



Tel: 250 372 9505  
Fax: 250 374 6323  
www.bdo.ca

BDO Canada LLP  
272 Victoria Street, Suite 300  
Kamloops BC V2C 1Z6 Canada

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## Independent Auditor's Report

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### To the Chief and Council of Skuppah Indian Band

We have audited the accompanying financial statements of Skuppah Indian Band, which comprise the statement of financial position as at March 31, 2015 and the statements of change in net assets, operations 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 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 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 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 financial statements are free from material misstatement.

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

As described in Note 1 - Summary of Significant Accounting Policies regarding tangible capital assets, the Social Housing tangible capital assets are required by Canada Mortgage and Housing Corporation to be amortized at a rate equivalent to the annual principal reduction of the related long-term debt. This amortization policy is not in accordance with Canadian public sector accounting standards, which require that tangible capital assets be amortized over their estimated useful lives. The effect of this departure has not been determined on the net book value of tangible capital assets, the related amortization expense, annual surplus and equity in tangible capital assets.

Skuppah Indian Band operates rental housing and has balances receivable for outstanding rents of \$198,854 (2014 - \$177,181), the collectibility of which is not susceptible to satisfactory audit verification. Accordingly, the verification of rents receivable was limited to the amounts recorded in the records of the Band and we were not able to determine whether any adjustment might be necessary to those rents receivable, annual surplus, and accumulated surplus.



### Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Skuppah Indian Band as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



  
Chartered Professional Accountants

Kamloops, British Columbia  
July 27, 2015

**Skuppah Indian Band**  
**Exhibit A - Statement of Financial Position**

As at March 31, 2015	2015	2014
<b>Financial Assets</b>		
Cash (Note 3)	\$ 47,547	\$ 8,461
Restricted cash (Note 4)	59,862	54,926
Accounts receivable (Note 5)	251,789	69,466
Rents receivable (Note 6)	198,854	177,181
Investments (Note 7)	11,240	11,240
	<u>569,292</u>	<u>321,274</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	91,224	148,863
Deferred revenue (Note 9)	57,704	108,281
Funded reserve (Note 10)	4	4
Long-term debt (Note 11)	79,518	91,906
	<u>228,450</u>	<u>349,054</u>
<b>Net Debt</b>	<u>340,842</u>	<u>(27,780)</u>
<b>Non-financial Assets</b>		
Prepaid expenses	7,326	2,425
Tangible capital assets (Note 12)	450,499	455,844
	<u>457,825</u>	<u>458,269</u>
<b>Accumulated surplus (Note 13)</b>	<u>\$ 798,667</u>	<u>\$ 430,489</u>
<b>Commitments (Note 14)</b>		
<b>Contingencies (Note 15)</b>		

Approved on behalf of the Band Council:

	Chief
	Councilor



**Skuppah Indian Band**  
**Exhibit B - Statement of Change in Net Assets**

<b>For the year ended March 31</b>	<b>2015</b>	<b>2014</b>
<b>Annual surplus (deficit)</b>	<b>\$ 363,242</b>	<b>\$ (69,179)</b>
Acquisition of tangible capital assets	<b>(34,807)</b>	<b>-</b>
Amortization of tangible capital assets	<b>40,152</b>	<b>36,949</b>
	<b>368,587</b>	<b>(32,230)</b>
Change in prepaid expenses	<b>(4,901)</b>	<b>1,714</b>
Equity change in Ottawa Trust	<b>4,936</b>	<b>8,346</b>
<b>Change in net financial assets (debt)</b>	<b>368,622</b>	<b>(22,170)</b>
<b>Net debt, beginning of year</b>	<b>(27,780)</b>	<b>(5,610)</b>
<b>Net financial assets (debt), end of year</b>	<b>\$ 340,842</b>	<b>\$ (27,780)</b>

**Skuppah Indian Band**  
**Exhibit C - Statement of Operations**

<b>For the year ended March 31</b>	<b>2015</b>	<b>2014</b>
<b>Revenue</b>		
Aboriginal Affairs and Northern Development Canada \$	598,958	\$ 664,205
AANDC recoveries	-	\$ 487,474
Property taxes	-	(22,314)
Health Canada	-	21,013
First Nations Health Authority	-	73,494
Rental income	-	73,491
Canadiam Mortgage and Housing Corporation	-	57,825
Other income	-	12,146
	390,765	45,496
	<b>598,958</b>	<b>1,284,752</b>
		<b>748,625</b>
<b>Expenses (Note 17)</b>		
Band Support Fund	70,566	101,156
Chief and Council	-	139,658
Band Employee Benefits	18,412	7,611
Private Schools	-	3,645
Elementary/Secondary	4,706	20,977
Post Secondary	50,845	-
Capacity Development	-	5,871
Social Assistance	84,085	4,716
Service Delivery	-	6,196
Community Maintenance	215,852	50,008
Safe Water Operation	-	43,288
Economic Development	-	24,486
Property Taxation	-	-
Health Canada	-	39,008
First Nations Health Authority	-	22,614
ASETS	-	22,657
Social Housing Fund	-	24,960
Band Rentals	75,973	30,650
A.C.R.S.	-	10,308
	-	8,590
	-	-
	131,535	66,288
	9,692	66,064
	29,305	11,814
	175,424	33,447
	3,508	83,649
	<b>520,439</b>	<b>921,510</b>
		<b>817,804</b>
<b>Annual deficit</b>	78,519	363,242
		(69,179)
<b>Accumulated surplus, beginning of year</b>	-	430,489
		491,322
<b>Ottawa Trust Fund allocations</b>	-	4,936
		8,346
<b>Accumulated surplus (Note 13), end of year</b>	\$ -	\$ 798,667
		\$ 430,489

**Skuppah Indian Band**  
**Exhibit D - Statement of Cash Flows**

For the year ended	2015	2014
<b>Cash provided by (used for)</b>		
<b>Operating activities</b>		
Cash receipts from various sources	\$ 1,033,179	\$ 740,380
Cash paid to employees and suppliers	(941,962)	(722,438)
<b>Cash flows from operating activities</b>	<u>91,217</u>	<u>17,942</u>
<b>Capital activities</b>		
Acquisitions of tangible capital assets	<u>(34,807)</u>	<u>-</u>
<b>Investing activities</b>		
Change in equity in Ottawa Trust	<u>(4,936)</u>	<u>(8,346)</u>
<b>Financing activities</b>		
Repayment of long term debt	<u>(12,388)</u>	<u>(12,233)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>39,086</b>	<b>(2,637)</b>
<b>Cash and cash equivalents, beginning of year</b>	<u>8,461</u>	<u>11,098</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 47,547</u>	<u>\$ 8,461</u>
<b>Represented by:</b>		
Cash	<u>\$ 47,547</u>	<u>\$ 8,461</u>

The accompanying notes are an integral part of these financial statements.

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## Skuppah Indian Band

### Notes to Financial Statements

March 31, 2015

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#### 1. Summary of Significant Accounting Policies

##### Basis of Presentation

These financial statements have been prepared, in all material respects, in accordance with Canadian public sector accounting standards for government entities as recommended by Public Sector Accounting Board (PSAB), defined in the CPA Canada Public Sector Accounting Handbook, which encompasses the following policies.

##### Reporting Entity and Principles of Financial Reporting

The Band reporting entity includes the Skuppah Indian Band government.

In order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

##### Revenue Recognition

Government grants and transfers, which include Federal funding agreements are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made. When the eligibility criteria is not met, transfers received are reflected as deferred revenue in the year of receipt and classified as such on the Statement of Financial Position.

Rental revenue is recognized as it becomes receivable under the terms of the rental agreement.

Periodic revenue is recognized on an accrual basis commencing at the beginning of the month.

##### Ottawa Trust Funds

The Band uses the accrual method of accounting for Ottawa Trust Fund revenues earned in the Fund. Trust monies are recognized in revenue of the Band upon withdrawal from the Ottawa Trust Fund.

##### Rents Receivable

Canada Mortgages and Housing Corporation (CMHC) does not allow or recognize bad debts recorded in the financial statements of Social Housing and will not subsidize rental arrears.

##### Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of financial activity in the year in which it is used for the specified purpose.



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## Skuppah Indian Band

### Notes to Financial Statements

March 31, 2015

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#### 1. Summary of Significant Accounting Policies (continued)

##### Loans

Loans issued and repaid under the fund accounting method are recorded as expenditures and revenue respectively. Loans which become uncollectible are removed from equity in the year they are first considered doubtful.

##### Investments

The Band accounts for its equity investments for which market value is not readily available at cost.

##### Tangible Capital Assets

Tangible capital assets are stated at cost less accumulated amortization and are recorded in the Capital Fund. The acquisition costs of tangible capital assets and payments on capital debt, which are not funded from capital financing sources, are charged to operations through interfund transfers and matched with the applicable revenue source in the year of expenditure. Tangible capital asset acquisitions are also recorded as an addition to assets of the Capital Fund with a corresponding increase in equity in tangible capital assets.

Amortization is charged against tangible capital assets and equity in tangible capital assets on a straight-line basis at the following rates:

Automotive equipment	5 years
Buildings and improvements	25 years
Furniture and equipment	5 years
Infrastructure	50 years

Social housing assets acquired under Canada Mortgage and Housing Corporation sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in the related long-term debt, as required for Canada Mortgage and Housing Corporation reporting purposes.

##### Impairment of Long-lived Assets

In the event that fact and circumstances indicate that the Band's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. The Band considers that no circumstances exist that would require such an evaluation.

##### Leased Assets

Leases are entered into, that transfer substantially all of the benefits and risks associated with ownership, are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the Band, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.



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## Skuppah Indian Band

### Notes to Financial Statements

March 31, 2015

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#### 1. Summary of Significant Accounting Policies (continued)

##### Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make assumptions and estimates that have an effect on the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could be different from those estimates, as additional information becomes available in the future.

##### Financial Instruments

The Band recognizes and measures financial assets and financial liabilities on the statement of financial position when it becomes a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a trade date or settlement date basis. All financial instruments are measured at fair value on initial recognition. Financial instruments are subsequently measured at amortized cost as the Band has not entered into any derivative contracts and it does not hold any investments in equity instruments quoted on the active market. Since no financial instruments are measured at fair value after initial recognition, a statement of remeasurement gains and losses has not been presented in these financial statements.

## Skuppah Indian Band Notes to Financial Statements

March 31, 2015

### 2. Economic Dependence

The Band receives a significant portion of its revenue pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada ("AANDC").

### 3. Cash

	2015		2014
Operating Fund	\$ 45,916	\$	6,830
Social Housing	1,631		1,631
	<u>\$ 47,547</u>	\$	<u>8,461</u>

### 4. Restricted Cash

	2015		2014
Ottawa Trust Funds	\$ 59,858	\$	54,922
Housing Replacement Reserve Fund	4		4
	<u>\$ 59,862</u>	\$	<u>54,926</u>

The Ottawa trust accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. These funds are restricted in their use. The Band is permitted to use its revenue for any purpose that will promote the general progress and welfare of the Band and Band members. The expenditures of capital funds requires the consent of Aboriginal Affairs and Northern Development Canada and generally must be for projects of a capital nature. Withdrawals of revenue or capital funds are recorded as revenue in the applicable fund where the monies are expended.

The Housing restricted cash is derived under the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC"), the account is to be credited annually. These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation.

## Skuppah Indian Band Notes to Financial Statements

March 31, 2015

### 5. Accounts Receivable

Accounts receivable by program area is summarized as follows:

	2015	2014
Operating Fund		
Aboriginal Affairs and Northern Development Canada		
Specific Claims	\$ 38,500	\$ -
Trade accounts receivable	153,126	-
Band Member Loans	39,210	44,144
Kanaka Bar	20,953	25,322
	<u>\$ 251,789</u>	<u>\$ 69,466</u>

### 6. Rents Receivable

Rents receivable are the accumulated arrears and vary in amount based on the unit being rented.

	2015	2014
Rents receivable	<u>\$ 198,854</u>	<u>\$ 177,181</u>

### 7. Investments

	2015	2014
ANTCO		
16,860 class A common shares	<u>\$ 11,240</u>	<u>\$ 11,240</u>



## Skuppah Indian Band Notes to Financial Statements

March 31, 2015

### 8. Accounts Payable

	2015	2014
Operating Fund		
Accounts payable and accrued liabilities	\$ 55,853	\$ 110,633
Social Housing Fund		
Accounts payable and accrued liabilities	35,371	38,230
	<u>\$ 91,224</u>	<u>\$ 148,863</u>

### 9. Deferred Revenue

Deferred revenue represents amounts received that relate to a subsequent period. A breakdown of deferred revenue is as follows:

	2015	2014
Operating Fund		
Aboriginal Affairs and Northern Development Canada		
Debt Recovery #824	\$ 6,587	\$ 15,587
Debt Recovery #2712	-	709
Debt Recovery #2713	-	21,380
Band employee benefits	3,567	-
Basic needs	-	2,377
National child benefit	-	19,228
Special needs	22,087	-
	<u>32,241</u>	59,281
Brighter futures	2,598	5,000
Injury prevention	3,638	7,000
NNADAP	8,834	17,000
Planning and management	10,393	20,000
	<u>25,463</u>	49,000
	<u>\$ 57,704</u>	<u>\$ 108,281</u>

## Skuppah Indian Band Notes to Financial Statements

March 31, 2015

### 10. Social Housing Reserves

Under the terms of the agreement with CMHC, the Replacement Reserve account is to be credited in the amount of \$3,000 annually. These funds along with accumulating interest are to be held in a separate bank account. The funds in this account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal. The replacement reserve is underfunded at March 31, 2015.

### 11. Long-term Debt

#### Social Housing Phase II

All Nations Trust Co. mortgage repayable \$1,244 monthly including interest at 2.75% per annum, renewal date of February, 2016, maturing December, 2020. The loan is secured by a ministerial guarantee

Less amount due within one year

	2015	2014
	<u>79,518</u>	91,906
	<u>79,518</u>	12,560
	<u>\$ -</u>	<u>\$ 79,346</u>

Principal payments due in the next year is as follows, if the loan is not renewed as scheduled:

2016	<u>\$ 79,518</u>
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**Skuppah Indian Band**  
**Notes to Financial Statements**

**March 31, 2015**

**12. Tangible Capital Assets**

	2015		2014	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	36,750	-	36,750	-
Buildings and improvements	\$ 615,311	\$ 395,007	\$ 615,311	\$ 370,394
Furniture and equipment	203,677	200,493	199,698	199,698
Infrastructure	573,905	543,735	543,077	541,563
	<u>1,429,643</u>	<u>1,139,235</u>	<u>1,394,836</u>	<u>1,111,655</u>
Social Housing Buildings	290,300	130,209	290,300	117,637
	<u>\$ 1,719,943</u>	<u>1,269,444</u>	<u>1,685,136</u>	<u>1,229,292</u>
Net book value		<u>\$ 450,499</u>		<u>\$ 455,844</u>



**Skuppah Indian Band**  
**Notes to Financial Statements**

**March 31, 2015**

**12. Tangible Capital Assets (continued)**

	<b>2015</b>				
	Buildings	Furniture and equipment	Infrastructure	Land	Total
Cost, beginning of year	\$ 905,611	\$ 199,698	\$ 543,077	\$ 36,750	\$ 1,685,136
Additions	-	3,979	30,828	-	34,807
Cost, end of year	\$ 905,611	\$ 203,677	\$ 573,905	\$ 36,750	\$ 1,719,943
Accumulated amortization, beginning of year	\$ 488,031	\$ 199,698	\$ 541,563	-	\$ 1,229,292
Amortization	37,185	795	2,172	-	40,152
Accumulated amortization, end of year	525,216	200,493	543,735	-	1,269,444
Net carrying amount, end of year	\$ 380,395	\$ 3,184	\$ 30,170	\$ 36,750	\$ 450,499

**Skuppah Indian Band**  
**Notes to Financial Statements**

**March 31, 2015**

**12. Tangible Capital Assets** (continued)

	2014				
	Buildings	Furniture and equipment	Infrastructure	Land	Total
Cost, beginning of year	\$ 905,611	\$ 199,698	\$ 543,077	\$ 36,750	\$ 1,685,136
Cost, end of year	\$ 905,611	\$ 199,698	\$ 543,077	\$ 36,750	\$ 1,685,136
Accumulated amortization, beginning of year	\$ 451,199	\$ 199,698	\$ 541,446	-	\$ 1,192,343
Amortization	36,832	-	117	-	36,949
Accumulated amortization, end of year	488,031	199,698	541,563	-	1,229,292
Net carrying amount, end of year	\$ 417,580	\$ -	\$ 1,514	\$ 36,750	\$ 455,844

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## Skuppah Indian Band

### Notes to Financial Statements

March 31, 2015

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#### 13. Accumulated Surplus

Accumulated surplus of the Band is comprised of the following:

	2015	2014
Contributed surplus - Post 1997	\$ 81,000	\$ 81,000
Equity in long-term investment	11,240	11,240
Equity in Ottawa Trust	59,858	54,922
Equity in tangible capital assets	294,028	286,801
Funded reserves	4	4
Unrestricted surplus (deficit)	352,537	(3,478)
	<u>\$ 798,667</u>	<u>\$ 430,489</u>

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#### 14. Commitments

Skuppah Indian Band has entered into various lease agreements for office equipment. Minimum annual lease payments due are approximately as follows:

2016	\$ 2,100
2017	2,100
2018	1,750
	<u>\$ 5,950</u>

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#### 15. Contingencies

Skuppah Indian Band has guaranteed certain band members loans with Aboriginal Affairs and Northern Development Canada.



## Skuppah Indian Band Notes to Financial Statements

March 31, 2015

### 16. Employee Benefits

The Band has a defined contribution plan providing pension benefits to certain employees. The pension cost charge represents contributions payable by the Band to the plan \$14,537 (2014 - \$14,078).

### 17. Expenses by Object

	2015	2014
Adult care	\$ 11,907	\$ 13,594
Amortization	40,152	36,949
Automotive	7,381	6,408
Bank charges	3,593	4,322
Contract services	29,361	10,783
Donations	200	-
Honoraria	30,044	22,467
Insurance	21,155	29,148
Lease	30,656	20,155
Licences and dues	1,334	989
Mortgage interest	2,512	2,668
Office and miscellaneous	111,690	41,051
Prevention	5,209	13,568
Professional fees	54,475	68,254
Program expenses	28,853	25,744
Repairs and maintenance	40,305	22,312
Replacement reserve	3,000	3,000
Student activities	70,360	61,316
Supplies and materials	12,488	2,772
Training	257	376
Travel	32,883	38,152
Utilities	26,023	27,579
Wages and benefits	357,672	366,197
	<u>\$ 921,510</u>	<u>\$ 817,804</u>

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## Skuppah Indian Band

### Notes to Financial Statements

March 31, 2015

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#### 18. Segment Disclosure

The Band is a diversified First Nations organization that provides a wide range of services to its members. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

##### **Community Welfare**

This service area provides services to help the Members by providing a variety of programs, community services and social assistance.

##### **Administration**

This item relates to the revenues and expenses that relate to the operations of the Band itself and cannot be directly attributed to a specific segment.

##### **Operations and Maintenance**

This service area provides services relating to the development, maintenance and service of the Band's assets, infrastructure and common property.

##### **Education**

This service area provides educational services through post secondary education support and the operations of various other educational programs. The goal of this segment is to enhance the educational opportunities of the Band's Members.

##### **Economic Development**

This service area provides for the development of economic opportunities to the members.

##### **Capital**

This service area provides for the development of new capital projects and infrastructure programs on the reserve.

##### **Social Housing**

This service area provides for social housing to the Members.