

# Malahat

MALAHAT NATION

Annual Report

2018/2019

# Malahat Nation Annual Report 2018/2019



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### Chief and Council



**Chief George Harry**



**Councillor Cindy Harry**



**Councillor Gordon Harry**



**Councillor Steve Henry**

This annual report allows us to share how each department is taking a leadership role in building our community, either through maintenance of our infrastructure, hosting community programs or supporting our youth.

### Chief and Council Boards & Portfolios

#### Chief George Harry

- Te'mexw Treaty Association
- Salish Straits
- Malahat Investment Corporation
- Lands & Resources
- Malahat Nation Community Development Society – Elected Leadership Representative

#### Councillor Cindy Harry

- Malahat Nation Finance & Audit Committee – Chair
- Malahat Nation Administration Portfolio

#### Councillor Gordon Harry

- Malahat Nation Economic Development Portfolio
- Naut'sa mawt Tribal Council

#### Councillor Steve Henry

- Kw'umut Lelum
- Community Programs



### Chief Administrative Officer Message

Malahat Nation has proudly made great strides introducing a number of successful community and health programs, with more on the way following completion of the new Malahat Multi Purpose Centre and Daycare. New economic development projects include the Malahat Business Park and the Malahat Skywalk, a couple of strategic partnerships with fundamentally strong businesses that will generate own source revenue for the Nation while allowing us to retain long term usage rights over our lands. Over the last year, we have been focusing on improving community consultation and organizational transparency to ensure that community members are informed and their voices heard. With the introduction of the Malahat Nation website, we are now offering more information to our members than ever before. Through community consultation meetings, we are hearing voices and opinions and using those ideas to guide our decision making for the benefit of the entire community.

### Strategic Plan Recap

*The 2019-2024 Strategic Plan allows us to guide the work we do and how we allocate resources. Our Strategic Plan is comprised of Member Priorities, Vision, Mission and Strategic Goals.*

### Vision

Recognizing the past – moving toward a better future.

### Mission

*Building our Nation through good governance and community engagement, creating opportunities, stable economy, employment, health, education, expanding boundaries, and building culture for our future generations.*

<i>Family &amp; Children</i>	<i>Community Involvement</i>	<i>Equal Opportunity</i>
<i>Openness</i>	<i>Trust</i>	<i>Pride</i>
<i>Respect</i>	<i>Strength</i>	<i>Self-Determination</i>

Strategic Goals

*Will develop Malahat Nation's sustainability through mutually beneficial business relationships*

*Will be committed to community and business development through Environmental Awareness and Stewardship.*

*Will develop Malahat Nation's lands and build strong community involvement with all Nation members*

*Malahat Nation will be committed to community development through education and culture.*

*Will promote healthy lifestyles*

*Will bring community members back to the community*

*Will provide the best services we can to the community*

*Build strong community involvement through communication and consultation with all Nation members*

*Believes in building a strong government based on sound laws, processes and policies*

### Economic Development

#### Strategic Goal

*Will develop Malahat Nation's sustainability through mutually beneficial business relationships*

#### Accomplishments

- Malahat Mill Bay Development Partners
  - Secured lease for Malahat Business Park, a 50-acre business park located to the southwest of Malahat Lands.
  - Partnerships with Indigenous Bloom, Kinsol and Nelson Environmental
  
- Malahat Skywalk
  - In partnership with Aspire by Nature, construction has begun on an accessible 650m treetop walk through a beautiful arbutus forest leading to a spectacular gentle spiral ramp that takes you up 40m to sightseeing lookout offering views of Finlayson Arm and the distant Coast Mountains.
  - The Skywalk will be an opportunity for Malahat to provide a stunning new perspective on our lands to tourists and locals alike, as well as share a bit of our history and culture.
  
- Bamberton Lands
  - Working to secure current tenants through long term leases and attract new tenants.
    - Leases were extended with Ruskin Construction and Lehigh
    - Planning for expansions of mine permit and fill operations with Coast Mountain Resources are underway
    - Emcon Services Inc. lands highway maintenance contract and moves to new Bamberton lot

### Environment & Fisheries

#### Strategic Goal

*Will be committed to community and business development through Environmental Awareness and Stewardship*

#### Accomplishments

##### Stewardship/Monitoring

- Leading regional initiatives to better understand the Marine Environment and incorporate Traditional Ecological Knowledge in the management of valuable shared marine resources. Initiatives include: Buoy Surveys, Community Marine Patrols and enforcement activities in partnership with DFO.

##### Community Fish Distribution

- Committed to providing a variety of traditional seafood to all Malahat Members throughout each year with an emphasis on foods important for ceremony and social uses.

##### Clean Energy Initiative

- Secured funding for a substantial 50kW solar panel installation on Kwunew Kwasun and the new Multi Purpose Centre

##### Major Projects

- Trans Mountain Expansion Project – Malahat holds a seat on the Marine Shipping Sub-committee of the Indigenous Advisory and Monitoring Committee. With this direct line of input into the development of the Trans Mountain Expansion, we can influence the construction and operations of the project to minimize impact to Malahat Nation.
- Roberts Bank Terminal 2 Project – Ongoing input into the Environmental Assessment of the proposed project by Malahat Nation has helped guide this extensive review process.



### Lands and Resources

#### Strategic Goal

*Will develop Malahat Nation's lands and build strong community involvement with all Nation members*

#### Accomplishments

##### Land Use Plan

- Redeveloped LUP through collaborative Community Consultation through the spring and summer of 2018
- Working with Vancouver Island University Masters of Planning Program to further the schematic plans with the community for the future housing and community infrastructure lands
- Applied for more funding through BC Rural Dividend Program to continue infrastructure planning for the community and development
- Concept zones have been identified through the Land Use Plan

##### Forestry Opportunities

- Amendment to Woodlot W0030 completed in July
- Annual Allowable Cut (AAC) increased by 24% for next 5-year Woodlot management of W0030
- Licence Plan and Woodlot Management Plan amended
- Purchased a Firewood Processor for Nation – Processing of Firewood from previously logged lands to commence this fall (Fire rating prohibited summer work in the bush)

##### Referrals

- Updated and streamlined referrals recording database
- Sought training support for First Nations Cultural Monitors through referrals projects

##### Community Projects

- Multi-purpose building
  - Slated for completion March 2020
- Passive Construction
- Community Playing Field
- Trail Maintenance Contract

### Education and Culture

#### Strategic Goal

*Malahat Nation will be committed to community development through education and culture.*

#### Accomplishments

##### Public Education

- Local Education Agreement (LEA) – This agreement includes a working group of senior and front-line staff from Malahat Nation & School District 79 to address planning, concerns, needs, funding and outcomes for Malahat students
- Frances Kelsey Secondary School – engaged in a number of joint initiatives & programs. Providing FKSS with social program staff contact for daily operations, managing emerging issues and creating opportunity to engage jointly on partnerships
- George Bonner – continued relationship that is child centered & family focussed
- Continued collaboration with School District 79, VIU and Camosun

##### Skills Upgrading

- Life Skills – Focus on Personal Life Plans (PLP's). PLP's describe participants goals and translate these into manageable steps
- Aboriginal Service Plan – Upgrade Program – Supporting adult student learners in English Upgrading

##### Skills Upgrading Cont.

- Community Adult Literacy Program – Tutor support, Computer, Math, English and Work Literacy
- Driver's License Training – 6 participants received their Learners
- Blade Runners Program – CSETS – offered a variety of certification training for members – 13 participants – certificate training included; skid steer, cashier, food safe, confined space and ladder safety
- National recognition for Aboriginal Excellence for Children and Life Skills Programs
- Cultural Programs / Activities
- Creation and delivery of 7 cultural based workshops
- Second Year of planning for Language Revitalization
- Trans Canada Trail Project – in collaboration with Malahat Lands Department
- Traditional plant identification walks
- Berry picking and jam making – integrated into our Summer Program
- Beading and knitting – integrated into our Children's Summer Program and Girls Program
- Family Tree research – museum archives
- Traditional territory tours in collaboration with Malahat Environment and Fisheries and Malahat Lands Departments

### Social Programs

#### Strategic Goal

*Malahat Nation will promote healthy lifestyles.*

#### Accomplishments

##### Children & Youth

- After School Program – Children and Youth from 2:45 –4:00 Monday-Thursday
  - Healthy snacks provided along with a variety of different activities, educational and cultural based
- Changing Directions – Collaboration to provide support for youth
  - Connection with Youth support worker through referral
- Summer & Spring Day Camps – 8-week summer, 1-week spring camp
- Mad Science Camp – 4-day science workshop
- Byte Camp – 5-day computer animation / claymation program camp
  - 10 children attended, creating clay characters and stories, and making of a mini movie
- Youth Recreation & Sports – Youth and Children’s sports camp and recreational activities
  - Variety of sport and recreation in the summer and spring programs
- Children’s lunch program- healthy school lunches provided for approximately 31 children, 5 days week.
- Circle of Care, Circle of Courage – girls age 9-13, support group, based on traditional teachings and culture, fun and support
- Youth Work Experience
- Parent Advisory Group - created to provide feedback on the needs of community members with children between ages 0-6
- Kw’umut Lelum Child & Family Services/Child Protection – family support and consultation
- K-12 – Liason with FKSS & George Bonner - School registration and supplies and other supports as needed such as high school tutoring and integration of certification programs
- School District 79 – Toddler Playgroup Partnership
- Aboriginal Head Start On Reserve – Funding received for 10-year commitment to aid in development of children under 6

### Housing

#### Strategic Goal

*Bringing community members back to the community.*

#### Accomplishments

##### Housing Policy

- Ready to Rent & Home Maintenance Workshops being delivered

##### Construction/Renovations

- Two new 3-4 bedroom units built
- Two homes renovated
- Vancouver Island duplex build started – completed 2019

##### Capacity/Employment

- Employing approximately 25 members
- Continued Construction and Infrastructure education and training for members
- Two Malahat families returned to community through increased available housing
- Fire-smart procedures ie: Chimney cleaning, fire extinguisher & smoke detector
- Wood stove installations and fire wood distribution

### Community Infrastructure

#### Strategic Goal

*Malahat Nation will provide the best services we can to the community.*

#### Accomplishments

- Completed the Lift Station upgrade
- Continued construction and infrastructure training and employment
- Feasibility study on upgrade to Water Reservoir & Water Treatment Facility in progress
- Completed exploratory reservoir for new water source through BC Rural Dividend Fund (BCRDF)
- Feasibility study done on new Sanitary Effluent Disposal location through BCRDF
- Put in request for support to upgrade roads

### Communications

#### Strategic Goal

*Build strong community involvement through communication and consultation with all Nation members*

#### Projects

- Community Consultations & Involvement
  - This was done through Door to Door notice delivery, having a two to the door policy also increased community involvement by including either an additions staff person or a community member
- Meetings
  - Supported with setup of AV equipment
  - Created notices for events
    - delivered to community
    - posted on Facebook
- Newsletters
- Online Communications
  - Facebook
  - Website
- Community Advisory Board
  - Monthly meetings
- Host Community Events
  - Malahat Day
    - An important event bringing community together at the Malahat beach, this year's event was combined with a job fair, Malahat Health, and Lands Department connections adding an extra layer of complexity and recourses to this yearly event.
  - Indigenous Day
    - This event is celebrated at the Malahat Hockey Court, this year the Khowutzun Singers and Dancers (Tzinqwa) opened this day, we has fresh crab along with BBQ, and the First Nation Financial Management Board presented Council with Malahat's Financial Management Systems Certification
  - Movie Nights
  - Christmas Dinner party

### Government and Administration

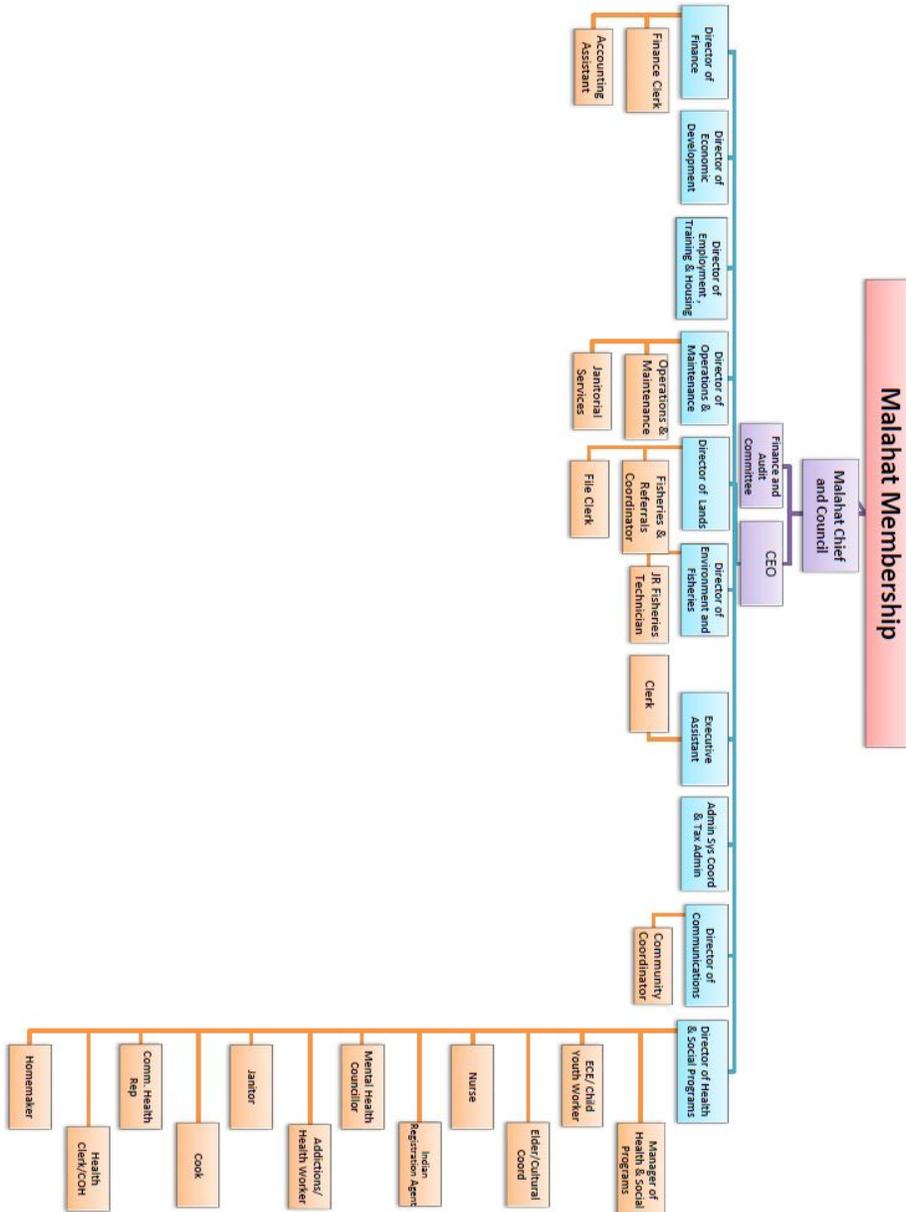
#### Strategic Goal

*Malahat Nation believes in building a strong government based on sound laws, processes and policies.*

#### Accomplishments

- Good governance
- Financial Administrative Law
  - External audit and review of Malahat's Financial Management Systems from the First Nation Financial Management Board (FMB)
  - Received Financial Management Systems Certification from (FMB)
    - 9<sup>th</sup> Nation in Canada
  - Held four (4) Finance and Audit Committee meetings
  - Reviewed and updated Malahat Organizational Chart
  - Reviewed and updated Malahat's Risk Register
  - Completed Annual External Audit of Financial Statements
  - Continued operating Financial Systems as per the FAL ie:
    - Procurement
    - Capital Projects
    - Emergency Management
    - Record Retention
    - Financial Reporting &
    - Human Resources
- Taxation
  - Developed Annual Taxation Laws
    - *Malahat Nation Annual Expenditure Law, 2018*
    - *Malahat Nation Annual Rates Law, 2018*
  - Malahat staff member has received First Nation Taxation Certification from TULO – Thompson River University

## Organizational Chart



**MALAHAT NATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

# **MALAHAT NATION**

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## **CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019**

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

### **INDEPENDENT AUDITOR'S REPORT**

### **FINANCIAL STATEMENTS**

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# MALAHAT NATION

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING MARCH 31, 2019

The accompanying consolidated financial statements of Malahat First Nation and all for the year ended March 31, 2019 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. Financial statements are not precise since they include certain amounts based on estimates and judgement. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Malahat First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Nation's assets are appropriately accounted for and adequately safeguarded.

The Chief and Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council review the Nation's financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy themselves that each party is properly discharging their responsibilities, and to review the financial statements and the external auditor's report. (The Chief and Council take this information into consideration when approving the financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.)

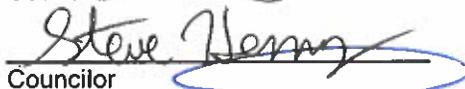
The consolidated financial statements have been audited by Reid Hurst Nagy Inc. in accordance with Canadian generally accepted auditing standards on behalf of their members. Reid Hurst Nagy Inc. has full access to Chief and Council. Reid Hurst Nagy Inc. have full and free access to the management for information purposes.

  
\_\_\_\_\_  
Chief

11/30/2020  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Councilor

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Councilor

11/30/2020  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Councilor

11/30/2020  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Acting Director of Finance

11/30/2020  
\_\_\_\_\_  
Date

## Independent Auditor's Report

To the Members of  
**Malahat Nation**

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### *Qualified Opinion*

We have audited the consolidated financial statements of Malahat Nation, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations, its changes in its consolidated net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Qualified Opinion*

The financial information for certain government business enterprises and partnerships are not available and have not been accounted for in the consolidated financial statements. In this respect, the financial statements are not in accordance with Canadian public sector accounting standards. We were not able to determine the adjustments that might have been necessary to investment in government business enterprises, investment in government business partnerships, income (loss) from the government business enterprises, income (loss) from the government business partnerships, due to and from government business enterprises, due to and from government business partnerships, and the enterprises fund balance.

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 First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 qualified opinion.

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

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation'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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is 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 First Nation'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 First Nation'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 consolidated 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 First Nation to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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.

A handwritten signature in black ink that reads 'Reid Hurst Nagy Inc.'.

Reid Hurst Nagy Inc.  
CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, B.C.  
January 23, 2020

# MALAHAT NATION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2019

	2019	2018
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 2)	-	678,261
Marketable securities (Note 3)	362,693	360,882
Accounts receivable (Note 4)	2,046,471	433,217
Note receivable (Note 5)	37,347,974	36,705,078
Due from related entities (Note 6)	163,312	253,444
Investment in government business partnerships (Note 8)	41,976	41,976
Federal trust funds (Note 9)	491,546	490,899
Funds held in trust (Note 10)	5,034,097	6,116,015
	<b>45,488,069</b>	<b>45,079,772</b>
<b>LIABILITIES</b>		
Bank indebtedness (Note 2)	610,779	-
Bank demand loan (Note 11)	300,000	-
Accounts payable and accrued liabilities (Note 12)	879,654	655,215
Deferred revenue (Note 13)	2,320,699	2,826,468
Due to related entities (Note 14)	4,796,041	3,568,515
Liability in Government Business Enterprises (Note 7)	6,758,353	6,299,991
Liability in Government Business Partnerships (Note 8)	83,994	83,994
Long-term debt (Note 15)	2,250,509	1,581,153
Promissory notes (Note 16)	36,890,939	37,371,608
	<b>54,890,968</b>	<b>52,386,944</b>
<b>NET DEBT</b>	<b>(9,402,899)</b>	<b>(7,307,172)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 17)	10,627,169	6,571,718
Prepaid expenses	58,858	38,812
	<b>10,686,027</b>	<b>6,610,530</b>
<b>ACCUMULATED SURPLUS (DEFICIT) (Note 18)</b>	<b>1,283,128</b>	<b>(696,642)</b>

### APPROVED ON BEHALF OF THE MALAHAT NATION

  
\_\_\_\_\_, Chief

  
\_\_\_\_\_, Councilor

  
\_\_\_\_\_, Acting Director of Finance

  
\_\_\_\_\_, Councilor

  
\_\_\_\_\_, Councilor

The accompanying notes are an integral part of the financial statements

## **MALAHAT NATION**

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### **CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT FOR THE YEAR ENDED MARCH 31, 2019**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>1,979,770</b>	<b>(3,502,926)</b>
Acquisition of tangible capital assets	<b>(6,303,237)</b>	(3,260,278)
Amortization of tangible capital assets	<b>302,943</b>	260,249
Uses of construction in progress	<b>1,468,882</b>	-
Disposition of net tangible capital assets	<b>475,961</b>	-
	<b>(4,055,451)</b>	<b>(3,000,029)</b>
Acquisition of prepaid assets	<b>(58,858)</b>	(38,812)
Use of prepaid assets	<b>38,812</b>	31,141
	<b>(20,046)</b>	<b>(7,671)</b>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	<b>(2,095,727)</b>	<b>(6,510,626)</b>
<b>NET DEBT, BEGINNING OF YEAR</b>	<b>(7,307,172)</b>	<b>(796,546)</b>
<b>NET DEBT, END OF YEAR</b>	<b>(9,402,899)</b>	<b>(7,307,172)</b>

The accompanying notes are an integral part of the financial statements

# MALAHAT NATION

## CONSOLIDATED SUMMARY STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS FOR THE YEAR ENDED MARCH 31, 2019

	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$
<b>REVENUE</b>			
Indigenous Services Canada	1,979,550	<b>2,546,999</b>	5,297,931
ISC - Reimbursement (Recovery)	-	<b>(30,289)</b>	(1,171)
Canada Mortgage and Housing Corporation	751,314	<b>80,625</b>	66,729
Fisheries and Oceans Canada	-	<b>44,880</b>	44,880
First Nation Health Authority	399,458	<b>2,050,512</b>	8,802
Natural Resources Canada	-	<b>83,725</b>	9,000
Ottawa Trust Fund	-	<b>23,126</b>	22,510
Province of BC	-	<b>87,000</b>	522,600
Funding from First Nation Organizations	-	<b>134,101</b>	182,968
Net income (loss) from Government Business Enterprises	-	<b>(448,361)</b>	(6,349,374)
Gain on disposal of tangible capital assets	-	<b>52,885</b>	-
Other Funding Recovery	-	-	(6,750)
Other Revenue	2,000	<b>2,694,296</b>	3,147,216
Rental income	-	<b>158,654</b>	99,970
Deferred revenue - prior year	-	<b>2,826,468</b>	1,283,196
Deferred revenue - current year	-	<b>(2,320,699)</b>	(2,826,468)
	3,132,322	<b>7,983,922</b>	1,502,039
<b>EXPENDITURES</b>			
Indian Government Services	363,732	<b>1,860,546</b>	1,750,979
Health	297,985	<b>261,982</b>	8,362
Housing	865,902	<b>364,998</b>	512,630
Education, Employment and Training	573,734	<b>855,495</b>	803,041
Social Development	306,176	<b>351,750</b>	284,204
Economic Development	289,374	<b>1,976,261</b>	1,283,937
Community Infrastructure	103,728	<b>320,953</b>	344,056
Ottawa Trust Fund	-	<b>11,239</b>	11,026
Housing Reserves	-	<b>928</b>	6,730
	2,800,631	<b>6,004,152</b>	5,004,965
<b>ANNUAL SURPLUS (DEFICIT)</b>	331,691	<b>1,979,770</b>	(3,502,926)
<b>ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR</b>	-	<b>(696,642)</b>	2,806,284
<b>ACCUMULATED SURPLUS (DEFICIT), END OF YEAR</b>	331,691	<b>1,283,128</b>	(696,642)

The accompanying notes are an integral part of the financial statements

# MALAHAT NATION

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	1,979,770	(3,502,926)
Items not affecting cash		
Amortization	302,943	260,249
Gain on disposal of tangible capital assets	(52,885)	-
	2,229,828	(3,242,677)
Change in non-cash items on statement of financial position		
Accounts receivable	(1,613,254)	275,446
Prepaid expenses	(20,046)	(7,671)
Accounts payable and accrued liabilities	224,441	96,104
Deferred revenue	(505,769)	1,543,272
Bank demand loan	300,000	-
Federal trust fund	(647)	(458)
Investment in Government Business Enterprises	458,362	6,349,374
	1,072,915	5,013,390
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(4,305,511)	(3,260,278)
<b>FINANCING ACTIVITIES</b>		
Due from related entities	90,132	(10,089)
Due to related entities	1,227,526	1,349,519
Principal repayment on long-term debt	(81,958)	(402,750)
Proceed from long-term debt	751,314	650,442
Proceed from promissory notes	-	22,000,000
Note receivable	(642,896)	(21,542,178)
Principal repayment on promissory notes	(480,669)	(466,669)
Term deposits	(1,811)	(1,988)
Funds held in trust	1,081,918	(2,800,682)
	1,943,556	(1,224,395)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,289,040)</b>	<b>528,717</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>678,261</b>	<b>149,544</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>(610,779)</b>	<b>678,261</b>

The accompanying notes are an integral part of the financial statements

# **MALAHAT NATION**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019**

### **1.i NATURE OF OPERATIONS**

Malahat Nation (the "First Nation") is an Indian Band as defined by the Indian Act. The First Nation manages various programs offered by Indigenous Services Canada (ISC) (formerly Indigenous and Northern Affairs Canada) and other funding agents to benefit its members. The First Nation also represents its members in the negotiation of treaty settlements and specific land claims.

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

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of CPA Canada.

The First Nation reporting entity includes the Malahat Nation government and all related entities that are controlled by the First Nation.

#### **(a) Principles of Consolidation**

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of entities which are controlled by the First Nation. Controlled entities are consolidated, except for government business enterprises and government business partnerships, which are accounted for by the modified equity method. All inter-fund and inter-organization transactions and balances have been eliminated on consolidation.

The First Nation records its investments in government business enterprises (GBE) and government business partnerships (GBP) on a modified equity basis. Under the modified equity basis, the GBE's and GBP's accounting policies are not adjusted to conform with those of the First Nation and inter-entity transactions and balances are not eliminated. The First Nation recognizes its equity interest in the annual earnings or loss of the GBE's and GBP's in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends or other cash distributions that the First Nation may receive from the GBE's and GBP's will be reflected as deductions in the investment asset account.

Entities consolidated in Malahat Nation's financial statements include:

1. Kwunew Kwasun Cultural Society

Entities accounted for on a modified equity basis include:

2. Malahat Aquaculture Ltd. - 100% interest
3. Malahat Construction Ltd. - 100% interest
4. MNQM Contracting Ltd. - 51% interest
5. Yos Economic Development Ltd. - 100% interest
6. Malahat Forestry (2012) Ltd. - 100% interest
7. Malahat Forestry Services Inc. - 100% interest
8. Malahat Investment Corporation - 100% interest
9. Malahat Land Corporation Ltd. - 100% interest
10. Malahat Nation Land Corporation. - 100% interest
11. Malahat Tenure Holding Ltd. - 100% interest
11. Malahat Hazelwood Construction Ltd. - 100% interest
12. Salish Strait Seafoods Ltd. - 20% interest
13. Malahat Aquaculture Limited Partnership - 99.99% interest
14. Malahat Construction Limited Partnership - 99.99% interest
15. Malahat Forestry (2012) Limited Partnership - 99.99% interest
16. Malahat Land Development Limited Partnership - 99.99% interest
17. Malahat Tenure Holding Limited Partnership - 99.99% interest

# **MALAHAT NATION**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019**

### **BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(b) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

#### **(c) Note Receivable**

Note receivable is recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectable.

#### **(d) Trust Funds**

Trust funds are included as revenue in these statements only to the extent they have been received from the First Nation's trust funds. The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act.

Federal trust 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.

Other trust fund consist of debt reserves and prepaid loan payments held by the First Nation Finance Authority in relations to repayment of promissory notes outstanding in the year.

#### **(e) Deferred Revenue**

Under the terms of the contribution agreement between the First Nation, ISC and certain other agencies, the First Nation may be liable to repay any contributed funds either not expended or not expended in accordance with the agreement. On the other hand, any deficit, supported by claims eligible for reimbursement under the terms and conditions of the funding agreements, may be reimbursed by the contributor subject to the program's terms and conditions. The First Nation has recorded all known unexpended contribution funds as deferred revenue and/or accounts payable.

#### **(f) Long-term Debt**

Loan proceeds related to the financing of tangible capital assets are recorded as revenue in the appropriate fund. The loan amount is also recorded as a liability on the Statement of Financial Position and as a reduction in the Tangible Capital Asset Fund.

Debt payments, including principal and interest, are charged to the fund to which they relate. Principal reductions are reflected as a reduction in the liability with an offsetting increase in the Tangible Capital Assets Fund.

# MALAHAT NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (g) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Malahat Nation's incremental cost of borrowing.

Except for assets related to CMHC Housing, which are amortized at a rate equivalent to the annual principal reduction in the related long-term debt, as required by the operating agreement with CMHC, amortization is recorded as a reduction to the Tangible Capital Assets Fund and is provided for using the following methods at rates designed to amortize over the estimated useful life of the assets as follows:

Buildings	20 years Straight line
Automotive equipment	5 years Straight line
Equipment	5 years Straight line
Canoes	15 % Declining balance
Infrastructure	20 years Straight line
Marineside development	20 years Straight line
Culture Centre	20 years Straight line
Boat	5 years Straight line

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First 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 statement of operations.

Contributed tangible capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

# MALAHAT NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (h) Revenue Recognition

##### Government Funding

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

##### First Nation Capital Revenue Trust Funds

The First Nation recognizes revenues of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

##### Other Trust Funds

The First Nation recognized interest revenue when earned from debt reserves associated with outstanding promissory notes.

##### Housing Rental Income

Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

##### Own Source Revenue

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

# **MALAHAT NATION**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019**

### **BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(i) Financial Instruments**

Financial instruments are initially classified upon initial recognition as a fair value or an amortized cost instrument. The fair value category includes investments in equity instruments that are quoted in an active market, and any other items elected by the First Nation to be recorded at fair value. All other financial instruments, including financial instruments with related parties for which fair value cannot be estimated, are recorded at amortized cost. Transaction costs directly attributable to the acquisition or issue of a financial instrument are added to the amortized cost or expensed if related to instruments recorded on a fair value basis. The effective interest rate method is used to measure interest for financial instruments recorded at amortized cost.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss, calculated as the excess of the net recoverable amount of the asset and its carrying value, is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The First Nation's financial instruments consist of cash and cash equivalents, marketable securities, accounts receivable, note receivable, funds held in trust, due from and to related entities, bank drafts, accounts payable and accrued liabilities, deferred revenue, promissory notes and long-term debt. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, credit or currency risks arising from these financial instruments and the fair value of these financial instruments approximates their carry values.

#### **(j) Measurement Uncertainty**

In preparing the consolidated financial statements for the First Nation, management is required 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 revenue and expenses during the period. Items requiring the use of significant estimates include allowance for doubtful accounts and amortization. Actual results could differ from these estimates.

#### **(k) Segments**

The First Nation conducts its business through a number of operating segments. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives, to aid in resource allocation decisions, and to assess operational performance. For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

# MALAHAT NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### 2. CASH AND CASH EQUIVALENTS

	2019	2018
	\$	\$
Externally restricted:		
Operating reserve	33,082	31,781
Replacement reserve	173	59,977
Endowment fund	5,295	53,357
	<b>38,550</b>	<b>145,115</b>
Unrestricted:		
Cash and cash equivalents	(649,329)	533,146
<b>Total Cash and Cash Equivalents</b>	<b>(610,779)</b>	<b>678,261</b>

#### Externally restricted - Operating Reserve

Under the terms of the agreements with CMHC, excess revenues over expenditures for the Post 1996 phases may be retained in an Operating Reserve. 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 or as may otherwise be approved by CMHC from time to time. The funds may be used to offset future deficits. Withdrawals are credited to interest first and then principal. At the year end, the reserve was under funded by \$45,172 (2018: over funded by \$204).

#### Externally restricted - Replacement Reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the replacement reserve account is to be credited in the amount of \$12,390 (2018: \$11,040) 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 or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. At year end, the reserve was under funded by \$58,709 (2018: over funded by \$12,753).

### 3. MARKETABLE SECURITIES

The marketable securities consist of guarantee investment certificates (GIC).

	2019	2018
	\$	\$
GICs with maturity less than a year and earning interest at 1.00% per annum (2018: ranging from 0.50% to 0.55% per annum)	317,777	316,066
GICs held as collateral for long-term debt with maturity less than a year and earning interest at 1.00% (2018: 0.50%) per annum	19,992	19,892
GICs held as collateral for long-term debt with maturity in May 2022 and earning interest at 1.85% per annum	24,924	24,924
	<b>362,693</b>	<b>360,882</b>

# MALAHAT NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### 4. ACCOUNTS RECEIVABLE

	2019	2018
	\$	\$
<b>Due from members</b>		
Rent	44,316	11,984
<b>Due from Government and other Government Organizations:</b>		
Indigenous Services Canada	733,894	-
Natural Resources Canada	121,060	2,250
GST Public Service Bodies' Rebate	32,422	27,367
Canada Mortgage and Housing Corporation	28,697	12,511
Ministry of Indigenous Relations and Reconciliation	12,500	-
Fisheries and Oceans Canada	8,976	4,488
Province of BC	-	3,500
Transport Canada	-	1,319
First Nation Health Authority	667,866	-
	<b>1,605,415</b>	<b>51,435</b>
<b>Due from others:</b>		
Others	440,685	385,771
	<b>2,090,416</b>	<b>449,190</b>
Allowance for doubtful accounts	(43,945)	(15,973)
	<b>2,046,471</b>	<b>433,217</b>

### 5. NOTE RECEIVABLE

The note to Malahat Investment Corporation, an indirect wholly owned government business enterprise, is due on demand. The note is payable 30 days after demand and bears interest at 3.1% per annum calculated monthly. There are no fixed terms of principal repayment. Interest shall become due and be paid on the first day of each and every month after the date hereof until the whole of the principal balance of advances made hereunder is paid.

Total interest expense recorded for the year is \$1,092,713 (2018: \$1,091,995).

	2019	2018
	\$	\$
Note receivable	35,023,580	35,473,397
Interest receivable	2,324,394	1,231,681
	<b>37,347,974</b>	<b>36,705,078</b>

# MALAHAT NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### 6. DUE FROM RELATED ENTITIES

	2019	2018
	\$	\$
Malahat Aquaculture Limited Partnership	725	725
Malahat Aquaculture Ltd.	2,782	2,782
Malahat Business Trust	1,450	1,450
Malahat Construction Limited Partnership	74,914	174,914
Malahat Construction Ltd.	2,254	1,995
Malahat Economic Development Ltd.	26,463	25,126
Malahat Forestry Ltd.	5,076	4,815
Malahat Land Development Limited Partnership	725	725
Malahat Nation Land Corporation	31,173	23,422
Malahat Tenure Holding Ltd.	17,750	17,490
	<b>163,312</b>	<b>253,444</b>

### 7. LIABILITY IN GOVERNMENT BUSINESS ENTERPRISES

The Malahat First Nation's investment in government business enterprises consist of the following:

	2019	2018
	\$	\$
Malahat Investment Corporation	(6,870,736)	(6,412,374)
Malahat Aquaculture Ltd.	(1,797)	(1,797)
Malahat Construction Ltd.	1,019	1,019
Malahat Economic Development Ltd.	(8,557)	(8,557)
Malahat Forestry (2012) Ltd.	(1,328)	(1,328)
Malahat Forestry Services Inc.	2	2
Malahat Land Corporation	1	1
Malahat Nation Land Corporation	(7,659)	(7,659)
Malahat Tenure Holding Ltd.	(5,704)	(5,704)
Salish Strait Seafoods Ltd.	136,406	136,406
	<b>(6,758,353)</b>	<b>(6,299,991)</b>

# MALAHAT NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### 7. LIABILITY IN GOVERNMENT BUSINESS ENTERPRISES, continued

As of the date of the Independent Auditor's Report, the financial information for all investments, except for Malahat Investment Corporation, is not available. The financial information of Malahat Investment Corporation for the year ended March 31, 2019 is summarized as below:

	Total Assets \$	Total Liabilities \$	2019 Equity \$	2018 Equity \$
<u>Malahat Investment Corporation</u>	<u>30,566,346</u>	<u>37,437,079</u>	<u>(6,870,733)</u>	<u>(6,412,372)</u>

	Total Revenue \$	Total Expenses \$	2019 Net Income (Loss) \$	2018 Net Income (Loss) \$
<u>Malahat Investment Corporation</u>	<u>1,547,183</u>	<u>2,005,544</u>	<u>(458,361)</u>	<u>(6,349,374)</u>

### 8. INVESTMENT AND LIABILITY IN GOVERNMENT BUSINESS PARTNERSHIP

The First Nation's investment in government business partnerships consist of the following:

	2019 \$	2018 \$
<u>Malahat Forestry (2012) Limited Partnership (MFLP)</u>	<u>41,976</u>	<u>41,976</u>

The First Nation's liability in government business partnerships consist of the following:

	2019 \$	2018 \$
<u>Malahat Construction Limited Partnership (MCLP)</u>	<u>83,994</u>	<u>83,994</u>

As of the date of the Independent Auditor's Report, the financial information is not available for these Limited Partnerships.

# MALAHAT NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### 9. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

	2019	2018
	\$	\$
Revenue funds held in trust	485,340	485,340
Capital funds held in trust	6,206	5,559
	<b>491,546</b>	<b>490,899</b>

	2019	2019	2019	2018
	Revenue	Capital	Total	Total
	\$	\$	\$	\$
Surplus, beginning of year	5,559	485,340	490,899	490,441
Withdrawals	(11,239)	-	(11,239)	(11,026)
Interest earnings	11,120	-	11,120	10,720
BC Special	766	-	766	764
Surplus, end of year	6,206	485,340	491,546	490,899

### 10. FUNDS HELD IN TRUST

	2019	2018
	\$	\$
FNFA Secured Revenues Trust Account	3,015,635	4,160,537
FNFA Debt Reserve Fund	2,018,462	1,955,478
	<b>5,034,097</b>	<b>6,116,015</b>

Funds held in trust are established by the First Nations Finance Authority (FNFA) in the First Nation. Secured Revenues Trust Account, as prescribed in the First Nations Fiscal Management Act and regulations as adapted by the Financing Secured by Other Revenues Regulations, are deposited and used to finance the FNFA Promissory note outstanding in the year (note 15). Interest accrued on deposit for 2019 is \$88,300 (2018: \$47,656).

FNFA holds on to 5% of the promissory note in the Debt Reserve Fund. This amount is invested to the credit of the First Nation and will be returned on the maturity of the promissory note. Interest accrued on the deposit for 2019 is \$66,601 (2018: \$19,218).

### 11. BANK DEMAND LOAN

The Nation has drawn from their Royal Bank of Canada line of credit in the year. The loan is interest bearing at prime plus 2% per annum.

# MALAHAT NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### 12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
	\$	\$
Accounts payable and accrued liabilities	835,235	591,826
Government remittances	24,496	45,125
Vacation payable	19,923	18,264
	<b>879,654</b>	<b>655,215</b>

The vacation is comprised of the vacation that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

The First Nation provides a defined contribution plan for eligible members of its staff. Members are required to contribute 5% of their salary and the First Nation is required to match their contribution of 5%. The amount of the retirement benefit to be received by the employees will be the amount of the retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. The First Nation contributed during the year \$45,291 (2018: \$59,950) for retirement benefits. The First Nation does not have any other obligations with regards to the pension plan as at March 31, 2019.

### 13. DEFERRED REVENUE

Deferred revenue represents monies received of which the funds are restricted for specific projects or programs and of which the expenses have not yet been incurred.

	2019	2018
	\$	\$
Indigenous Services Canada	1,090,627	2,118,619
First Nation Health Authority	921,639	-
Other	308,433	707,849
	<b>2,320,699</b>	<b>2,826,468</b>

### 14. DUE TO RELATED ENTITIES

	2019	2018
	\$	\$
Malahat Forestry (2012) Ltd.	17,872	17,872
Malahat Forestry (2012) Limited Partnership	595,890	595,890
Malahat Investment Corporation	4,182,279	2,954,753
	<b>4,796,041</b>	<b>3,568,515</b>

Advances due to related entities are unsecured and without interest or any fixed terms of repayment.

# MALAHAT NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### 15. LONG-TERM DEBT

	2019 \$	2018 \$
All Nations Trust Company - repayable at \$2,087 per month including interest at 1.14% per annum. The loan will be renewed on June 1, 2021 and will mature in February 2026. It is secured by a first mortgage on housing units and a Ministerial Guarantee.	166,519	189,529
All Nations Trust Company - repayable at \$3,644 per month including interest at 2.21% per annum. The loan will be renewed on February 1, 2024 and will mature in February 2044. It is secured by a first mortgage on housing units and a Ministerial Guarantee.	775,377	604,618
All Nations Trust Company - repayable at \$2,662 per month including interest at 2.41% per annum. The loan will be renewed on April 1, 2023 and will mature in April 2038. It is secured by a first mortgage on housing units and a Ministerial Guarantee.	489,074	508,855
All Nations Trust Company - Loan advance with interest at 1.90% per annum. The advance does not have terms of repayment until completion of the Phase 005 construction project.	592,115	-
Loan advance from Peace Hill Trust has a 15 year term, maturing June 1, 2028 and will be renewed on May 1, 2023. The loan is repayable at \$2,065 per month including interest at 5.50% per annum. The loan is guaranteed by the First Nation Market Housing Fund with a collateral of a GIC for the amount of \$24,924.	183,590	197,019
Loan advance from CMHC On-Reserve Residential Rehabilitation Assistance Program will be earned by the First Nation over 2 years at the rate of \$622 per month beginning on August 1, 2016. The loan was fully forgiven during the year.	-	2,488
Loan advance from CMHC On-Reserve Residential Rehabilitation Assistance Program will be earned by the First Nation over 3 years at the rate of \$585 per month beginning on April 1, 2017. The unearned forgivable loan plus interest at 3.375% per annum will become due and payable if the First Nation sells or transfers the property before the maturity date on April 1, 2020.	7,024	14,047
Loan advance from CMHC On-Reserve Residential Rehabilitation Assistance Program will be earned by the First Nation over 2 years at the rate of \$590 per month beginning on August 1, 2016. The loan was fully forgiven during the year.	-	2,359
Loan advance from CMHC On-Reserve Residential Rehabilitation Assistance Program will be earned by the First Nation over 3 years at the rate of \$507 per month beginning on April 1, 2017. The unearned forgivable loan plus interest at 3.375% per annum will become due and payable if the First Nation sells or transfers the property before the maturity date on April 1, 2020.	6,083	12,167

# MALAHAT NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### 15. LONG-TERM DEBT, continued

	2019 \$	2018 \$
Loan advance from CMHC On-Reserve Residential Rehabilitation Assistance Program will be earned by the First Nation over 3 years at the rate of \$874 per month beginning on September 1, 2017. The unearned forgivable loan plus interest at 3.375% per annum will become due and payable if the First Nation sells or transfers the property before the maturity date on September 1, 2020.	20,978	26,223
Loan advance from CMHC On-Reserve Residential Rehabilitation Assistance Program will be earned by the First Nation over 3 years at the rate of \$542 per month beginning on September 1, 2017. The unearned forgivable loan plus interest at 3.375% per annum will become due and payable if the First Nation sells or transfers the property before the maturity date on September 1, 2020.	9,749	16,248
Loan advance from CMHC On-Reserve Home Adaptions for Seniors Independence Program will be earned by the First Nation in full after 6 months beginning on January 15, 2018. The loan was fully forgiven during the year.	-	7,600
	<b>2,250,509</b>	<b>1,581,153</b>
<hr/>		
Principal portion of long-term debt due within the next five years:		
2020	115,674	
2021	101,530	
2022	90,080	
2023	92,449	
2024 and thereafter	1,850,776	
	<b>2,250,509</b>	
	<hr/>	
	2019	2018
	\$	\$
Interest expense for the year on long-term debt	42,332	29,655

# MALAHAT NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### 16. PROMISSORY NOTES

The promissory notes are provided by First Nation Finance Authority as follow:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
The note has a 30 year term, is due on demand without principal repayment and interest is payable monthly at 3.65% per annum. The note matures on June 1, 2028	<b>22,000,000</b>	22,000,000
The note has a 25 year term, maturing on June 26, 2024. The note is repayable at \$18,285 principal per month with interest payable monthly at 2.985% per annum.	<b>7,141,958</b>	7,379,982
The note has a 25 year term, maturing on June 24, 2024. The note is repayable at \$19,200 principal per month with interest payable monthly at 2.900% per annum.	<b>7,748,981</b>	7,991,626
	<b>36,890,939</b>	<b>37,371,608</b>

During the year, the Malahat First Nation paid \$1,265,108 (2018: \$694,956) of interest on these promissory notes.

Principal portion of promissory notes due within the next five years:

2020	449,817
2021	449,817
2022	449,817
2023	449,817
2024 and thereafter	35,091,671

# MALAHAT NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### 17. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated amortization				2019 net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Additions	Accumulated amortization on disposals	Balance, end of year	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Buildings	1,851,519	1,931,966	(528,846)	3,254,639	727,629	103,179	(52,884)	777,924	2,476,715
Automotive equipment	72,575	25,000	-	97,575	21,772	17,015	-	38,787	58,788
Equipment	108,078	47,248	-	155,326	50,844	26,341	-	77,185	78,141
Canoes	14,826	-	-	14,826	11,360	520	-	11,880	2,946
Infrastructure	558,406	289,426	-	847,832	287,154	35,155	-	322,309	525,523
Social housing	1,134,490	1,255,569	-	2,390,059	415,738	45,004	-	407,858	1,982,201
Construction in progress	3,587,923	2,754,030	(1,468,882)	4,873,071	-	-	-	-	4,873,071
Marineside development	70,678	-	-	70,678	12,369	3,534	-	15,903	54,775
Culture Centre	604,081	-	-	604,081	105,095	30,204	-	135,299	468,782
Boat	209,954	-	-	209,954	61,736	41,991	-	103,727	106,227
	<b>8,212,530</b>	<b>6,303,239</b>	<b>(1,997,728)</b>	<b>12,518,041</b>	<b>1,693,697</b>	<b>302,943</b>	<b>(52,884)</b>	<b>1,890,872</b>	<b>10,627,169</b>

	Cost				Accumulated amortization				2018 Net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Buildings	1,851,519	-	-	1,851,519	646,307	81,322	-	727,629	1,123,890
Automotive equipment	72,575	-	-	72,575	7,257	14,515	-	21,772	50,803
Equipment	62,114	45,964	-	108,078	33,825	17,019	-	50,844	57,234
Canoes	13,025	1,801	-	14,826	10,907	453	-	11,360	3,466
Infrastructure	558,406	-	-	558,406	259,232	27,921	-	287,153	271,253
Social housing	1,134,490	-	-	1,134,490	318,939	43,915	-	362,854	771,636
Construction in progress	381,660	3,206,263	-	3,587,923	-	-	-	-	3,587,923
Marineside development	70,678	-	-	70,678	8,835	3,534	-	12,369	58,309
Culture Centre	604,081	-	-	604,081	74,891	30,204	-	105,095	498,986
Boat	203,704	6,250	-	209,954	20,370	41,366	-	61,736	148,218
	<b>4,952,252</b>	<b>3,260,278</b>	<b>-</b>	<b>8,212,530</b>	<b>1,380,563</b>	<b>260,249</b>	<b>-</b>	<b>1,640,812</b>	<b>6,571,718</b>

The construction project for the Big House and CMHC Phase 004 housing had been completed and amortized during the fiscal year. The construction in progress for current fiscal year represents construction of CMHC Phase 005 & 006, a multi-use building, a sanitary pump and others.

# MALAHAT NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### 18. ACCUMULATED SURPLUS

	2019	2018
	\$	\$
Restricted		
Ottawa Trust Fund	491,546	490,899
Housing Reserves	105,932	78,801
	<b>597,478</b>	569,700
Unrestricted		
Net invested in tangible capital assets	8,391,302	4,991,433
Operations	(7,705,652)	(6,257,775)
	<b>685,650</b>	(1,266,342)
	<b>1,283,128</b>	<b>(696,642)</b>

### 19. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the management.

### 20. EXPENSES BY OBJECT

	2019	2019	2018
	Budget	Actual	Actual
	\$	\$	\$
Amortization	-	302,943	260,249
Communications and utilities	-	2,714	8,084
Education related expenses	436,227	507,561	304,624
Honorariums	-	2,625	75
Insurance	-	97,631	76,630
Interest and bank charges	-	1,302,043	728,374
Materials and supplies	2,500	108,343	74,949
Membership support	-	4,200	-
Other expense	88,655	347,242	299,447
Per capita distribution	-	32,300	31,100
Professional development	-	12,587	12,205
Professional fees	60,445	360,822	371,654
Programs delivery	504,541	106,931	45,149
Repairs and maintenance	42,443	134,440	64,703
Social assistance programs delivery	199,089	189,919	192,392
Subcontractors	865,902	240,120	344,862
Travel	-	41,227	26,364
Wages and benefits	600,829	2,210,504	2,164,104
		<b>6,004,152</b>	<b>5,004,965</b>

# **MALAHAT NATION**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019**

### **21. RELATED PARTY TRANSACTIONS**

During the year, the Malahat First Nation charged Malahat Investment Corporation \$255,727 (2018: \$355,928) in management and accounting services provided and \$1,092,713 (2018, \$1,091,995) in interest on an intercompany loan. Malahat Investment Corporation donated \$25,000 to the Gala event. These transactions are in the normal course of operations and are measured at the exchange value which approximates the arm's length equivalent value for services rendered.

### **22. ECONOMIC DEPENDENCE**

The Malahat Nation receives a significant portion of its revenue pursuant to a funding agreement with ISC. The nature and extent of this revenue is of such significance that the Malahat First Nation is economically dependent on this source of revenue.

### **23. CONTINGENCIES**

The following contingencies existed as at March 31, 2019:

a) ISC provides Ministerial Guarantees for loans to the Malahat First Nation in the amount of \$3,413,139 with an outstanding balance of \$2,023,084.

b) Royal Bank of Canada credit facilities to qualified members of the Malahat First Nation with total advances not to exceed \$750,000. Funding under this program is restricted to the purchase, construction or improvement of housing on the Reserve or to refinance loans advanced by another financial institution for that purpose. The Malahat First Nation is required to provide a separate guarantee for each qualified borrower. As at the date of the Independent Auditor's Report, the Malahat First Nation had provided a guarantee for one loan with a balance of \$198,539.

c) On March 18, 2016, April 22, 2016, and January 16, 2018, Notices of Civic Claim had been filed against the Malahat Investment Corporation ("Company") by former employees for wrongful dismissal. We are unable to determine any subsequent actions or costs that may affect the Company at the date of the audit report.

### **24. SUBSEQUENT EVENTS**

Subsequent to the year ended March 31, 2019, a wrongful dismissal action initiated by a former employee was settled by Malahat First Nation for \$75,000 less Canada Pension Plan contributions.

# MALAHAT NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### 25. SEGMENTED INFORMATION

The Malahat First Nation provides a wide variety of services to its members. For segment disclosure, these services are grouped and reported under service areas that are responsible for providing such services.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those in the preparation of the consolidated financial statements as follows:

	Indian Government Services			Treaty Negotiation			Health		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$
Indigenous Services Canada	460,607	460,607	335,973	-	-	-	-	-	-
First Nation Health Authority	-	-	-	-	-	-	399,458	414,362	8,802
Other revenue	-	274,315	408,953	-	114,655	-	-	(106,770)	-
<b>Total revenue</b>	<b>460,607</b>	<b>734,922</b>	<b>744,926</b>	<b>-</b>	<b>114,655</b>	<b>-</b>	<b>399,458</b>	<b>307,592</b>	<b>8,802</b>
Expenses									
Wages and benefits	299,506	1,078,126	1,099,026	-	-	-	-	172,130	8,182
Professional fees	15,330	202,200	165,594	-	-	-	-	19,503	-
Social assistance programs delivery	-	-	-	-	-	-	-	456	-
Travel	-	21,316	15,029	-	-	-	-	7,953	-
Repairs and maintenance	-	669	470	-	-	-	-	2,862	-
Education related expenses	-	-	-	-	-	-	-	368	-
Interest and bank charges	-	2,299	5,246	-	-	-	-	-	-
Per capita distribution	-	32,300	31,100	-	-	-	-	-	-
Other expenses	48,896	523,636	434,514	-	-	-	297,985	58,710	180
<b>Total expenses</b>	<b>363,732</b>	<b>1,860,546</b>	<b>1,750,979</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>297,985</b>	<b>261,982</b>	<b>8,362</b>
<b>Annual surplus (deficit)</b>	<b>96,875</b>	<b>(1,125,624)</b>	<b>(1,006,053)</b>	<b>-</b>	<b>114,655</b>	<b>-</b>	<b>101,473</b>	<b>45,610</b>	<b>440</b>

# MALAHAT NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### 25. SEGMENTED INFORMATION, continued

	Housing			Education, Employment and Training			Social Development		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Indigenous Services Canada	114,588	673,969	384,032	573,734	573,734	453,221	306,176	306,176	223,202
Canada Mortgage and Housing Corporation	751,314	55,925	42,577	-	24,700	24,152	-	-	-
First Nation Health Authority	-	-	-	-	1,000	-	-	-	-
Province of BC	-	-	-	-	12,500	7,600	-	30,000	30,000
Funding from First Nation Organizations	-	-	-	-	134,101	182,968	-	-	-
Rental income	-	127,814	71,990	-	-	-	-	-	-
Other revenue	-	11,767	(162,404)	-	250,438	219,262	-	22,444	6,239
<b>Total revenue</b>	<b>865,902</b>	<b>869,475</b>	<b>336,195</b>	<b>573,734</b>	<b>996,473</b>	<b>887,203</b>	<b>306,176</b>	<b>358,620</b>	<b>259,441</b>
Expenses									
Wages and benefits	-	107,964	215,477	-	160,235	274,453	38,038	101,560	77,541
Professional fees	-	4,000	5,170	-	13,798	18,107	-	2,638	-
Social assistance programs delivery	-	-	-	-	296	-	199,089	189,166	192,392
Travel	-	-	398	-	5,514	2,633	-	932	1,556
Repairs and maintenance	-	9,826	8,817	-	3,504	4	-	-	-
Education related expenses	-	-	-	436,227	496,181	304,624	-	125	-
Interest and bank charges	-	28,456	25,065	-	5,561	2,861	-	-	-
Other expenses	865,902	214,752	257,703	137,507	170,406	200,359	69,049	57,329	12,715
<b>Total expenses</b>	<b>865,902</b>	<b>364,998</b>	<b>512,630</b>	<b>573,734</b>	<b>855,495</b>	<b>803,041</b>	<b>306,176</b>	<b>351,750</b>	<b>284,204</b>
<b>Annual surplus (deficit)</b>	<b>-</b>	<b>504,477</b>	<b>(176,435)</b>	<b>-</b>	<b>140,978</b>	<b>84,162</b>	<b>-</b>	<b>6,870</b>	<b>(24,763)</b>

# MALAHAT NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### 25. SEGMENTED INFORMATION, continued

	Economic Development			Community Infrastructure			Ottawa Trust Fund		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Indigenous Services Canada	287,374	287,374	244,304	237,071	245,139	3,657,199	-	-	-
Fisheries and Oceans Canada	-	44,880	44,880	-	-	-	-	-	-
First Nation Health Authority	-	-	-	-	1,635,150	-	-	-	-
Province of BC	-	44,500	35,000	-	-	450,000	-	-	-
Rental income	-	30,840	27,980	-	-	-	-	-	-
Other revenue	2,000	1,532,134	(3,855,703)	-	757,598	(1,360,834)	-	11,886	11,484
<b>Total revenue</b>	<b>289,374</b>	<b>1,939,728</b>	<b>(3,503,539)</b>	<b>237,071</b>	<b>2,637,887</b>	<b>2,746,365</b>	<b>-</b>	<b>11,886</b>	<b>11,484</b>
Expenses									
Wages and benefits	202,000	404,613	366,463	61,285	185,876	122,962	-	-	-
Professional fees	45,115	84,486	89,969	-	34,197	92,814	-	-	-
Travel	-	3,792	3,831	-	1,721	2,917	-	-	-
Repairs and maintenance	-	76,054	3,399	42,443	41,525	46,338	-	-	-
Education related expenses	-	10,887	-	-	-	-	-	-	-
Interest and bank charges	-	1,265,108	695,001	-	619	201	-	-	-
Other expenses	42,259	131,321	125,274	-	57,015	78,824	-	11,239	11,026
<b>Total expenses</b>	<b>289,374</b>	<b>1,976,261</b>	<b>1,283,937</b>	<b>103,728</b>	<b>320,953</b>	<b>344,056</b>	<b>-</b>	<b>11,239</b>	<b>11,026</b>
<b>Annual surplus (deficit)</b>	<b>-</b>	<b>(36,533)</b>	<b>(4,787,476)</b>	<b>133,343</b>	<b>2,316,934</b>	<b>2,402,309</b>	<b>-</b>	<b>647</b>	<b>458</b>

# MALAHAT NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

### 25. SEGMENTED INFORMATION, continued

	Housing Reserves			Consolidated totals		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$	\$	\$	\$
Revenues						
Indigenous Services Canada	-	-	-	1,979,550	<b>2,546,999</b>	5,297,931
Canada Mortgage and Housing Corporation	-	-	-	751,314	<b>80,625</b>	66,729
Fisheries and Oceans Canada	-	-	-	-	<b>44,880</b>	44,880
First Nation Health Authority	-	-	-	399,458	<b>2,050,512</b>	8,802
Province of BC	-	-	-	-	<b>87,000</b>	522,600
Funding from First Nation Organizations	-	-	-	-	<b>134,101</b>	182,968
Rental income	-	-	-	-	<b>158,654</b>	99,970
Other revenue	-	12,684	11,158	2,000	<b>2,920,200</b>	(4,721,845)
<b>Total revenue</b>	-	12,684	11,158	3,132,322	<b>7,983,922</b>	1,502,035
Expenses						
Wages and benefits	-	-	-	600,829	<b>2,210,504</b>	2,164,104
Professional fees	-	-	-	60,445	<b>360,822</b>	371,654
Social assistance programs delivery	-	-	-	199,089	<b>189,918</b>	192,392
Travel	-	-	-	-	<b>41,228</b>	26,364
Repairs and maintenance	-	-	5,675	42,443	<b>134,440</b>	64,703
Withdrawal	-	-	-	436,227	<b>507,561</b>	304,624
Interest and bank charges	-	-	-	-	<b>1,302,043</b>	728,374
Per capita distribution	-	-	-	-	<b>32,300</b>	31,100
Other expenses	-	928	1,055	1,461,598	<b>1,225,336</b>	1,121,650
<b>Total expenses</b>	-	928	6,730	2,800,631	<b>6,004,152</b>	5,004,965
<b>Annual surplus (deficit)</b>	-	11,756	4,428	331,691	<b>1,979,770</b>	(3,502,926)



# **Malahat Nation Chief and Council**

## **Final Audit Findings Report**

**January 6, 2020**

**For the year ended March 31, 2019**

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# Executive Summary

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## **Purpose of this report**

The purpose of this audit findings report is to assist you in your review of the results of our audit of the financial statements of **Malahat Nation** (the "Nation") as at and for the year ended March 31, 2019.

In planning and performing our audit of the financial statements of the Nation for the year ended March 31, 2019, we gained an understanding of your internal controls over financial reporting in order to design our audit plan including procedures that are appropriate for the purpose of expressing an opinion on your financial statements. Please note that our planning related to internal controls was not for the purpose of expressing an opinion on the effectiveness of such controls over financial reporting.

Internal controls are the methods and procedures an organization uses to ensure the accuracy and validity of their financial statements. Such controls protect your organization from abuse and fraud, and should ensure that information is received in an accurate and timely manner. Management of an organization is ultimately responsible for the development and maintenance of effective internal controls over their accounting systems and practices, while accounting departments are charged with the responsibility of processing accounting records and financial statements in accordance with such controls. Canadian Auditing Standards (CAS) dictate that auditors review and evaluate such controls to determine the extent of the audit procedures that they will use during the audit process or plan. The independence standard prescribes that auditors should not review their own work or be actively involved in the maintaining of general ledgers or posting of adjusting entries.

As the audit for 2019 is completed, we wish to take this opportunity to present our findings and recommendations in the form of a report to Management as required by CAS.

## **Independence**

We at RHN Inc. are independent of the affairs of the Nation and have extensive quality control and conflict checking processes in place. We provide complete transparency in all our client services. We will update management on significant matters, if any, arise from the completion of the audit including this audit findings report.

## **Fund Balances and Accumulated Surplus**

As of March 31, 2018, the Nation's accumulated deficit was \$696,642 and changed to an accumulated surplus of \$1,322,178 by March 31, 2019 due to an annual surplus of \$2,018,820.

## **Audit, business risk and the areas of focus**

### *Fraud risk from Revenue Recognition -*

Professional standards presume the risk of fraudulent revenue recognition. The risk of fraudulent revenue recognition can be rebutted under the professional standards. According to our assessment of Nation and the nature of significant revenue streams coming from Indigenous Services Canada (ISC), fraudulent revenue recognition is not considered to be a significant risk.



### *Fraud risk from management override of controls –*

The risk of “management override of controls” is presumed to be a fraud risk by our professional auditing standards and cannot be refuted. Our auditing process incorporated the required procedures to address this risk. Our planned procedures included the testing of manual journal entries and an evaluation of the rationale of significant unusual transactions.

In the planning of your audit, we considered certain key areas of focus for financial reporting on a risk basis. Areas of audit focus included:

- ISC, FNHA and CMHC funded programs and deferred revenue,
- Own Source Revenue (OSR) investments,
- Investment in Government Business Enterprises (GBE) and Partnerships (GBP),
- Marketable securities, note receivable and investment income,
- Tangible capital asset additions and amortization,
- Promissory notes, long-term debt, interest payable and interest expenses
- Social assistance, and
- Operating expenses.

### **Accounting estimates**

We are satisfied with the reasonableness of your final accounting estimates which were based on the authority given by your administration for the recording of our recommended adjustments to your records. It has been a practice of Reid Hurst Nagy to advise our clients, throughout the audit process, of any corrections or adjustments that may come to our attention in order that appropriate action can be taken on a timely basis.

### **Significant accounting policies and practices**

There have been no initial changes in significant accounting policies and practices to bring to your attention. The significant accounting policies including the financial statements are consistent with the prior year and are disclosed in the note to the financial statements

### **Audit materiality**

Materiality has been determined based on the preliminary trial balance for March 31, 2019. We determine materiality in order to plan and perform the audit and to evaluate the effect of identified misstatements on the audit and any uncorrected misstatements on the financial statements. We determined materiality to be \$59,000 for the year ended March 31, 2019.

### **Adjustments and differences**

We identified adjustments to your financial statements which will be recorded within your records once approved by management. Copies of these adjustments were provided for management’s approval.



## Effective communication

We are committed to transparent and thorough reporting of the issues to management, and Chief and Council. As outlined in this report we had no disagreements with management during the audit process and no significant issues arose that should be brought to your attention.

# Audit Findings and Recommendations

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## Status of the Records

The status of your accounting records was acceptable prior to the commencement of the audit process although there was significant delay in receiving the documents requested post audit fieldwork. However, we have made recommendations to improve your audit preparation process going forward.

### ***We recommend that:***

- a) management review risk and procedures for emergency actions for circumstances that may impede the timely reporting of the financial records.***

## Consequential non-compliance matters

The First Nations Financial Administration Law Standard requires under section 18.1 that a Financial Administrative Law (FAL) "contains provisions respecting, or requires the Council to establish policies or procedures or give directions respecting, the establishment and implementation of an effective system of internal controls that ensures the reliable reporting of the First Nation's financial results". The Malahat Nation's Financial Administration Law under Part III and Part IV contain such required provisions.

It should be noted that we were provided with a detailed Annual FAL calendar divided into the following categories:

- Financial Administration Law - FAL
- Director of Finance - DF
- Chief Executive Officer - CEO
- Finance and Audit Committee - FAC
- Council - C&C

However, we were unable to verify total compliance as the individual calendars were incomplete.

***Identified consequential non-compliance matters are required to be reported on an annual basis and include the following:***

### ***Quarterly Financial Information -***

We were not provided with evidence that the senior financial officer, at the end of each quarter of the fiscal year, prepared financial statements for the First Nation for all quarters in the form and with the content approved by the Council on the recommendation of the Finance and Audit Committee. However, the Director of Finance as well as the Finance and Audit Committee FAL Calendars did indicate quarterly financial statement "Due" dates but no completion indicators.

### ***Annual Financial Statements -***

Annual financial statements were not provided to the Finance and Audit Committee for review



within forty-five (45) days following the end of the fiscal year for which they were prepared resulting in non-receipt of same by Chief and Council within sixty (60) days following the end of the fiscal year for which they were prepared.

***Review of Audited Annual Financial Statements -***

The audited annual financial statements were not provided to the Finance and Audit Committee (FAC) for its review and consideration before 120 days after the fiscal year end for which the statements were prepared. The audited financial statements were presented and approved by FAC on January 6, 2020.

***Tangible Capital Assets Reserve Fund -***

No documents were provided during the audit process that indicated Council had established a tangible capital asset fund for the purpose of funding expenditures for capital projects.

***Reports on Capital Projects -***

No documents were provided during the audit process that indicated management provided reports on Capital Projects at each Finance and Audit Committee meeting.

However, the CEO Annual FAL Calendar did indicate due dates but not completion indicators for:

- Annual Capital Asset Project Budget,
- Quarterly Capital Project Update, and
- Tangible Capital Asset Review

***Policy for Information or Involvement of Members -***

No documents were provided during the audit process that indicated Council established policies or procedures to give direction for:

- a provision for information to members of the First Nation respecting capital projects; and
- the involvement of members of the First Nation in consideration of capital projects.

Additional attention is required throughout the year to improve the preparation of your financial records to comply with your Financial Administration Law (FAL).

We have included a "FAL Compliance Checklist" template to assist with this process.

***We recommend that management:***

- b) introduce a "FAL Compliance Checklist"; and***
- c) maintain their FAL calendar provided during the audit process which does include Responsibilities as well as Review and Approval dates.***

**Accounting and Bookkeeping related issues**

During the course of our Audit, we have proposed 90 adjusting and reclassifying entries. It has been a practice of Reid Hurst Nagy to advise our clients, throughout the audit process, of any corrections or adjustments that may come to our attention in order that appropriate action can be taken on a timely basis.

It should be noted that we have no authority to adjust your records but are compelled by our



standards to recommend adjustments as a result of our findings during the audit process. These recommended adjustments to your records pertained to the following items:

- reconciliation of opening funding balances by department,
- Ottawa trust fund transactions,
- accounts receivable and allowance for doubtful accounts,
- note and interest receivable,
- prepaid expenses,
- inter-entity account transactions and reconciliations,
- addition and amortization of tangible capital assets,
- accounts payable and accrued liabilities,
- deferred revenue,
- promissory notes payable, long-term debt and interest payable,
- recording own source revenue, and
- reallocation of revenue and expenses due to various funding requirements.

We are satisfied with the reasonableness of your accounting estimates to date as well as the authority given for the recording of our recommended adjustments to your records.

It is important that your accounting department reconcile opening fund balances and adjust previous year-end accruals for such items as accounts payable and deferred revenues. These adjustments may impact your interim financial statements and budget process throughout the year.

### **Deferred Revenue**

Indigenous Service Canada has divided their funding into five different approaches including GRANT, SET, FIXED, FLEXIBLE and BLOCK.

Funding from the First Nation Health Authority (FNHA), allows the Nation to retain any unspent funds for use in the following Fiscal year as long as written notice is provided to FNHA.

In the 2018/2019 fiscal year, we identified the following:

1. The potential unexpended SET funding from ISC at the end of the 2018/2019 fiscal year was \$23. Those expenditures will be subjected to ISC's financial statements review to determine eligibility;
2. The potential unexpended FIXED and FLEX funding from ISC at the end of the 2018/2019 fiscal year was \$1,027,472 and \$63,131, respectively; and
3. The potential unexpended funding from FNHA at the end of the 2018/2019 fiscal year was \$921,639. Those expenditures will be subjected to FNHA's financial statements review to determine eligibility.

***We recommend that:***

- a) the Nation keep track of all surpluses generated from ISC and FNHA funding so that management is aware of potential surplus recovery depending on the type of funding;***





- b) funded expenditures be identified and recorded in the relevant projects to meet reporting requirements and to minimize the potential recovery for projects funded by FNHA or ISC's funding; and**
- c) any surpluses from FNHA or ISC funding be analysed to determine if there could be any further expenditures incurred in the following fiscal year to utilize the surplus. If there are no additional expenditures that can be incurred in the same project, then management should consider the creation of a new work plan to utilize the surplus for another project subject for approval. This prudent planning would minimize potential recovery by FNHA and ISC.**

### **Accounts Receivable**

We noted the following:

- 1. lack of segregation of duties in rent collection, related deposits and bookkeeping;
- 2. major contracts are not reviewed for accrual; and
- 3. the allowance for doubtful accounts had not been reviewed, nor adjustments reflected for the potential unrecovered amount.

**We recommend that:**

- a) segregation of duties in rent collection, related deposits and bookkeeping for a stronger control;**
- b) major funding contracts should be reviewed for subsequent receipt of current year funding, and appropriately accrued in the appropriate funding term; and**
- c) all accounts receivable should be reviewed monthly and non-collectible amounts be written off or an appropriate provision for doubtful accounts be set up. Formal collection procedures should also be considered in this regard.**

### **Investment in Government Business Enterprises and Partnership**

We noted that the Nation had invested in a number of enterprises and partnerships for business development. The records of these entities were not available nor audited at the entity level except for the Malahat Investment Corporation. Transactions that occurred at the entity level are significant to the Nation's operations.

**We recommend that:**

- a) the records of these entities be accounted for as per Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of CPA Canada; and**
- b) the records of these entities be individually audited as recommended by the Nations Financial Management Board.**

## Inter Entity Transactions and Reconciliations

We noted inter-entity transactions in related to note and interest receivable with Malahat Investment Corporation were not recorded for the year.

### ***We recommend that:***

- a) inter-entity transactions be recorded on a regular basis; and***
- b) inter-entity reconciliations be prepared on a regular basis.***

## Accounts Payable

We noted the following:

1. we commend management's efforts in reconciling accounts payable and accruals with actual balances outstanding; and
2. WCB payable, Vacation and Group Benefits payable were not reconciled.

We have reviewed the adjusting journals prepared by yourself to correct the issues and have posted them accordingly.

### ***We recommend that:***

- a) WCB payable, Vacation and Group Benefits Payable be reviewed for accuracy and reasonability periodically.***
- b) Vacation rates to be reviewed for each employee with reference to policy.***

## Payroll

We did not note any major issues in the general recording of payroll, the approval of timesheets, and the calculation of employment deductions.

## Social Assistance

We noted discrepancies between the social assistance payments recorded in the general ledger and the quarterly reports submitted to ISC. We also noted improvements to the maintenance of the files in the year, and therefore commend management efforts.

### ***We recommend that:***

- a) Quarterly social assistance reports be reconciled to general ledger before submitting to ISC to minimize the potential discrepancy at year end.***

## Tangible Capital Assets

Public Sector Accounting Handbook Standards which apply to Nations were introduced in the fiscal year 2009/2010. These standards require Nations to record and depreciate tangible capital assets such as roads and bridges, buildings, vehicles, equipment, land, water and other utility systems. The cost of the assets should be the actual historical cost. However, the standards allow Nations to estimate the cost providing that the method of estimation is used consistently.

The Capital Projects Management System Report may help to determine the historical costs for assets which were funded by ISC.

### ***We recommend that:***



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- a) *management conduct an asset inventory review which includes all assets, roads and bridges, infrastructure facilities etc. and either determine or estimate historical costs. Please advise if our assistance is required;*
  - b) *recording monthly depreciation, tracking and recording the addition and disposal of assets when it occurred; and*
  - c) *maintain your FAL calendar, in this regard, provided during the audit process which does include Responsibilities as well as Review and Approval dates.*

## Areas of Audit Focus

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We have set out a summary of the areas we focused on during the audit planning and implementation process as a result of our discussions with management and your accounting staff. Our findings and recommendations related to the areas of focus are outlined in the Audit Findings and Recommendations section of this report

### Your organization

In our discussions with management as part of our audit planning process, we have been advised that there have been no significant changes in your organizational structure, staffing or operations during the year. Accordingly, we do not see the necessity of revising our audit approach used in the previous year,

### Scope of the audit

Scope of the audit is defined as the amount of time and documents which are required in the audit process and is an important factor in auditing. The scope of the audit, ultimately, establishes how deeply an audit is performed. RHN audit teams use their collective experience and judgment in determining which issues of significance to include and exclude in the scope of your audit to support our opinion.

### Objectives of the audit, our responsibilities, management's responsibilities

- The objectives of the audit, our responsibilities in carrying out the audit, as well as management's responsibilities, were set out in the engagement letter and the representation letter.
- Our compliance requirement in regards to Indigenous Services Canada regulations were addressed throughout the audit process as well as those pertaining to Bill C-27.

### Materiality

- We determined the materiality for your audit at \$59,000 in order to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements.
- Materiality for the current period had been determined based on the gross revenue before any adjustments as it is appropriate for evaluating the effects of uncorrected misstatements on the financial statements.
- We have communicated corrected and uncorrected misstatements to Management as attachments to this report.
- In accordance with our professional standards, we have requested that all uncorrected

misstatements be considered for the impact in the next accounting period since they are not considered as material to the audited financial statements as a whole and the approval of our enclosed recommended adjusting journal entries.

## Significant Financial Reporting Risks

As part of our audit planning process, as outlined in our audit planning memo, we identify financial reporting risks that, by their nature, require special audit consideration. By focusing on these items, we are able to target our procedures and deliver a high quality audit that is both efficient and effective for the purpose of the audit.

## Significant Accounting Policies

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Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and the application of these accounting policies as part of our audit. The accounting policies used will be described in Note 1.ii "Basis of Presentation and Significant Accounting Policies" in the final audited financial statements. These financial statements will be prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board.

There were no other accounting policies adopted or changes to the application of accounting policies of the Nation during the year.

## Significant or Unusual Transactions

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No significant or unusual transactions came to our attention during the audit process that you need to be apprised of.

## Accounting Estimates

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Management is responsible for the accounting estimates included in financial statements. These estimates are based on Management's knowledge of the operations and past experience. The auditors' responsibility is to obtain sufficient appropriate evidence to provide reasonable assurance that Management's accounting estimates are reasonable.

We have obtained sufficient appropriate evidence to provide reasonable assurance that Management's accounting estimates are reasonable.

## Disagreements with Management

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Our standards require that we communicate any disagreements with Management, whether or not resolved, about matters that relate to our audit process.

Please be advised that we had no disagreements with Management during the audit process.



## Issues Encountered During the Audit Process

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We encountered no additional significant issues during our audit process, other than as indicated in the body of this Audit Findings Report that should be brought to the attention of Chief and Council.

## Conclusion

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The items contained in this correspondence were documented solely for the information of Chief and Council as well as Management and are not intended for any other purpose. We accept no responsibility to a third party who might use the content of this correspondence.

To ensure there is a clear understanding and record of the matters discussed, we ask that members of Council sign their acknowledgement of this audit findings report and approval of the audited financial statements, adjusting journal entries, reclassifying journal entries and uncorrected misstatement in the spaces provided below.

We wish to thank your staff for their valuable cooperation. We hope that this information will assist you and your staff in mitigating future yearend audit costs by hiring more accounting staff to assist you with the *Audit Preparation* process. You have taken a positive step forward with the introduction of a Financial Administration Law as well as calendars for compliance purposes. Please do contact us if we can assist with this ongoing process.

Yours truly,

**REID HURST NAGY INC.**



Norman G. Grdina, CFE, CAFM, FCPA, FCGA



David Leung, B Comm, CPA, CGA

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**ACKNOWLEDGEMENT OF MALAHAT NATION CHIEF AND COUNCIL:**

We have read and approve this Audit Findings Report, Adjusted Journal Entries, Reclassification Journal Entries and Uncorrected misstatement prepared as part of the Audit Process conducted by Reid Hurst Nagy Inc., Chartered Professional Accountants on behalf of the Chief and Council on this 30 day of JANUARY, 2020.

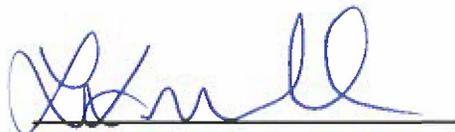


 \_\_\_\_\_, Chief

 \_\_\_\_\_, Councilor

 \_\_\_\_\_, Councilor

 \_\_\_\_\_, Councilor

 \_\_\_\_\_, Acting Director of Finance

# Appendices

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## A) RHN Audit Process



## **B) RHN Audit Quality and Risk Management**

### *Independent monitoring –*

Regular reviews are conducted of engagements and partners by our Quality Control Director. Our Quality Control Director is independent of the engagements reviewed.

### *Engagement Performance Standards –*

We have a guidance process to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm standard of quality.

### *Independence –*

We do not engage in services that would impair our independence.

### *Personnel Development –*

The important process of retaining and developing our most valuable resource our employees and managers include:

- Performance evaluations,
- In-house training and development workshops,
- Assignment of engagements based on skill, experience and attitude,
- Appropriate coaching of communication skills, and
- Adequate supervision.

