with monthly interest only payments at prime plus 1% per annum. Secured by a term deposit for the same.	\$ 215,000	\$ 295,000
Northern Savings Credit Union - Housing loan up to a maximum amount of \$185,000, with monthly interest only payments at prime plus 1.50% per annum. Secured by a commercial security agreement.	30,000	69,000
	245,000	364,000
Less - current portion	(40,000)	(80,000)
	<b>\$ 205,000</b>	<b>\$ 284,000</b>

## GITGA'AT FIRST NATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2014 (Continued)

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#### 13. LONG TERM DEBT (Continued)

Approximate principal payments due in the next five years and thereafter are as follows:

2015	\$ 40,000
2016	40,000
2017	40,000
2018	40,000
2019	40,000
<u>Thereafter</u>	<u>45,000</u>
	<u><u>\$ 245,000</u></u>

#### 14. ECONOMIC DEPENDENCE

Funding from AANDC accounts for 67% of revenue in the current year (2013 - 61%); the Nation's ability to continue viable operations is dependent upon maintaining its right to receive this funding.

#### 15. COMPARATIVE FIGURES

Certain balances of the preceding year have been reclassified to conform with current year's financial statement presentation.

#### 16. ACCUMULATED SURPLUS (DEFICIT)

The Nation's accumulated surplus is analyzed as follows:

	2014	2013
Investment in tangible capital assets	\$17,695,855	\$19,857,825
Trust funds held by federal government - Capital	80,180	80,180
Investment in and due from (to) North Co-Corp Ferry Services Ltd.	41,844	(3,554)
Fishing licenses	607,340	607,340
Restricted cash and cash equivalents	610,244	162,511
	19,035,463	20,704,302
Unexpended funding available for operations	1,798,097	3,108,062
	\$20,833,560	\$23,812,364

# GITGA'AT FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2014 (Continued)

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### 17. SEGMENT DISCLOSURE

The Nation describes its operating segments as follows:

(a) Administration

The segment provides band support, governance and administrative services for the operations of the Nation including various financial functions such as payroll, accounts receivable and accounts payable.

(b) Social Assistance

This segment administers benefits and services to individuals and families living on reserve who are in need of support. Department services include income assistance, home to work transition assistance, assisted living, family violence prevention and awareness and the national child benefit reinvestment.

(c) Community Health

This segment is responsible for the operation of health facilities and the delivery of programs to support child development and community health.

(d) Education

This segment is responsible for managing and delivering kindergarten to grade 12 education programs and services as well as the management of post-secondary student funding and support programs.

(e) Village Operations & Capital Projects

This segment maintains village infrastructure and implements capital projects undertaken, by the Nation. Infrastructure includes buildings, the subdivision, electrical and sanitation systems.

(f) Economic Development

This segment implements community economic development planning and capacity building initiatives that will benefit the Nation by enhancing employment, income generating activities.

(g) Community Services and Employment Programs & Special Projects

This segment is responsible for providing assistance to the Nation's members when looking for employment and delivering training programs for skill development. The Nation is engaging in a number of agreements for capacity development.

(h) Fisheries, Guardian Watchman & Land & Marine

This segment is responsible for maintaining the Nation's fishing licences, delivery of land and ocean programs and research and risk assessments relating to climate change. There is also a focus on the conservation and preservation of the Nation's traditional territory.

(i) Own Source Revenue & Forest and Range

This segment is responsible for collecting own source revenue and operating the Hartley Bay Fuel station. Forest and Range income is used for activities that benefit the Nation such as housing projects, economic development and activities for the elders.

(j) Development Corporation & Other

The Gitga'at Development Corporation is responsible for generating economic activity through the development of partnerships, business ventures and joint ventures.

## **GITGA'AT FIRST NATION**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2014 (Continued)**

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#### **17. SEGMENT DISCLOSURE (Continued)**

##### **(k) Capital Asset Program**

This segment is comprised of capital assets and related amortization as well as revenue of capitalized assets and assets under construction.

# GITGA'AT FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2014 (Continued)

### 17. SEGMENT DISCLOSURE (Continued)

	Administration	Social Assistance	Community Health	Education	Village Operations & Capital Projects	Economic Development & Clean Energy	Community Services and Employment Programs & Special Projects
<b>REVENUES:</b>							
AANDC (recovery)	\$ 280,104	\$ 352,170	\$ -	\$ 1,287,857	\$ 7,946,359	\$ 63,951	\$ -
HC/FNHA	-	-	654,988	-	-	-	-
Investment income	5,654	-	-	-	-	-	19,429
Government of Canada	-	-	-	-	-	-	-
Province of British Columbia (recovery)	-	-	-	-	-	-	20,000
BC Hydro	-	-	-	-	108,226	-	-
Fishing licences	-	-	-	-	-	-	-
Fuel revenue	-	-	-	-	-	-	-
Own source revenue	-	-	-	-	185,609	-	-
Management fees (recovery)	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-
Administration fees	526,336	-	-	-	-	-	-
TRICORP	-	-	-	13,720	-	-	-
Other income	20,138	9,643	-	46,705	115,730	-	712,643
	832,232	361,813	654,988	1,348,282	8,355,924	63,951	752,072
<b>EXPENSES:</b>							
Administration	-	34,931	63,456	85,982	65,617	-	53,667
Advertising and promotion	149	-	1,000	-	-	593	(3,809)
Amortization	-	-	-	-	-	-	-
Bank charges and interest	15,413	-	-	-	7,651	-	70
Education	-	-	-	329,207	-	-	70,000
Honoraria	111,000	-	-	-	-	-	-
Insurance	9,287	-	6,545	26,250	69,189	-	-
Office supplies and miscellaneous (recovery)	(102,629)	33,226	64,188	44,492	95,103	10,000	35,051
Professional fees	308,072	5,793	127,258	870,011	6,773,574	106,591	357,340
Rent and occupancy costs	3,125	5,149	21,826	4,739	394,088	3,000	39,536
Repairs and maintenance	65	-	8,882	-	305,080	1,370	-
Social assistance	-	9,647	-	-	-	-	-
Telephone and utilities	56,600	2,805	55,863	78,014	636,767	-	20,456
Travel and training	65,702	15,300	225,843	28,100	29,960	3,722	86,954
Wages and benefits	324,478	281,045	192,618	37,101	406,277	24,693	85,588
Other operating expenses	60	-	-	-	-	-	8,409
	791,322	387,896	767,479	1,503,896	8,783,306	149,969	753,262
<b>SURPLUS (DEFICIT) BEFORE TRANSFERS</b>							
	40,910	(26,083)	(112,491)	(155,614)	(427,382)	(86,018)	(1,190)
<b>TRANSFERS</b>	<b>95,189</b>	<b>52,981</b>	<b>-</b>	<b>110,108</b>	<b>(329,997)</b>	<b>(241,586)</b>	<b>(70,070)</b>
<b>ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR</b>							
	106,955	79,066	(24,699)	286,110	176,418	-	865,498
<b>ACCUMULATED SURPLUS (DEFICIT), END OF YEAR</b>	<b>\$ 243,054</b>	<b>\$ 105,964</b>	<b>\$ (137,190)</b>	<b>\$ 240,604</b>	<b>\$ (580,961)</b>	<b>\$ (327,604)</b>	<b>\$ 794,238</b>

# GITGA'AT FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2014 (Continued)

### 17. SEGMENT DISCLOSURE (Continued)

	Fisheries, Guardian Watchman & Land & Marine	Own Source Revenue & Forest and Range	Development Corporation & Other	Capital Asset Program	2014	2013
<b>REVENUES:</b>						
AANDC (recovery)	\$ 268,853	\$ -	\$ (41,500)	\$ -	\$ 10,157,794	\$ 6,621,871
HC/FNHA	31,172	-	-	-	686,160	817,096
Investment income	-	59,442	-	-	84,525	82,996
Government of Canada	575,324	-	-	-	575,324	434,723
Province of British Columbia (recovery)	-	-	-	(125,000)	(105,000)	327,600
BC Hydro	-	-	-	20	108,246	5,000
Fishing licences	-	45,399	-	-	45,399	(49,538)
Fuel revenue	-	455,915	-	-	455,915	365,594
Own source revenue	5,490	92,976	-	-	284,075	312,001
Management fees (recovery)	-	(36,000)	-	-	(36,000)	50,000
Rental income	177,767	30,400	-	-	208,167	76,744
Administration fees	-	-	-	-	526,336	449,049
TRICORP	42,000	-	-	-	55,720	13,720
Other income	1,510,735	192,000	100,000	(85,000)	2,622,594	1,701,780
	2,611,341	840,132	58,500	(209,980)	15,669,255	11,208,636
<b>EXPENSES:</b>						
Administration	212,683	-	10,000	-	526,336	449,049
Advertising and promotion	2,115	-	-	-	48	2,198
Amortization	-	-	-	792,291	792,291	763,598
Bank charges and interest	13,089	9,878	-	-	46,101	24,816
Education	-	-	-	-	399,207	290,821
Honoraria	58,600	-	-	-	169,600	92,643
Insurance	23,290	6,546	-	-	141,107	54,000
Office supplies and miscellaneous (recovery)	78,576	15,100	-	-	273,107	248,418
Professional fees	565,177	12,604	11,858	-	9,138,278	2,399,273
Rent and occupancy costs	136,119	6,500	21,300	-	635,382	297,628
Repairs and maintenance	116,669	-	-	-	432,066	496,723
Social assistance	-	-	-	-	9,647	40,365
Telephone and utilities	9,032	535,121	-	-	1,394,658	1,495,411
Travel and training	189,433	6,550	5,900	-	657,464	499,946
Wages and benefits	809,026	20,879	63,432	-	2,245,137	1,668,126
Other operating expenses	568	-	2,134	1,776,459	1,787,630	159,562
	2,214,377	613,178	114,624	2,568,750	18,648,059	8,982,577
<b>SURPLUS (DEFICIT) BEFORE TRANSFERS</b>						
TRANSFERS	396,964	226,954	(56,124)	(2,778,730)	(2,978,804)	2,226,059
ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR	194,091	368,136	30,000	(208,852)	-	-
ACCUMULATED SURPLUS (DEFICIT), END OF YEAR	\$ 967,971	\$ 1,907,643	\$ 168,126	\$ 17,451,715	\$ 20,833,560	\$ 23,812,364