

**GITGA'AT FIRST NATION**

**FINANCIAL STATEMENTS**

**MARCH 31, 2015**

**GITGA'AT FIRST NATION**  
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**MARCH 31, 2015**

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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, 2015 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 MNP LLP in accordance with Canadian generally accepting auditing standards on behalf of the members. MNP LLP has full and free access to the Chief and Council with regard to audit requirements.

On behalf of Gitga'at First Nation



## 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, 2015 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 Consolidated 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 derives 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, 2015 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.

### *Other Matters*

The financial statements of GITGA'AT FIRST NATION for the year ended March 31, 2014 were audited by KNV Chartered Accountants LLP of Kelowna, British Columbia, prior to its merger with MNP LLP. KNV Chartered Accountants LLP expressed an unmodified opinion on those statements on July 29, 2014.

July 29, 2015  
Kelowna, British Columbia



Chartered Professional Accountants

**GITGA'AT FIRST NATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2015 AND 2014**

	2015	2014
		(Note 17& 18)
<b>FINANCIAL ASSETS:</b>		
Cash and cash equivalents (Note 3)	\$ 1,612,700	\$ 2,312,820
Portfolio investments (Note 4)	2,127,667	2,098,364
Trust funds held by federal government (Note 8)	656,456	639,280
Accounts receivable (Note 5)	1,697,442	1,547,527
Inventory for resale	103,105	35,072
Investments in and advances to government business enterprises (Note 6)	(13,382)	41,844
<b>Total financial assets</b>	<b>6,183,988</b>	<b>6,674,907</b>
<b>FINANCIAL LIABILITIES:</b>		
Accounts payable and accrued liabilities (Note 9)	1,413,455	3,048,367
Tenant deposits (Note 10)	10,950	900
Deferred revenue (Note 11)	1,659,800	610,244
Obligation under capital leases (Note 12)	74,899	106,199
Long-term debt (Note 15)	196,030	245,000
<b>Total financial liabilities</b>	<b>3,355,134</b>	<b>4,010,710</b>
<b>NET FINANCIAL ASSETS</b>	<b>2,828,854</b>	<b>2,664,197</b>
<b>NON-FINANCIAL ASSETS:</b>		
Tangible capital assets (Note 13)	19,730,807	18,752,205
Prepaid expenses	47,535	34,300
Fishing licences	607,340	607,340
<b>Total non-financial assets</b>	<b>20,385,682</b>	<b>19,393,845</b>
<b>ACCUMULATED SURPLUS (Note 19)</b>	<b>\$ 23,214,536</b>	<b>\$ 22,058,042</b>

CONTINGENT LIABILITIES (Note 14)

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, 2015 AND 2014**

	Budget	2015	2014 (Note 17 & 18)
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>			
Annual surplus (deficit)	\$ (208,151)	\$ 1,156,494	\$ (3,030,154)
Amortization of tangible capital assets (Note 13)	-	838,523	843,641
Disposal (acquisition) of tangible capital assets	-	(1,812,627)	1,369,679
Gain (loss) on sale of tangible capital assets	-	6,110	-
Proceeds from sale of tangible capital assets	-	(10,608)	-
Acquisition of prepaid expenses	-	(47,535)	(34,300)
Use of prepaid expenses	-	34,300	-
Increase (decrease) in net financial assets		164,657	(851,134)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>		2,664,197	3,515,331
<b>NET FINANCIAL ASSETS, END OF YEAR</b>		<b>\$ 2,828,854</b>	<b>\$ 2,664,197</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, 2015 AND 2014**

	Budget	2015	2014 (Note 17 & 18)
<b>REVENUES:</b>			
Aboriginal Affairs and Northern Development Canada (AANDC)	\$ 1,850,772	\$ 5,250,695	\$10,157,794
First Nation Health Authority (FNHA)	386,511	720,489	686,160
Province of British Columbia (net of recoveries)	-	294,982	(105,000)
Interest and investment income	-	62,044	84,525
Other partnership income (loss)	-	(55,228)	45,399
Rental income	60,000	142,429	208,168
Government of Canada	143,593	292,407	575,324
BC Hydro	-	-	108,246
Own source revenue	9,000	181,140	284,075
Tribal Resources Investment Corporation (TRICORP)	-	97,932	55,720
Fuel revenue	-	457,971	455,915
Management fees (recovery)	-	15,285	(36,000)
Other income	1,373,375	3,856,737	2,622,596
	<b>3,823,251</b>	<b>11,316,883</b>	<b>15,142,922</b>
<b>EXPENSES:</b>			
Administration	-	925,788	791,321
Capital Asset Program	-	844,633	2,620,101
Capital Projects	-	797,327	6,857,131
Community Health	317,512	646,268	704,023
Community Social Services	-	108,821	80,384
Economic Development	184,880	207,950	88,297
Education	1,351,255	1,194,851	1,417,913
Fisheries	113,417	294,473	326,085
Gitga'at Clean Energy	-	-	61,671
Gitga'at Development Corporation Setup	-	31,816	2,470
Guardian Watchman	1,157,850	809,419	772,465
Lands and Marine	-	481,978	903,148
Own Source Revenue	-	393,372	613,176
Social Assistance	669,138	300,129	352,966
Special Projects	-	1,846,542	619,210
Treaty Making Process	237,350	128,537	102,156
Village Operations	-	1,148,485	1,860,559
	<b>\$ 4,031,402</b>	<b>10,160,389</b>	<b>18,173,076</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>		<b>1,156,494</b>	<b>(3,030,154)</b>
<b>ACCUMULATED OPERATING SURPLUS (DEFICIT), BEGINNING OF YEAR</b>		<b>22,058,042</b>	<b>25,088,196</b>
<b>ACCUMULATED OPERATING SURPLUS (DEFICIT), END OF YEAR</b>		<b>\$23,214,536</b>	<b>\$22,058,042</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, 2015 AND 2014**

	2015	2014
		(Note 17 & 18)
<b>CASH AND CASH EQUIVALENTS WAS PROVIDED FROM (USED IN):</b>		
Operating transactions:		
Annual surplus (deficit)	\$ 1,156,494	\$ (3,030,154)
Items not affecting cash -		
Amortization of tangible capital assets	838,523	843,641
Loss on sale of tangible capital assets	6,110	-
	2,001,127	(2,186,513)
Net change in non-cash working capital balances:		
Decrease (increase) in accounts receivable	(149,915)	37,478
Decrease (increase) in inventory for resale	(68,033)	10,746
Increase in prepaid expenses	(13,235)	(34,300)
Increase (decrease) in accounts payable and accrued liabilities	(1,634,912)	1,863,855
Increase in tenant deposits	10,050	900
Increase in deferred revenue	1,049,556	447,733
	1,194,638	139,899
Investing transactions:		
Decrease (increase) in investments in and advances to government business enterprises	55,226	(45,398)
Decrease (increase) in portfolio investments	(29,303)	233,632
	25,923	188,234
Financing transactions:		
Repayment of long-term debt	(48,970)	(119,000)
Repayment of obligation under capital lease	(31,300)	(27,097)
	(80,270)	(146,097)
Capital transaction:		
(Purchase) disposition of tangible capital assets	(1,823,235)	1,502,972
Increase (decreases) in cash and cash equivalents	(682,944)	1,685,008
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,952,100</b>	<b>1,267,092</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,269,156</b>	<b>\$ 2,952,100</b>
<b>CASH AND CASH EQUIVALENTS COMPRISED OF:</b>		
Cash and cash equivalents	\$ 1,612,700	\$ 2,312,820
Trust funds held by federal government	656,456	639,280
	\$ 2,269,156	\$ 2,952,100

The accompanying Notes are an integral part of this statement.



**GITGA'AT FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2015**

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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, British Columbia. 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 Social Services and Special Projects, Fisheries, Guardian Watchman, Lands 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 and certain not-for-profit organizations which are not consolidated. Inter-organizational balances and transactions are eliminated upon consolidation.

Organization consolidated in Gitga'at First Nation's consolidated financial statements includes:

1. Gitga'at Forestry Inc.

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.
4. Skeena Limited Partnership (inactive)

Not-for-profit organization includes:

1. Gitga'at Lands and Resources Stewardship Society

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.

# GITGA'AT FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 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 asset 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, 2015.

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%

# GITGA'AT FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

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### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Amortization (Continued)

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 extending beyond the current year and are not intended for sale in the ordinary course of operations.

(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) Liability for Contaminated Sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2015.

At each financial reporting date, the Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(k) Portfolio investments

The Nation has investments in Guaranteed Investment Certificates (GIC's) and equity instruments that either have no maturity dates or have a maturity of greater than three months at the time of acquisition. GIC's and other investments not quoted in an active market are reported at cost or amortized cost. The Nation's investment in partnership is reported at cost.

(l) 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

# GITGA'AT FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

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### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Revenue Recognition (Continued)

reasonable estimates of the amount can be made.

(m) 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.

(n) 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. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the First Nation is responsible for.

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.

(o) 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.

(p) 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.

(q) 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.

(r) 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

# GITGA'AT FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

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### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Segment Disclosure (Continued)

- 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. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements, other than the inter-segment transfers, such as revenue from transactions with other segments, which are measured at the transfer price used by the Nation and are not eliminated in the segment disclosure note.

### 2. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2014, the Nation adopted the recommendations relating to PS 3260, *Liability for Contaminated Sites* as set out in the Canadian public sector standards. Pursuant to these recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, no accounting policy existed to account for a liability for contaminated sites. Under the new recommendations, the Nation is required to recognize a liability for contaminated sites when economic benefits will be given up, as described in (Note 1), *Significant Accounting Policies*.

There was no effect on the Nation's financial statements of adopting the above-noted change in accounting policy.

### 3. 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 \$1,659,800 (2014 - \$610,244).

(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, 2015, there is no outstanding balance on the line of credit.

### 4. PORTFOLIO INVESTMENTS

Included in portfolio investments are \$196,030 (2014 - \$215,000) of term deposits which have been pledged as security for loans described in Note 15.

**GITGA'AT FIRST NATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****5. ACCOUNTS RECEIVABLE**

The Nation's accounts receivable are analyzed as follows:

	2015	2014
AANDC	\$ 968,477	\$ 636,558
Department of Fisheries	83,925	211,866
FNHA	-	60,494
Member accounts receivable	898,748	892,014
Other receivables	649,989	637,708
	2,601,139	2,438,640
Allowance for doubtful accounts	(903,697)	(891,113)
	\$ 1,697,442	\$ 1,547,527

As at March 31, 2015, management determined that the collection of receivables impaired is \$903,697 (2014 - \$891,113).

**6. INVESTMENT IN AND ADVANCES TO GOVERNMENT BUSINESS ENTERPRISES**

The First Nation's investments and advances to government business enterprises are analyzed as follows:

	2015	2014
North Co-Corp Ferry Services Ltd.	\$ (13,385)	\$ 41,843
Skeena Limited Partnership	1	1
Gitga'at Economic Limited Partnership (inactive)	1	-
Gitga'at Development Corporation (inactive)	1	-
	\$ (13,382)	\$ 41,844

**GITGA'AT FIRST NATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****7. INVESTMENT**

The Nation holds 33% ownership of the shares of North Co-Corp Ferry Services Ltd. The following provides condensed financial information for the years ended March 31, 2015 and 2014:

	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 98,125	\$ 102,737
Accounts receivable	98,122	144,058
Equipment, net of accumulated amortization	536,711	455,960
Prepaid and other current assets	19,681	19,853
<b>Total assets</b>	<b>\$ 752,639</b>	<b>\$ 722,608</b>
<b>Liabilities</b>		
Accounts payable	\$ 17,851	\$ 37,379
Government payables	21,495	500
Deferred income	11,771	6,539
	51,117	44,418
<b>Shareholders' equity</b>	<b>701,522</b>	<b>678,190</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 752,639</b>	<b>\$ 722,608</b>
<b>Results of operations:</b>		
Revenue	\$ 734,564	\$ 813,707
Expenses	(765,854)	(783,607)
<b>Net income (loss)</b>	<b>\$ (31,290)</b>	<b>\$ 30,100</b>

**8. 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:

	2014			2015	
	Total	Additions	Withdrawals	Total	
Revenue	\$ 559,100	\$ 17,176	\$ -	\$ 576,276	
Capital	80,180	-	-	80,180	
	<b>\$ 639,280</b>	<b>\$ 17,176</b>	<b>\$ -</b>	<b>\$ 656,456</b>	

**GITGA'AT FIRST NATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	2015	2014
AANDC	\$ 155,328	\$ 84,143
Accrued salaries and employee benefits payable	61,147	34,004
BC Hydro for hydro facility project	-	947,233
Other accrued liabilities	32,584	60,214
Trade accounts payable	1,164,396	1,922,773
	<u>\$ 1,413,455</u>	<u>\$ 3,048,367</u>

**10. 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 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.

**11. DEFERRED REVENUE**

The Nation's deferred revenue is analyzed as follows:

	2014 Deferred Revenue	Current Year Funding Received	Current Year Revenue Recognized	2015 Deferred Revenue
FNHA	\$ 98,515	\$ 328,645	\$ (365,698)	\$ 61,462
AANDC	-	2,490,562	(1,223,800)	1,266,762
Other deferred revenue	386,729	197,990	(378,143)	206,576
Province of British Columbia	125,000	-	-	125,000
	<u>\$ 610,244</u>	<u>\$ 3,017,197</u>	<u>\$ (1,967,641)</u>	<u>\$ 1,659,800</u>



**GITGA'AT FIRST NATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****12. 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:

	2015	2014
Minimum lease payments payable	\$ 84,190	\$ 126,283
Less - portion representing interest to be recorded over the remaining term of the leases	(9,291)	(20,084)
	74,899	106,199
Less - current portion	(35,171)	(31,301)
	\$ 39,728	\$ 74,898

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

2016	\$ 35,171
2017	39,728
	\$ 74,899

**13. TANGIBLE CAPITAL ASSETS**

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

	2014	2014	2014	2015	2015	2015
	Cost	Accumulated Amortization	Net Book Value	Additions (Disposals)	Amortization (Net of Disposals)	Net Book Value
Infrastructure	\$ 24,358,057	\$ 9,197,811	\$15,160,246	\$ 81,030	\$ 608,030	\$14,633,246
Equipment	2,406,340	1,874,933	531,407	185,081	121,802	594,686
Boat	553,111	100,555	452,556	-	67,883	384,673
Vehicles	187,073	66,039	121,034	-	36,310	84,724
Assets under construction	2,486,962	-	2,486,962	1,546,516	-	4,033,478
	\$ 29,991,543	\$ 11,239,338	\$18,752,205	\$ 1,812,627	\$ 834,025	\$19,730,807

**GITGA'AT FIRST NATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****13. TANGIBLE CAPITAL ASSETS (Continued)**

	2015 Cost	2015 Accumulated Amortization	2015 Net Book Value
Infrastructure	\$ 24,439,087	\$ 9,805,841	\$14,633,246
Equipment	2,591,421	1,996,735	594,686
Boat	553,111	168,438	384,673
Vehicles	187,073	102,349	84,724
Assets under construction	4,033,478	-	4,033,478
	<u>\$ 31,804,170</u>	<u>\$12,073,363</u>	<u>\$19,730,807</u>

**14. 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, 2015 is \$3,567,989 and has not been accrued in the consolidated financial statements.

**15. LONG TERM DEBT**

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

	2015	2014
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.	\$ 135,755	\$ 215,000
Northern Savings Credit Union - Industrial Burner loan with blended monthly payments of \$1,725 at prime plus 1% per annum. Secured by a term deposit for the same.	60,275	
Northern Savings Credit Union - Housing loan repaid in full during the year.	-	30,000
	<u>196,030</u>	<u>245,000</u>
Less - current portion	<u>(58,700)</u>	<u>(40,000)</u>
	<u>\$ 137,330</u>	<u>\$ 205,000</u>

**GITGA'AT FIRST NATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****15. LONG TERM DEBT (Continued)**

Approximate principal payments due in the next four years are as follows:

2016	\$	58,700
2017		59,432
2018		60,194
2019		17,704
	\$	196,030

**16. ECONOMIC DEPENDENCE**

Funding from AANDC accounts for 46% of revenue in the current year (2014 - 67%); the Nation's ability to continue viable operations is dependent upon maintaining its right to receive this funding.

**17. COMPARATIVE FIGURES**

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

**18. PRIOR PERIOD ADJUSTMENTS****(a) Assets Received from Gitga'at Enterprise Corporation**

The 2014 consolidated financial statement figures were restated to include the cash and cash equivalents and tangible capital assets received from Gitga'at Enterprise Corporation ("GEC") upon dissolution of the GEC on September 2, 2013.

**(b) Assets Received from Gitga'at Forestry Inc.**

The 2014 consolidated financial statement figures were restated to include the cash and cash equivalents which were received from Gitga'at Forestry Inc. upon transfer of operations to the Nation in 2014.

As a result the cash and cash equivalents, tangible capital assets, amortization and accumulated surplus were understated. The effects of the adjustments have been applied retrospectively for comparative purposes and resulted in the following:

	As previously Stated	Change	Restated
Cash and cash equivalents	\$ 2,144,684	\$ 168,136	\$ 2,312,820
Tangible capital assets	17,695,855	1,056,350	18,752,205
Amortization	792,291	51,350	843,641
Accumulated surplus	\$20,833,556	\$ 1,224,486	\$22,058,042

**GITGA'AT FIRST NATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****19. ACCUMULATED SURPLUS**

The Nation's accumulated surplus is analyzed as follows:

	2015	2014
		(Note 18)
Investment in tangible capital assets	\$ 19,730,807	\$ 18,752,205
Trust funds held by federal government - Capital	80,180	80,180
Investments in and advances to government business enterprises	(13,382)	41,844
Fishing licenses	607,340	607,340
Restricted cash and cash equivalents	1,659,800	610,244
	22,064,745	20,091,813
Unexpended funding available for operations	1,149,791	1,966,229
	\$ 23,214,536	\$ 22,058,042

# GITGA'AT FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

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### 20. 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 & Gitga'at Clean Energy

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

(g) Community Social Services & 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 & Lands and 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, 2015 (Continued)**

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**20. 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, 2015 (Continued)

### 20. SEGMENT DISCLOSURE (Continued)

	Administration	Social Assistance	Community Health	Education	Village Operations & Capital Projects	Economic Development & Gitga'at Clean Energy	Community Social Services & Special Projects
<b>REVENUES:</b>							
AANDC	\$ 284,835	\$ 308,058	\$ -	\$ 1,309,562	\$ 3,085,469	\$ 115,032	\$ 74,456
FNHA (recovery)	-	-	702,325	(15,000)	-	-	-
Investment income	18	-	-	-	-	-	17,176
Government of Canada	-	-	-	-	-	-	-
Province of British Columbia (net of recoveries)	-	-	-	-	-	-	110,000
BC Hydro	-	-	-	-	-	-	-
Fishing licences	-	-	-	-	-	-	-
Fuel revenue	-	-	-	-	-	-	-
Own source revenue	36,801	-	17,180	-	9,700	-	-
Management fees (recovery)	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-
Administration fees	627,023	-	-	-	-	-	-
TRICORP	-	-	-	13,588	-	-	56,244
Other income (recovery)	19,863	10,000	(6,000)	32,454	102,379	-	1,940,557
	968,540	318,058	713,505	1,340,604	3,197,548	115,032	2,198,433
<b>EXPENSES:</b>							
Administration	-	23,223	72,065	131,612	43,631	6,900	167,958
Advertising and promotion	-	-	-	-	-	-	15,127
Amortization	-	-	-	-	-	-	-
Bank charges and interest	22,461	30	2	-	11,100	-	3,351
Education	-	-	-	290,616	-	-	236,879
Honoraria	134,888	-	-	-	-	-	-
Insurance	9,655	-	6,545	26,250	49,072	-	2,500
Office supplies and miscellaneous	48,989	39,892	41,744	25,256	500,116	10,186	113,054
Professional fees	182,547	19,087	117,767	709,934	752,283	147,268	724,003
Rent and occupancy costs	8,215	18,300	16,819	25,982	39,475	3,500	28,162
Repairs and maintenance	461	-	1,080	-	157,515	9,479	3,217
Social assistance	-	4,960	-	-	-	-	-
Telephone and utilities	112,281	4,874	44,004	62,079	118,721	698	30,901
Travel and training	67,849	15,547	213,450	6,207	14,387	3,400	500,826
Wages and benefits	338,442	197,440	204,859	48,526	303,149	33,418	284,652
Other operating expenses	-	-	-	-	-	-	12,692
	925,788	323,353	718,335	1,326,462	1,989,449	214,849	2,123,322
<b>SURPLUS (DEFICIT) BEFORE TRANSFERS</b>							
	42,752	(5,295)	(4,830)	14,142	1,208,099	(99,817)	75,111
<b>TRANSFERS</b>							
	(37,627)	5,295	(8,598)	18,325	14,053	(67,752)	3,132
<b>ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR</b>							
	52,672	-	(137,190)	20,391	79,034	155,570	934,377
<b>ACCUMULATED SURPLUS (DEFICIT), END OF YEAR</b>							
	\$ 57,797	\$ -	\$ (150,618)	\$ 52,858	\$ 1,301,186	\$ (11,999)	\$ 1,012,620

## GITGA'AT FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

## 20. SEGMENT DISCLOSURE (Continued)

	Fisheries, Guardian Watchman & Lands and Marine	Own Source Revenue & Forest and Range	Development Corporation & Other	Capital Asset Program	2015	2014
						(Note 17& 18)
<b>REVENUES:</b>						
AANDC	\$ 73,284	\$ -	\$ -	\$ -	\$ 5,250,696	\$ 10,157,794
FNHA (recovery)	33,164	-	-	-	720,489	686,160
Investment income	-	44,850	-	-	62,044	84,525
Government of Canada	292,407	-	-	-	292,407	575,324
Province of British Columbia (net of recoveries)	184,982	-	-	-	294,982	(105,000)
BC Hydro	-	-	-	-	-	108,246
Fishing licences	-	(55,228)	-	-	(55,228)	45,399
Fuel revenue	-	457,971	-	-	457,971	455,915
Own source revenue	9,508	107,951	-	-	181,140	284,074
Management fees (recovery)	-	15,285	-	-	15,285	(36,000)
Rental income	120,459	21,970	-	-	142,429	208,167
Administration fees	-	-	-	-	627,023	526,336
TRICORP	28,100	-	-	-	97,932	55,720
Other income (recovery)	945,728	-	507,005	304,750	3,856,736	2,622,594
	1,687,632	592,799	507,005	304,750	11,943,906	15,669,254
<b>EXPENSES:</b>						
Administration	144,483	-	37,151	-	627,023	526,336
Advertising and promotion	-	7,000	-	-	22,127	48
Amortization	-	-	-	838,523	838,523	843,641
Bank charges and interest	7,700	7,002	-	-	51,646	46,101
Education	10,200	-	-	-	537,695	400,407
Honoraria	69,012	-	-	-	203,900	169,600
Insurance	18,775	6,546	4,082	-	123,425	141,107
Office supplies and miscellaneous	87,524	18,067	595	-	885,423	273,105
Professional fees	364,602	17,686	124,638	-	3,159,815	9,138,278
Rent and occupancy costs	67,319	6,499	14,659	-	228,930	635,382
Repairs and maintenance	191,285	-	-	-	363,037	432,066
Social assistance	-	-	-	-	4,960	9,647
Telephone and utilities	17,927	279,123	8,139	-	678,747	1,394,657
Travel and training	77,871	2,637	7,888	-	910,062	656,264
Wages and benefits	668,273	14,092	349	-	2,093,200	2,245,142
Other operating expenses	5,379	34,718	-	6,110	58,899	1,787,627
	1,730,350	393,370	197,501	844,633	10,787,412	18,699,408
<b>SURPLUS (DEFICIT) BEFORE TRANSFERS</b>						
	(42,718)	199,429	309,504	(539,883)	1,156,494	(3,030,154)
<b>TRANSFERS</b>						
	(108,675)	(6,568)	(291,396)	479,811	-	-
<b>ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR</b>						
	579,788	1,171,371	276,260	18,925,769	22,058,042	25,088,196
<b>ACCUMULATED SURPLUS (DEFICIT), END OF YEAR</b>						
	\$ 428,395	\$ 1,364,232	\$ 294,368	\$ 18,865,697	\$ 23,214,536	\$ 22,058,042



**GITGA'AT FIRST NATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****20. SEGMENT DISCLOSURE (Continued)**

The First Nation's segmented revenues and expenses are reconciled to the consolidated financial statements as follows:

	2015
Total revenues per segment disclosure note	\$ 11,943,906
Inter-segment administration fees	(627,023)
<b>Total revenues per consolidated statement of operations</b>	<b>\$ 11,316,883</b>
Total expenses per segment disclosure note	\$ 10,787,412
Inter-segment administration fees	(627,023)
<b>Total expenses per consolidated statement of operations</b>	<b>\$ 10,160,389</b>