



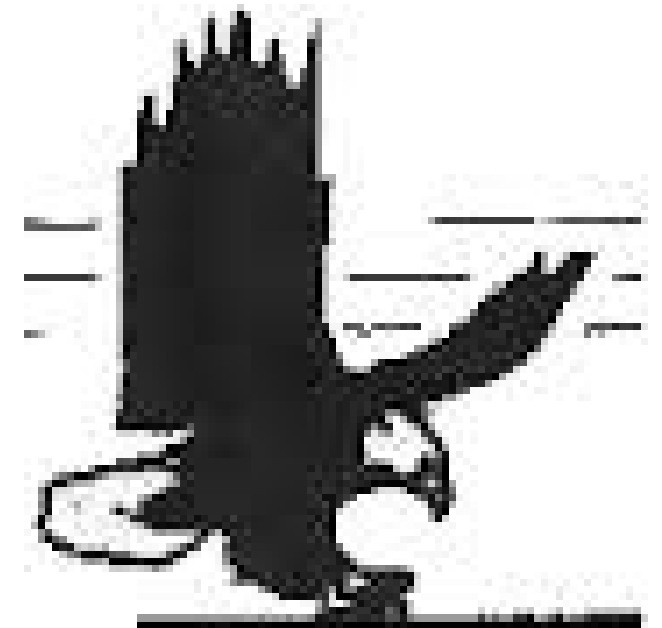
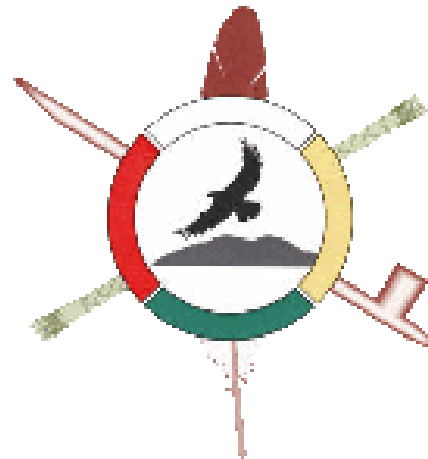
# What Leaders should know about Financial Statements



**Piapot  
First Nation**

**Presented by:**

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# Agenda

- Audited financial statements
- Financial reporting frameworks
- Internal financial reporting
- Bill C27 – what can we say!
- Trusts – everything you want to know!
- Answer period

# Audited Financial Statement review

- First Nation example
- Based on Unreal First Nation
  - *Modified for confidentiality*

To the Members of Unreal First Nation:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

# Management's Responsibility - continued

Chief and Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Chief and Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Chief and Council is also responsible for appointing the First Nation's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by Chief and Council to audit the consolidated financial statements and report directly to the Members of Unreal First Nation; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Chief and Council and management to discuss their audit findings.

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Management

To the Members of Unreal First Nation:

We have audited the accompanying consolidated financial statements of Unreal First Nation, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows, and the related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

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

# Independent Auditors' Report - continued

## *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



# Independent Auditors' Report – unqualified opinion

## *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Unreal First Nation as at March 31, 2015 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Saskatoon, Saskatchewan

DATE

Chartered Professional Accountants

# Qualified opinion

## *Basis for Qualified Opinion*

Management has prepared a budget for the First Nation, but all of the components of the budget were not reviewed and approved by Chief and Council. As a result of the budget being approved near the end of the year, we were unable to determine whether adjustments to budgeted operations or budgeted changes in net debt might be necessary to present these figures as originally planned.

## *Qualified Opinion*

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

Saskatoon, Saskatchewan

Chartered Professional Accountants

# Disclaimer of opinion

## *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Canadian generally accepted auditing standards. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

## *Basis for Disclaimer of Opinion*

The company's investment in its joint venture XYZ (Country X) Company is carried at xxx on the company's statement of financial position, which represents over 90% of the company's net assets as at December 31, 20X1. We were not allowed access to the management and the auditors of XYZ, including XYZ's auditors' audit documentation. As a result, we were unable to determine whether any adjustments were necessary in respect of the company's proportional share of XYZ's assets that it controls jointly, its proportional share of XYZ's liabilities for which it is jointly responsible, its proportional share of XYZ's income and expenses for the year, and the elements making up the statement of changes in equity and statement of cash flows.

## *Disclaimer of Opinion*

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Saskatoon, Saskatchewan

DATE

Chartered Professional Accountants







**Unreal First Nation - FOR REFERENCE ONLY**  
**Consolidated Statement of Financial Position**  
*As at March 31, 2015*

	<i>2015</i>	<i>2014</i>
<b>Financial assets</b>		
Current		
Cash resources	844,948	224,823
Accounts receivable (Note 4)	319,573	139,962
Restricted cash	526,131	776,723
Due from related parties	-	348,954
	1,690,652	1,490,462
Portfolio investments (Note 5)	80,000	60,000
Investments in commercial enterprises (Note 6)	319,819	222,995
Funds held in trust (Note 7)	89,934	187,227
	2,180,405	1,960,684
<b>Total financial assets</b>		

# Consolidated Statement of Financial Position - continued

## Liabilities

### Current

Accounts payable and accruals	1,280,954	393,271
Deferred revenue (Note 8)	223,397	586,678
Due to related parties (Note 9)	59,670	59,670
Current portion of long-term debt (Note 10)	549,108	480,329

	2,113,129	1,519,948
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Long-term debt (Note 10))	3,452,587	1,887,894
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Total financial liabilities	5,565,716	3,407,842
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Net debt	(3,385,311)	(1,447,158)
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# Consolidated Statement of Financial Position - continued

Net debt	(3,385,311)	(1,447,158)
<b>Non-financial assets</b>		
Tangible capital assets (Note 11)	40,077,952	38,500,261
Prepaid expenses	47,013	63,894
<b>Total non-financial assets</b>	<b>40,124,965</b>	<b>38,564,155</b>
<b>Accumulated surplus (Note 12)</b>	<b>36,739,654</b>	<b>37,116,997</b>
Approved on behalf of Chief and Council		
_____ Chief	_____	Councillor

# Unreal First Nation - FOR REFERENCE ONLY

## Consolidated Statement of Operations and Accumulated Surplus

*For the year ended March 31, 2015*

	<i>2015 Budget (Note 18)</i>	<i>2015 Actual</i>	<i>2014 Actual</i>
<b>Revenues</b>			
Aboriginal Affairs and Northern Development Canada	5,197,790	5,831,379	5,833,208
Earnings from investments in commercial enterprises (Note 6)	1,500,000	2,179,169	2,120,672
First Nations Trust	817,530	808,003	833,912
Health Canada	554,001	662,689	616,068
Tribal Council	273,237	467,348	461,681
Rental	48,680	171,769	249,431
CMHC (Rent)	81,000	143,430	137,218
CMHC (Subsidy)	79,051	109,045	80,408
Other	141,928	268,020	233,670
Repayment of funding	-	-	(5,392)
	<b>8,693,217</b>	<b>10,640,852</b>	<b>10,560,876</b>



# Consolidated Statement of Operations and Accumulated Surplus - continued

<b>Program expenses</b>			
Community Development	1,245,466	2,092,398	1,939,413
Economic Development	91,531	83,090	87,807
Education	2,285,354	2,408,745	2,376,405
Government Support	630,248	797,094	725,365
Land Management	102,072	127,556	118,884
Social Development	1,427,312	1,336,559	1,643,785
Indian Registry	17,020	17,020	16,989
Health	596,699	741,350	700,225
Band Programs	2,364,656	3,414,383	3,050,237
<b>Total expenses</b>	<b>8,760,358</b>	<b>11,018,195</b>	<b>10,659,110</b>
 <b>Annual deficit</b>	 <b>(67,141)</b>	 <b>(377,343)</b>	 <b>(98,234)</b>
<b>Accumulated surplus, beginning of year</b>	<b>37,116,997</b>	<b>37,116,997</b>	<b>37,215,231</b>
 <b>Accumulated surplus, end of year</b>	 <b>37,049,856</b>	 <b>36,739,654</b>	 <b>37,116,997</b>

# Unreal First Nation - FOR REFERENCE ONLY

## Consolidated Statement of Changes in Net Debt

*For the year ended March 31, 2015*

	<b>2015 Budget (Note 18)</b>	<b>2015 Actual</b>	<b>2014 Actual</b>
<b>Annual deficit</b>	<b>(67,141)</b>	<b>(377,343)</b>	<b>(98,234)</b>
Purchases of tangible capital assets	<b>(1,421,330)</b>	<b>(2,280,662)</b>	(1,301,840)
Amortization of tangible capital assets	-	<b>702,971</b>	627,569
Use (acquisition) of prepaid expenses	-	<b>16,881</b>	4,025
	<b>(1,421,330)</b>	<b>(1,560,810)</b>	<b>(670,246)</b>
<b>Increase in net debt</b>	<b>(1,488,471)</b>	<b>(1,938,153)</b>	<b>(768,480)</b>
<b>Net debt, beginning of year</b>	<b>(1,447,158)</b>	<b>(1,447,158)</b>	<b>(678,678)</b>
<b>Net debt, end of year</b>	<b>(2,935,629)</b>	<b>(3,385,311)</b>	<b>(1,447,158)</b>

# Unreal First Nation - FOR REFERENCE ONLY

## Consolidated Statement of Cash Flows

For the year ended March 31, 2015

	2015	2014
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual deficit	(377,343)	(98,234)
Non-cash items		
Amortization	702,971	627,569
Earnings from investment in commercial enterprises	(2,179,169)	(2,120,672)
	(1,853,541)	(1,591,337)
Changes in		
Accounts receivable	(179,611)	69,984
Prepaid expenses	16,881	4,025
Accounts payable and accruals	887,883	71,934
Deferred revenue	(363,281)	525,232
	(1,491,669)	(920,162)
<b>Financing activities</b>		
Advances of long-term debt	4,803,509	522,155
Repayment of long-term debt	(3,363,885)	(414,911)
	1,439,624	107,244
<b>Capital activities</b>		
Purchases of tangible capital assets	(2,280,662)	(1,301,840)
<b>Investing activities</b>		
Decrease (increase) in restricted cash	250,592	(588,845)
Increase in portfolio investments	(20,000)	-
Distributions from investment in commercial enterprises	2,082,345	2,430,173
Decrease (increase) in funds held in trust	97,293	(133,688)
Decrease (increase) in due from related parties (net)	348,954	(5,943)
	2,952,832	1,701,697
<b>Increase (decrease) in cash resources</b>	<b>620,125</b>	<b>(413,061)</b>
<b>Cash resources, beginning of year</b>	<b>224,823</b>	<b>637,884</b>
<b>Cash resources, end of year</b>	<b>844,948</b>	<b>224,823</b>

**1. Operations**

The First Nation is located in the Province of Saskatchewan and provides various services to its Members. The First Nation financial reporting entity includes all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

**2. Significant accounting policies**

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards, and include the following significant accounting policies:

***Reporting entity***

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenues and expenses of the following entities and departments:

- Unreal First Nation;
- Unreal First Nation Health Services;
- Unreal First Nation CMHC Housing;
- Land Holdings Inc.;
- Treaty Land Entitlement Trust; and
- Unreal First Nation Developments Limited Partnership

All inter-entity balances have been eliminated on consolidation; however, transactions between segments have not been eliminated in order to present the results of operations for each specific segment.

Unreal First Nation Developments Limited Partnership is consolidated using the modified equity method. Income and expenses of the Trust are allocated to the First Nation for its fiscal year of January to December 31.

First Nation business entities, owned or controlled by the First Nation but not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for its proportionate share of post-acquisition earnings and decreased by post acquisition losses and distributions received.



# Unreal First Nation - FOR REFERENCE ONLY

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2015*

### 4. Accounts receivable

	2015	2014
Tribal Council	170,796	5,058
Goods and Services Tax	36,450	19,145
Other	31,945	32,764
Indigenous and Northern Affairs Canada	31,111	48,409
CMHC	25,271	5,881
Saskatchewan Student work program	14,000	-
Health Canada	10,000	-
Federation of Saskatchewan Indian Nations	-	4,300
CDC	-	24,405
	<b>319,573</b>	<b>139,962</b>

### 5. Portfolio investments

The First Nation has an 8.3% interest in Holdings Inc. which has a carrying value of \$60,000. The First Nation also has a \$20,000 non-redeemable Guaranteed Investment Certificate with Bank with interest at 2.00% maturing October 20, 2019.

## 6. Investments in commercial enterprises

Summary financial information for each business entity, accounted for using the modified equity method, for their respective year-end is as follows:

The First Nation has investments in the following entities:

	<i>Opening</i>	<i>Share of earnings</i>	<i>Distributions to the First Nation</i>	<i>2015</i>
First Nations Developments Limited Partnership	187,961	2,179,169	(2,082,345)	284,785
First Nation Holdings Ltd.	35,034	-	-	35,034
	<b>222,995</b>	<b>2,179,169</b>	<b>(2,082,345)</b>	<b>319,819</b>

Summary financial information for each First Nation business partnership, accounted for using the modified equity method, for their respective year-ends is as follows:

	<i>First Nation Developments Limited Partnership As at December 31, 2014</i>	<i>First Nation Holdings Ltd. As at March 31, 2015</i>
<b>Assets</b>		
Current	448,967	34
Due from related parties	24,670	35,000
Property, plant and equipment	446,346	-
<b>Total assets</b>	<b>919,983</b>	<b>35,034</b>
<b>Liabilities</b>		
Current	343,037	-
Long-term debt	292,161	-
<b>Total liabilities</b>	<b>635,198</b>	<b>-</b>
<b>Equity</b>	<b>284,785</b>	<b>35,034</b>
<b>Total revenues</b>	<b>13,046,874</b>	<b>-</b>
<b>Total expenses</b>	<b>10,867,705</b>	<b>-</b>
<b>Net income</b>	<b>2,179,169</b>	<b>-</b>

7. Funds held in trust

	<i>Balance Beginning of Year</i>	<i>Lease income</i>	<i>Interest income</i>	<i>Payments to Nation</i>	<i>Balance End of Year</i>
Capital account	3,872	-	-	-	3,872
Revenue account	183,355	147,507	5,448	(250,248)	86,062
	187,227	147,507	5,448	(250,248)	89,934

8. Deferred revenue

		<i>2015</i>	<i>2014</i>
Road repair	AANDC	27,678	-
School boiler replacement	AANDC	195,719	586,678
		223,397	586,678

9. Due to related parties

		<i>2015</i>	<i>2014</i>
First Nation Holdings Inc.		35,000	35,000
First Nation Developments Limited Partnership		24,670	24,670
		59,670	59,670

The amounts are unsecured, non-interest bearing and have no fixed terms of repayment. First Nation owns 100% interest in First Nation Developments Limited Partnership 100% of First Nation Holdings Inc.

**10. Long-term debt**

The following loans are secured by government guarantees, and relate to the construction of on reserve housing. The First Nation receives a subsidy from Canada Mortgage and Housing Corporation to assist with payment of principal and interest on the following loans:

<u>Phase</u>	<u>Monthly Payment Including Interest</u>	<u>Interest Rate</u>	<u>Renewal Date</u>	<u>2015</u>	<u>2014</u>
V	3,455	4.54%	1-Oct-18	136,973	171,427
VI	---	---	---	---	4,926
VII	---	---	---	---	17,312
VIII	3,885	2.50%	1-Dec-18	166,775	209,349
IX	653	2.50%	1-Dec-19	35,041	42,423
X	528	2.40%	1-Oct-15	28,413	33,995
XI	4,427	2.01%	1-Oct-19	834,499	---
				<b>1,201,702</b>	<b>479,433</b>
Bank loan repayable in quarterly instalments of \$72,500 including interest at 3.75%, maturing December 2016, secured by a general security agreement				<b>1,482,118</b>	-
Bank loan repayable in quarterly instalments of \$38,200 including interest at 4%, maturing October 2017, secured by a general security agreement				<b>656,648</b>	-
Canada Mortgage and Housing Corporation Phase XII loan advances				<b>397,770</b>	<b>25,469</b>
Bank financing lease, repayable in monthly instalments of \$6,769 including interest at 4.5%, maturing September 2018, secured by equipment with a net book value of \$388,023				<b>263,457</b>	-
<u>Bank term loan</u>				-	<u>1,863,321</u>
				<b>4,001,695</b>	<b>2,368,223</b>
<u>Less: current portion</u>				<u>549,108</u>	<u>480,329</u>
				<b>3,452,587</b>	<b>1,887,894</b>

Principal repayments on long-term debt in each of the next five years, assuming loans are renewed at similar rates and terms, are estimated as follows:

2016	549,108
2017	577,549
2018	605,687
2019	597,568
2020	551,981



# 11. Tangible capital assets

For the year ended March 31, 2015

	Cost					Accumulated Amortization				Net book value
	Opening balance	Additions	Disposals	Assets under construction completed	Ending balance	Opening balance	Current amortization	Amortization on disposals	Ending balance	
Buildings	10,392,144	-	-	-	10,392,144	2,892,966	259,804	-	3,152,770	7,239,374
Infrastructure	6,541,923	645,848	-	-	7,187,771	1,269,613	163,127	-	1,432,740	5,755,031
Band Housing	2,723,434	-	-	-	2,723,434	2,444,364	35,141	-	2,479,505	243,929
CMHC Housing	2,439,852	-	166,105	1,481,025	3,754,772	2,051,777	165,048	166,105	2,050,720	1,704,052
Equipment	520,584	189,819	-	-	710,403	135,169	71,041	-	206,210	504,193
Vehicles	44,048	-	-	-	44,048	13,810	8,810	-	22,620	21,428
Assets under construction	1,050,002	1,444,995	-	(1,481,025)	1,013,972	-	-	-	-	1,013,972
Land	23,595,973	-	-	-	23,595,973	-	-	-	-	23,595,973
	47,307,960	2,280,662	166,105	-	49,422,517	8,807,699	702,971	166,105	9,344,565	40,077,952

For the year ended March 31, 2014

	Cost					Accumulated Amortization				Net book value
	Opening balance	Additions	Disposals	Assets under construction completed	Ending balance	Opening balance	Current amortization	Amortization on disposals	Ending balance	
Buildings	10,392,144	-	-	-	10,392,144	2,648,581	244,384	-	2,892,965	7,499,179
Infrastructure	6,525,063	16,860	-	-	6,541,923	1,112,841	156,773	-	1,269,614	5,272,309
Band Housing	2,692,188	31,246	-	-	2,723,434	2,392,933	51,431	-	2,444,364	279,070
CMHC Housing	2,439,852	-	-	-	2,439,852	1,937,664	114,112	-	2,051,776	388,076
Equipment	335,900	184,684	-	-	520,584	83,111	52,059	-	135,170	385,414
Vehicles	25,000	19,048	-	-	44,048	5,000	8,810	-	13,810	30,238
Assets under construction	-	1,050,002	-	-	1,050,002	-	-	-	-	1,050,002
Land	23,595,973	-	-	-	23,595,973	-	-	-	-	23,595,973
	46,006,120	1,301,840	-	-	47,307,960	8,180,130	627,569	-	8,807,699	38,500,261

Tangible capital assets includes equipment under capital lease with a gross cost of \$374,504 (2014 - \$184,686 ) and accumulated amortization of \$55,919 (2014 - \$18,468)

Included in additions in the current year is \$189,818 (2014 - \$184,684) under capital lease.

## 12. Accumulated surplus

Accumulated surplus consists of the following:

	2015	2014
Operating	1,179,682	603,760
Capital	35,310,165	36,132,038
CMHC Operating Reserve	129,312	172,734
CMHC Replacement Reserve	30,561	21,238
Ottawa Trust Fund	89,934	187,227
	<hr/>	<hr/>
	36,739,654	37,116,997

## 13. Funds and reserves

The First Nation maintains the following funds and reserves as part of its operations:

- Operating Fund reports on the general activities of the First Nation's administration;
- Capital Asset Fund reports on the capital assets and projects of the First Nation;
- CMHC Operating Reserve is required as part of the First Nation's CMHC Housing Program, which receives funds pursuant to the Post 1997 - Fixed Subsidy Program. Any surpluses are externally restricted and reserved for future operating losses that relate to the operation of houses under this Program;
- CMHC Replacement Reserve is required as part of the First Nation's CMHC Housing Program. It has been established for replacement of capital equipment and for major repairs to the houses; and
- Ottawa Trust Funds reports trust moneys owned by the First Nation and held by the Government of Canada.

## 14. Economic dependence

First Nation receives some of its revenue from the Government of Canada as a result of Treaties entered into with Her Majesty the Queen. However, these Treaties are administered by Aboriginal Affairs and Northern Development Canada under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these Treaties.

**Unreal First Nation - FOR REFERENCE ONLY**  
**Schedule of Consolidated Expenses by Object**  
*For the year ended March 31, 2015*

	<i>2015 Budget (Note 18)</i>	<i>2015 Actual</i>	<i>2014 Actual</i>
Salaries and benefits	5,500,606	6,680,492	6,217,634
Assistance	1,002,821	1,064,559	1,162,717
Governance	933,000	1,025,868	994,569
Amortization	-	702,971	627,569
Student expenses	517,180	522,531	511,937
Travel	157,324	187,634	144,094
Utilities	199,567	207,260	255,629
Professional fees	130,489	136,395	155,998
Insurance	113,715	130,037	101,356
Interest on long-term debt	138,309	126,485	133,317
Training	52,047	87,006	72,767
Elders	4,900	82,098	200,368
Rent paid on behalf of Members - CMHC housing	-	43,451	61,825
Bank charges and interest	10,400	21,408	19,330
	<b>8,760,358</b>	<b>11,018,195</b>	<b>10,659,110</b>

**Unreal First Nation - FOR REFERENCE ONLY**  
**Community Development**  
**Schedule of Segment Revenues and Expenses and Surplus (Deficit)**  
*For the year ended March 31, 2015*

	<i>2015 Budget</i>	<i>2015 Actual</i>	<i>2014 Actual</i>
<b>Revenues</b>			
Aboriginal Affairs and Northern Development Canada	1,035,274	2,147,349	2,377,553
Rental	48,680	24,262	45,300
Tribal Council	10,118	10,118	10,118
Other	15,000	20,005	1,700
Interest	-	1,105	113
	<b>1,109,072</b>	<b>2,202,839</b>	<b>2,434,784</b>
<b>Expenses</b>			
Amortization	-	466,972	450,471
Repairs and maintenance	154,582	295,437	211,916
Contracted services	235,100	231,764	410,965
Renovations	113,268	410,260	164,528
Salaries and benefits	182,996	192,759	204,655
Utilities	190,567	183,526	225,441
Insurance	89,138	88,611	72,650
Administration	66,261	69,215	24,418
Project management fees	50,000	54,047	60,908
Supplies	38,750	39,690	39,493
Telephone	21,500	29,871	23,548
Interest on long-term debt	-	16,136	23,021
Office	2,620	6,363	19,319
Travel	14,500	6,060	4,612
Office equipment lease	85,184	1,687	1,281
Bank charges and interest	-	-	50
Training	1,000	-	2,137
	<b>1,245,466</b>	<b>2,092,398</b>	<b>1,939,413</b>
<b>Deficit before transfers</b>	<b>(136,394)</b>	<b>110,441</b>	<b>495,371</b>
<b>Transfers between programs</b>	<b>(97,533)</b>	<b>(232,380)</b>	<b>264,858</b>
<b>Deficit</b>	<b>(233,927)</b>	<b>(121,939)</b>	<b>760,229</b>







# Audit finding and management letter

## **Audit findings**

- Auditor's letter to Chief and Council
- Discussion on issues encountered during the audit or concerns with management
- Designed as a potential alternative to meeting with Chief and Council

## **Management Letter**

- Improvements and recommendation for management
- Required by INAC
- Usually also presented to Chief and Council



# Financial Reporting Frameworks



# Overview

## ❖ *Financial Reporting Frameworks*

1. Canadian Public Sector Accounting Standards (PSAS)
  - *Including 4200 series (NPO)*
2. International Financial Reporting Standards (IFRS)
3. Accounting Standards for Private Enterprise (ASPE)
4. Canadian Accounting Standards for Not For Profit Organizations (ASNPO)
5. Other Financial Reporting Frameworks

# Financial Reporting Frameworks

## ➤ *What are financial reporting frameworks?*

- ❖ Rules on how financial statements are prepared.
- ❖ Established by CPA Canada (GAAP and CAS).
- ❖ *Understand the financial statements.*
- ❖ *Determine if financial statements are properly prepared.*
- ❖ *If you are going to play the “game”, you need to know the rules.*

# Financial Reporting Frameworks

❖ *Four or five years ago*

- Three financial reporting frameworks:

- *Public sector accounting standards (PSAS).*

- ✓ Used by governments to prepare their financial statements.

- *Canadian generally accepted accounting principles (GAAP).*

- ✓ Used by almost everyone else to prepare financial statements.

- *Financial reporting framework acceptable for a specific industry.*

- ✓ Examples – First Nations, First Nation Trusts, CMHC Housing.

# Financial Reporting Frameworks

➤ Where are we today with financial reporting frameworks:

1. *Canadian public sector accounting standards (PSAS)*

- Two variants:

- “original” PSAS – basically the same as before

- “original” PSAS + 4200 series

- ✓ 4200 series is not-for-profit standards

- brought in to PSAS from Canadian GAAP







# Financial Reporting Frameworks

## 1. Canadian public sector accounting standards - continued

- *Framework used by all levels of government to prepare their general purpose financial statements*
- *Financial statements report on all activities controlled*
  - *Not for profit – corporations (NPO)*
  - *Other government organizations (OGO)*
  - *Incorporated commercial entities*
- Not controlled - not required to report

# Financial Reporting Frameworks

Not for Profit Corporations – controlled by government

- *Frameworks that can be used*
  - PSAS
  - 4200 series
- *PSAS and 4200 series are two different frameworks*
  - *Governments consolidate their controlled NPOs*
  - *Line-by-line basis*
    - ✓ Therefore often recommend controlled NPOs use PSAS framework
      - Don't have to convert the 4200 series financial statements to PSAS to consolidate

# Financial Reporting Frameworks

## 1. Other Government Organizations(OGOs)–controlled

- Not a government, government business enterprise (GBE) or a government non-profit
- *Frameworks that can be used*
  - PSAS
  - International Financial Reporting Standards (IFRS) – profit oriented
- *PSAS and IFRS are different frameworks*
  - *Governments consolidate their controlled OGOs*
  - *Line-by-line basis*
    - ✓ Therefore recommend controlled OGOs use PSAS framework
      - If use PSAS - don't have to convert IFRS financial statements to PSAS to consolidate
  - Choice should be based on which framework is most appropriate

# Financial Reporting Frameworks

1. Incorporated Commercial Entities – controlled
  - Government Business Enterprise (GBE)
    - *Definition*
  - *Framework to be used*
    - International Financial Reporting Standards (IFRS) – profit oriented
  - *PSAS requires the government reporting entity to report controlled incorporated commercial entities using the modified equity method*
  - *Modified equity method*
    - Commercial entities' financial statements are not converted to PSAS
    - Statement of financial position
    - Statement of operations
    - Note disclosures

# Financial Reporting Frameworks

## ❖ *Issues with PSAS*

### *1. Net financial assets (debt) presentation*

- Most users understand assets = liabilities + equity presentation used by other financial reporting frameworks
- PSAS financial statements presents
  - *Financial assets both current and long term*
  - *Liabilities*
  - *Net financial assets (debt)*
  - *Non financial assets*
  - *Accumulated surplus*
- *Net debt includes debt to construct Section 95 Houses*
  - Financial assets do not include receivable from future subsidy
- Accumulated surplus can be a large amount – can be confusing

# Financial Reporting Frameworks

## ❖ *Issues with PSAS - continued*

### 2. *Ottawa Trust Funds*

- Does a First Nation control?

### 3. *Reserves/funds not reported on the statement of financial position*

- Report in notes to the financial statements
  - *Examples:*
    - ✓ Health Canada – moveable assets reserve
    - ✓ CMHC replacement, subsidy surplus and operating reserves

# Financial Reporting Frameworks

## ❖ *Issues with PSAS - continued*

4. *Accumulated surplus reported as one amount on the statement of financial position*

*Report in notes to the financial statements*

- *Examples:*
  - ✓ *Operating surplus(deficit)*
  - ✓ *Commercial*
  - ✓ *Tangible capital assets*
  - ✓ *Others (education, social, infrastructure, etc)*

5. *Original Reserve Land recorded at a nominal amount*











# Financial Reporting Frameworks

## 2. International Financial Report Standards (IFRS)

- *Required to be used by entities that are publicly accountable – trade in a public market or hold assets of outsiders (Credit Unions)*
- *Standards are primarily concerned with the needs of the users of public company financial statements*
- *This framework has very detailed disclosure requirements*
  - Extensive notes to the financial statements
  - Complex
- *Governments are publicly accountable*
  - Their controlled profit oriented incorporated business enterprises are required to use IFRS to prepare their general purpose financial statements

# Financial Reporting Frameworks

## ❖ *Issues with IFRS - continued*

- *Standards are different than other financial reporting frameworks*
  - Revenue recognition
  - Property, plant and equipment
  - Leases
- *Designed for more complex entities*
  - *Cumbersome and expensive to apply*
    - ✓ PSAS opting out of IFRS?!
      - *Must assess if numbers need to be modified to conform to IFRS before statements are recorded in the government's consolidated financial statements*

# Financial Reporting Frameworks

## 3. Accounting Standards for Private Enterprises

- *Intended for use by privately owned businesses*
  - These entities only have a limited number of external users of their financial statements (primarily lenders and possibly some shareholders)
  - These external users have the ability to obtain additional information from the owners
    - ✓ *Less detail needs to be presented in the financial statements*

# Financial Reporting Frameworks

## ❖ Issues with Accounting Standards for Private Enterprises (ASPE)

1. *Not eligible for use in government entities*
  - If used need to convert to IFRS or prepare reconciliation
2. *May need additional information to evaluate entity for possible investment*
3. *Need to understand potential differences between ASPE and IFRS*



# Financial Reporting Frameworks

## 4. Canadian Accounting Standards for Not For Profit Organizations (ASNPO)

- Similar to PSAS 4200 series
- Fairly simple to use as limited number of concepts

### ❖ Issues with ASNPO

- Have to use financial instruments (4200 series – not used)
- Looks to ASPE for guidance (not PSAS like the 4200 series)
- Collections – Art
- Contributions
  - *Donations*
  - *Government funding*

# Financial Reporting Frameworks

## 5. Other financial reporting frameworks

- *Other financial reporting frameworks may be required to be used*
  - For example:
    - ✓ *Contractual arrangements - trust agreement*
    - ✓ *Funding agreements*
    - ✓ *Loan agreements*
    - ✓ *Investment agreements*
- *Issues - Need to understand*
  - Differences other financial reporting framework has with standard financial reporting frameworks
  - Why another financial reporting framework is being used

# Financial Reporting Frameworks

## 5. Other financial reporting frameworks - continued

- *Trusts often use other financial reporting frameworks*
  - To comply with a trust agreement
    - ✓ *To identify the amount (income) to be distributed to beneficiaries*
      - Investments are carried at cost (reporting under IFRS, ASPE or ASNPO may require reporting at fair value)
      - Premiums/discounts are not amortized
      - No provisions to acquire capital assets – authorized expenses
      - Recording of Land purchases
      - Recording Band Development

# Financial Reporting Frameworks

## 5. Other financial reporting frameworks - continued

- *CMHC Housing financial statements prepared in accordance with CMHC funding agreements*
  - Recording of replacement, operating and subsidy surplus reserves
  - Houses and debt on a separate balance sheet
  - Principal amount of loan payment is recorded as an operating expense
  - Amortization is not recorded as an operating expense
- *CMHC Housing financial statements are not PSAS so they need to be adjusted to consolidate with the government reporting entity*



# Friendship Inn





# Internal financial reporting

- Chief and Council – receive reports from management and finance
  - *Financial statements*
    - Consolidated reporting, segment reporting, program reporting
    - Trial balance has more details
      - *Reporting detail depends on the needs of Chief and Council*
  - *Monthly bank reconciliations – GL and bank should reconcile*
  - *Accounts payable listings*

FN DEVELOPMENTS LIMITED PARTNERSHIP					
DECEMBER, 2015 BANK RECONCILIATION					
BANK BALANCE				\$ 341,067.04	
	LESS: OUTSTANDING CHEQUES			-\$ 7,908.88	
	PLUS: OUSTANDING DEPOSITS			\$ 2,000.00	
ADJUSTED BANK BALANCE @ dec 31, 2015				\$ 335,158.16	
GENERAL LEDGER BALANCE @ DEC 31ST, 2015				\$ 335,158.16	
				\$ 335,158.16	
			VARIANCE	\$ -	

DECEMBER, 2015 OS CHEQUES		
CHK #		AMOUNT
2121		\$ 250.00
2122		\$ 250.00
2124		\$ 250.00
2127		\$ 250.00
2363		\$ 600.49
2366		\$ 188.39
2382		\$ 1,000.00
2522		\$ 69.00
2526		\$ 500.00
2558		\$ 426.00
2561		\$ 4,125.00
		\$ 7,908.88
OS Deposits		
Sales - December 31, 2015		2,000.00

# Internal financial reporting

## ■ Identify risk areas

- *Payroll – list of wages paid should be reconciled to financial reports (potential for overpayments or payments to unauthorized individuals)*
- *Post secondary payments (payments to unauthorized individuals)*
- *Social assistance (payments to unauthorized individuals)*
- *Utility bills (payments for personal bills)*
- *Per diems (potential for overpayment)*
- *Travel (potential for payment when travel not incurred)*

*IMPORTANT TO ALWAYS REVIEW SUPPORTING DOCUMENTATION BEFORE SIGNING CHEQUES OR AUTHORIZING PAYMENTS*

*Signature stamps or e-transfers without the proper approval are not recommended*

# Budgeting

## **Chief and Council – approve the budgets for the year**

- Responsible for overseeing management and operations of the First Nation
- Ensure that management is doing their job
- Accountability to the members



## Unreal First Nation Budgeted Cash Flow - Education

		<u>May</u>	<u>June</u>	<u>July</u>	<u>Total</u>
<b>Revenues</b>					
	Indigenous and Northern Affairs Canada	39,000	39,000	39,000	117,000
	Tribal Council	8,000	8,000	8,000	24,000
	GST	3,000	-	-	3,000
	Total revenues	50,000	47,000	47,000	144,000
<b>Expenditures</b>					
	Wages	32,700	32,700	7,500	72,900
	Benefits	3,924	3,924	1,020	8,868
	Consultants	8,000	8,000	7,500	23,500
	Professional Development	6,000	6,000	-	12,000
	Graduation	4,000	5,000	-	9,000
	Travel	1,750	6,250	-	8,000
	Conferences	-	8,000	-	8,000
	Substitute teachers	900	900	-	1,800
	Total Expenditures	57,274	70,774	16,020	144,068
<b>Surplus (deficit)</b>		- 7,274	- 23,774	30,980	- 68

<b>Wages</b>						
Teachers			<u>May</u>	<u>June</u>	<u>July</u>	<u>Total</u>
	1		4,500	4,500	-	9,000
	2		4,450	4,450	-	8,900
	3		5,000	5,000	-	10,000
	4		4,750	4,750	-	9,500
	Principal		7,500	7,500	7,500	22,500
	Vice Principal		6,500	6,500	-	13,000
			32,700	32,700	7,500	72,900
<b>Benefits</b>			<u>May</u>	<u>June</u>	<u>July</u>	<u>Total</u>
	1		464	464	-	928
	2		440	440	-	880
	3		580	580	-	1,160
	4		520	520	-	1,040
	Principal		1,020	1,020	1,020	3,060
	Vice Principal		900	900	-	1,800
			3,924	3,924	1,020	8,868

# Variance reporting

Budgets are only useful if using throughout the year

- Comparison to budget throughout the year for each program
- Helps to identify errors or potential issues
- Issue to be over or under budget significantly (overspending or not delivering the services)

Variance analysis					
Instructional Services					
		Budget	Actual		
		<u>May</u>	<u>May</u>	<u>Variance</u>	<u>Explanation</u>
Revenues					
	Indigenous and Northern Affairs Canada	39,000	39,000	-	NA
	Tribal Council	8,000	-	- 8,000	Will receive May payment in June
	GST	3,000	-	- 3,000	Due to problems - GST rebate will not be paid
	Total revenues	50,000	39,000	- 11,000	
Expenditures					
	Wages	32,700	32,700	-	NA
	Benefits	3,924	3,924	-	NA
	Consultants	8,000	7,500	500	Special Ed consultant used less than planned
	Professional Development	6,000	4,500	1,500	Workshop postponed until June
	Graduation	4,000	4,500	- 500	Overrun will be covered by substitute teachers
	Travel	1,750	1,900	- 150	Workshop postponed until June
	Textbooks	-	1,500	- 1,500	Unforeseen cost - will reduce future budget
	Substitute teachers	900	150	750	Less teacher leave than anticipated
	Total Expenditures	57,274	56,674	600	
Surplus (deficit)		- 7,274	- 17,674	- 11,600	Due to GST and Tribal Council funding not received



# Reports and what to look for

**Surpluses or Deficits in programs**

**Unreconciled accounts**

**Unexpended funding**

- Important to catch it before its too late!!
- Health Canada and INAC often recover significant funding if there are coding errors
- Important that expenses are coded correctly by management
- Can be hundreds of thousands of dollars

# Reports and what to look for

Understand your role overseeing management

- Review invoices and supporting documentation before signing checks
- If something seems unusual follow up (question management)
- Follow up on budget discrepancies











# Bill C27 – what can we say

- Audited consolidated financial statements and Schedule of Remuneration and Expenses – Chief and Councillors required to be posted online
- Commercial entities at a disadvantage as financial information posted online (private companies not required to do so)
- Canadian Tax Payers Federation
- Lack of consultation

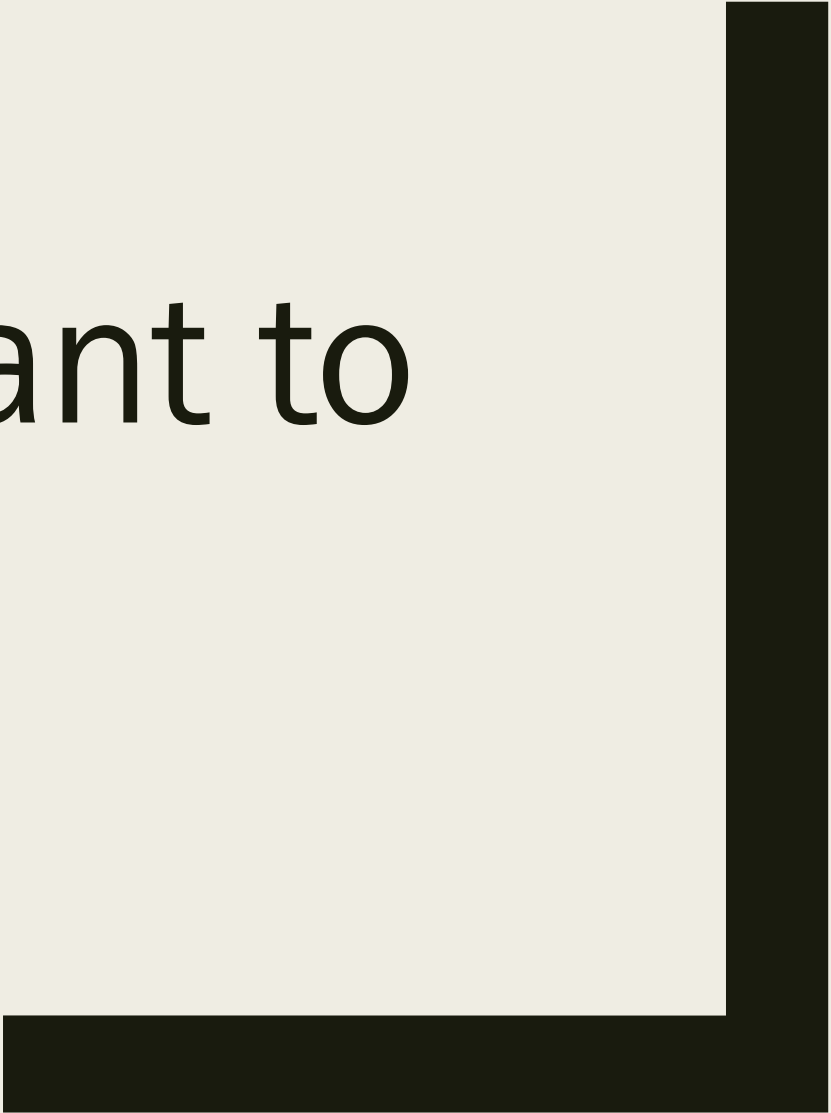
# Bill C27 - what can we say

- 2016 – INAC almost certainty will make changes
- Released funding held from Nations that did not comply
- Bill may still be applied for the 2015-2016 year (posting online)



TRUSTS

Every thing you want to  
know!!!



# Trusts

- Starts with a Trust Agreement
  - *Settlor – Provides the property that goes into a Trust (Trust Property).*
  - *Trustee(s) – Duty to manage the Trust Property in accordance with the Trust Agreement.*
  - *Beneficiary – Entitled to the benefit of the Trust Property in accordance with the Trust Agreement.*



# Trusts

## Trust Agreement

- *Important to get it right*
  - Above all must be a document **by the people for the people.**
    - *Point of view*
      - Lawyers
      - Accountants
      - Investment consultants
      - Trustee(s)
      - Nation
- Due to the complex nature of business and investing, Trust Agreements may require amendments.
  - *If in 10 - 15 years, the Trust Property is intact as per the Trust Agreement – we have done our job!*
  - *Examples of First Nations who amended their Trust Agreements.*

# Trusts

- Developing Trust Agreements:
  - *Operations*
  - *Reporting*
  - *Investing*
  - *Controls*
  - *Trustees*
  - *Taxation*
  - *Other*
    - Accounting framework
    - Consolidation

# Trusts

- Explaining the Trust Agreement
  - *Need to be clear and concise.*
  - *Different levels of knowledge.*
  - *Need to engage the audience.*
  - *Answer questions.*
  - *Meetings can be intense.*







# Answers???



ONION LAKE CREE NATION

**SASKATCHEWAN**

**FIRST NATIONS**

WINTER GAMES

