



**Gitsegukla First Nation**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2019**



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**Gitsegukla First Nation  
CONSOLIDATED FINANCIAL STATEMENTS  
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For the year ended March 31, 2019

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Gitsegukla First Nation  
**MARCH 31, 2019**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying financial statements of the Gitsegukla First Nation and all the information in this annual report are the responsibility of Chief and Council and have been approved by the Chief and Council.

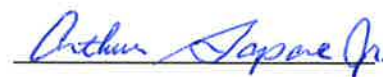
The financial statements have been prepared in conformity with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants and where appropriate, includes certain amounts based on management's best 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 Gitsegukla First Nation's Chief and Council maintains systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Gitsegukla First Nation's assets are appropriately accounted for and adequately safeguarded.

The Gitsegukla First Nation Chief and Council 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 reviewed the Gitsegukla First Nation's financial statements and recommends their approval. The management meets periodically with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issued, 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 also considers the engagement of the external auditors.

The financial information have been audited by Ribeyre Chang Haylock, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the members. Ribeyre Chang Haylock has full and free access to Management.



## **INDEPENDENT AUDITOR'S REPORT**

To: The Members of Gitsegukla First Nation

### **Report on the Audit of the Consolidated Financial Statements**

We have audited the consolidated financial statements of Gitsegukla First Nation, which comprise the consolidated statement of financial position as at March 31, 2019 and March 31, 2018, and the consolidated statements of income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gitsegukla First Nation as at March 31, 2019 and March 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Entity 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.



## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants, 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is
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sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
  - We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Aaron Keetley, CPA, CMA, CA.

Port Coquitlam, B.C.  
July 23, 2019

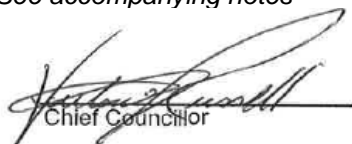


Chartered Professional Accountants

**Gitsegukla First Nation**  
**SUMMARY STATEMENT OF FINANCIAL POSITION**

As at March 31, 2019	Statement 1	
	2019	2018
<b>Financial assets</b>		
Cash	\$ 4,055,174	\$ 3,123,209
Accounts receivable - note 3	251,431	288,791
Trust moneys - note 4	135,654	131,848
	<b>4,442,259</b>	<b>3,543,848</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities - note 5	2,020,288	2,378,148
Deferred revenue - note 6	1,436,477	1,662,203
Long-term debt - note 7	397,215	455,462
Capital lease - note 8	61,812	76,149
	<b>3,915,792</b>	<b>4,571,962</b>
<b>Net financial assets (net debt)</b>	<b>526,467</b>	<b>(1,028,114)</b>
<b>Non-financial assets</b>		
Tangible capital assets - note 9	14,447,130	11,838,527
Prepaid expenses	155,669	136,999
<b>Total non-financial assets</b>	<b>14,602,799</b>	<b>11,975,526</b>
<b>Accumulated surplus - note 10</b>	<b>\$ 15,129,266</b>	<b>\$ 10,947,412</b>

See accompanying notes

  
 Chief Councillor

  
 Councillor



**Gitsegukla First Nation**  
**SUMMARY STATEMENT OF OPERATIONS**

For the year ended March 31, 2019	Statement 2		
	2019 Budget	2019	2018
<b>Revenue</b>			
Indigenous Services Canada	\$ 9,624,447	\$ 9,624,447	\$ 6,441,963
Canada Mortgage and Housing Corporation	48,250	48,250	137,426
First Nations Health Authority	1,561,855	1,561,855	1,415,544
First Nations Education Steering Committee	453,295	411,693	468,175
Miscellaneous income	-	414,674	239,394
Rental	-	59,869	63,157
Interest on trust moneys	-	3,806	5,142
	<b>11,687,847</b>	<b>12,124,594</b>	<b>8,770,801</b>
<b>Expenses</b>			
Administration	899,537	1,129,332	989,520
Capital asset depreciation	938,043	938,043	867,129
Economic development	189,621	149,705	157,217
Social development	1,030,009	1,054,985	922,670
Education	1,965,386	1,538,984	1,662,946
Lands and resources	-	-	-
Public works	434,948	635,229	495,470
Housing	164,550	803,293	337,610
Health	1,808,456	1,678,200	1,668,792
	<b>7,430,550</b>	<b>7,927,771</b>	<b>7,101,354</b>
<b>Annual surplus</b>	<b>4,257,297</b>	<b>4,196,823</b>	<b>1,669,447</b>
<b>Accumulated surplus, beginning of year</b>		<b>10,947,412</b>	<b>9,362,143</b>
<b>Recoveries</b>		<b>(14,969)</b>	<b>(84,178)</b>
<b>Accumulated surplus, end of year</b>		<b>\$15,129,266</b>	<b>\$ 10,947,412</b>

*See accompanying notes*

**Gitsegukla First Nation**  
**SUMMARY STATEMENT OF FINANCIAL ASSETS**

For the year ended March 31, 2019

Statement 3

	2019 Budget	2019	2018
<b>Annual surplus</b>	\$ 4,257,297	\$ 4,196,823	\$ 1,669,447
<b>Recoveries in the year</b>	(14,969)	(14,969)	(84,178)
	<b>4,242,328</b>	<b>4,181,854</b>	1,585,269
<b>Changes in tangible capital assets</b>			
Acquisition of tangible capital assets	(3,546,646)	(3,546,646)	(2,430,381)
Amortization of tangible capital assets	938,043	938,043	867,129
	<b>(2,608,603)</b>	<b>(2,608,603)</b>	(1,563,252)
<b>Changes in other non-financial assets</b>			
Prepaid expenses and deposits	(18,670)	(18,670)	4,897
	<b>(18,670)</b>	<b>(18,670)</b>	4,897
<b>Decrease in net debt</b>		1,554,581	26,914
<b>Net debt at beginning of year</b>		<b>(1,028,114)</b>	(1,055,028)
<b>Net financial assets (debt) at end of year</b>		<b>\$ 526,467</b>	\$ (1,028,114)

*See accompanying notes*

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**Gitsegukla First Nation**  
**SCHEDULE OF CASH FLOW**

For the year ended March 31, 2019	Statement 4	
	2019	2018
<b>OPERATING ACTIVITIES</b>		
Revenue received	\$ 11,917,453	\$ 10,515,355
Expenses paid	(7,338,676)	(5,932,930)
Interest paid on capital leases	(4,469)	(5,357)
Interest paid on long-term debt	(23,113)	(21,748)
<b>Cash provided by operating activities</b>	<b>4,551,195</b>	<b>4,555,320</b>
<b>INVESTING ACTIVITIES</b>		
Purchase and construction of capital assets	(3,546,646)	(2,430,381)
<b>Cash used in investing activities</b>	<b>(3,546,646)</b>	<b>(2,430,381)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(72,584)	(61,282)
<b>Cash used in financing activities</b>	<b>(72,584)</b>	<b>(61,282)</b>
Increase in cash during the year	931,965	2,063,657
Cash, beginning of year	3,123,209	1,059,552
<b>Cash, end of year</b>	<b>\$ 4,055,174</b>	<b>\$ 3,123,209</b>

*See accompanying notes*

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**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

These Summary Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the CICPA Public Sector Accounting and Auditing Handbook, which encompasses the following principles.

**a) Fund accounting**

The Gitsegukla First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the Summary Financial Statements. Details of the operations of each fund are set out in the supplementary schedules. The Gitsegukla First Nation maintains the following funds:

- The Operating Fund which reports the general activities of the First Nation administration including the Education and Health programs and

- The Trust Fund which reports on trust funds owned by the First Nation and held by a third party.

**b) Use of estimates**

The preparation of schedules in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the schedules and reported amounts of revenues and expenditures during the reported period. Actual results could differ from the estimates.

**c) Revenue recognition**

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Statement of Financial Position.

Revenue that is part of a multi-year funding arrangement is deferred until it is earned or repayable. The only funder with a multi-year arrangement in 2019 is the First Nations Health Authority though Indigenous Services Canada may permit the deferral of certain revenues under specific circumstances.

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**1. Continued...**

**d) Reporting entity and principles of financial reporting**

The Gitsegukla First Nation reporting entity includes the Gitsegukla First Nation and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

These financial statements consolidate the assets, liabilities and results of operation for the following entities which use accounting principles which lend themselves to consolidation:

- Gitsegukla First Nation
- 1111940 Limited Partnership
- 1111940 British Columbia Ltd.

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

**e) Financial assets**

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not consumed in the normal course of operations. The indicator of net debt is determined by deducting the financial assets of the Gitsegukla First Nation from its liabilities. Financial assets are primarily measured at historical cost.

**f) Non-financial assets**

Fixed assets and other non-financial assets are accounted for as assets by the Gitsegukla Indian band because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Gitsegukla First Nation unless they are sold.

**g) Fixed assets**

Fixed assets are valued at either cost or estimated cost and recorded in the Operating Fund.

The acquisition costs of fixed assets and payments on capital debt, which are not funded from capital financing sources, are charged to operations and matched with the applicable revenue source in the year of expenditure. These expenditures are also recorded as an addition to the assets of the Operating Fund with a corresponding increase in Operating Fund - unrestricted equity.

**h) Depreciation**

Fixed assets are recorded and depreciated with a corresponding reduction in Equity in Fixed Assets. Fixed assets are depreciated over their expected useful life using the straight line method or the declining balance method at the following rates:

Furniture, office equipment, school equipment, other equipment	20% - 30%
Building, housing and infrastructure	4%

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**2. ECONOMIC DEPENDENCE**

The Gitsegukla First Nation receives major portions of its revenue pursuant to funding arrangements with Indigenous Services Canada and First Nations Health Authority.

**3. ACCOUNTS RECEIVABLE**

	<b>2019</b>	<b>2018</b>
Accounts receivable is comprised of the following:		
Indigenous Services Canada	\$ 49,075	\$ 128,280
Canada Mortgage and Housing Corporation	111	6,098
First Nations Health Authority	45,145	24,000
First Nations Education Steering Committee	30,605	13,844
Province of British Columbia	29,870	-
TriCorp	26,473	-
Other	239,055	252,796
Due from band members	-	32,676
	<b>420,334</b>	<b>457,694</b>
Less allowance for doubtful accounts	<b>(168,903)</b>	<b>(168,903)</b>
	<b>\$ 251,431</b>	<b>\$ 288,791</b>

**4. TRUST MONEYS**

The Ottawa Trust accounts arise from moneys derived from capital or revenue sources 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

**5. ACCOUNTS PAYABLE**

	<b>2019</b>	<b>2018</b>
Indigenous Services Canada	\$ 1,271,145	\$ 1,320,230
Recipient audit accrual	29,500	34,000
Prior years' recovery	13,492	22,156
Current year potential recovery	-	28,022
Other payables	706,151	973,740
	<b>\$ 2,020,288</b>	<b>\$ 2,378,148</b>

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**6. DEFERRED REVENUE**

	2019	2018
First Nations Health Authority	\$ 548,119	\$ 371,264
Indigenous Services Canada	888,358	1,290,939
	<b>\$ 1,436,477</b>	<b>\$ 1,662,203</b>

**7. LONG-TERM DEBT**

	2019	2018
Demand Loan payable secured by real property and a ministerial guarantee. With monthly payments of \$925 including interest at 2.86% per annum	\$ 74,597	\$ 89,413
Demand loan payable secured by real property, a ministerial guarantee and assignment of fire insurance with monthly payments of \$2,293 including interest at 3.17% per annum.	115,233	136,739
Term loan payable secured by real property. Renewing on August 18, 2019 with monthly payments of \$2,255 per month including interest at the Royal Bank of Canada's prime rate plus 3.75% per annum.	145,185	160,941
Term loan payable secured by real property. Renewing on November 1, 2021 with monthly payments of \$865 per month including interest at 6.29% per annum.	62,200	68,369
	<b>\$ 397,215</b>	<b>\$ 455,462</b>

Future principal payments for subsequent years are as follows:

2020	\$ 341,652
2021	7,072
2022	48,491
2023	-
2024	-
	<u>\$ 397,215</u>

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**8. CAPITAL LEASE**

Vehicle lease, bearing interest at 6.41% per annum, repayable in monthly payments of \$1,567.12 ending on November 29, 2021 and secured by the vehicle. Future minimum lease payments for the next 5 years are as follows: 2020 - \$18,805; 2021- \$18,805; 2022 -\$12,537.



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**9. TANGIBLE CAPITAL ASSETS**

	2019							2018	
	Beginning Cost	Additions	Disposal	Ending Cost	Beginning Accumulated Depreciation	Depreciation Disposals	Ending Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 300,000	\$ -	\$ -	\$ 300,000	\$ -	\$ -	\$ -	\$ 300,000	\$ 300,000
Furniture and equipment	1,117,468	700	-	1,118,168	1,062,078	30,532	1,092,610	25,558	55,390
Mobile equipment	615,571	70,104	-	685,675	528,688	61,928	590,616	95,059	86,883
Infrastructure						-			
Buildings	16,367,096	2,236,526	-	18,603,622	6,464,442	664,742	7,129,184	11,474,438	9,902,654
Roads	107,358	-	-	107,358	46,329	3,609	49,938	57,420	61,029
Municipal infrastructure	4,647,065	1,239,316	-	5,886,381	3,219,089	176,945	3,396,034	2,490,347	1,427,976
Fencing	7,178	-	-	7,178	2,583	287	2,870	4,308	4,595
	<b>\$ 23,161,736</b>	<b>\$ 3,546,646</b>	<b>\$ -</b>	<b>\$ 26,708,382</b>	<b>\$ 11,323,209</b>	<b>\$ 938,043</b>	<b>\$ 12,261,252</b>	<b>\$ 14,447,130</b>	<b>\$ 11,838,527</b>

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**10. ACCUMULATED SURPLUS**

	2019	2018
Restricted surplus - trust monies	\$ 135,654	\$ 131,848
Equity in tangible capital assets	13,988,129	11,306,942
Unrestricted surplus	1,143,116	(491,378)
	<b>\$ 15,266,899</b>	<b>\$ 10,947,412</b>

**11. BUDGET INFORMATION**

The budget information disclosed has been approved by Chief & Council and the Recipient Appointed Advisors. Individual program operations not showing budget information does not mean budgets were not prepared but rather that their amounts were not readily determinable.

**12. FINANCIAL INSTRUMENTS**

***Risk management policy***

Gitsegukla First Nation is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at March 31, 2019.

***Credit risk***

The carrying value of the First Nation's main financial assets represents the maximum credit risk to which the band is exposed.

***Liquidity risk***

Gitsegukla First Nation considers that it has sufficient credit facilities to ensure that funds are available to meet its current and long-term financial needs, at a reasonable cost.

***Market risk***

Gitsegukla First Nation is exposed to interest rate risk on its fixed-interest and variable-interest financial instruments. Fixed-interest instruments subject the band to a fair value risk while the variable-interest instruments subject it to a cash flow risk.

The following table summarizes the contractual maturities of the financial liabilities as at March 31, 2019.

	Carrying amount	Contractual cash flows	0 to 1 year	2 to 4 years	Over 5 years
Accounts payable and accrued expenses	\$ 2,020,288	\$ 2,020,288	\$ 2,020,288	\$ -	\$ -
Capital lease	61,812	68,952	18,805	50,147	-
Long-term debt	397,215	397,215	341,652	55,563	-
	<b>\$ 2,479,315</b>	<b>\$ 2,486,455</b>	<b>\$ 2,380,745</b>	<b>\$ 105,710</b>	<b>\$ -</b>