



Skidegate Band Council

2008-2010 Public Report

SBC COUNCIL PORTFOLIO REPORTING
FEBRUARY 19, 2010

Skidegate Band Council

2008-2010 Public Report

SKIDEGATE BAND COUNCIL

- RMP REVIEW
- COUNCIL ACTIVITIES

In February 2008 the Skidegate Band Council set out to implement promised changes. It then became clear that the financial situation of the Band was far worse than any of us had been advised. The audit of 2008 confirmed a debt of 2.8 million. After some time, we became aware that there were additional debts of over \$2 million in relation to other commitments. The situation was grave. Subsequently, given the financial situation of the band, Chief and Council, with the involvement of Indian and Northern Affairs (INAC), developed a Remedial Management Plan (RMP) to address the deficit. We faced significant challenges to fulfill our mandate toward positive change.

This report outlines the progressive changes and accomplishments of Council over the past two years. Explanations in the area of council operations, economic development, and the RMP are offered with the intention of assuring accountability and transparency on behalf of the Skidegate Band Council.

The financial situation in which the Band Council has functioned has presented us with significant challenges. Most notably, there were many legitimate and important program areas, championed by passionate members of our community, which nevertheless could not be financially supported in the manner they deserved. Programs and services vital to our community were curtailed by shortened work weeks, and other restrictions. It was absolutely vital to returning these important services and programs to our community, to get our financial house in order. The situation called for discipline and focus, and made for some difficult decisions.

As a result of the efforts of the past two years, the Skidegate Band Council was able to reduce the debt by \$522,000.00, bringing the overall solvency ratio down from -31.78% to -16.40, substantially increasing the solvency of the Skidegate Band. We continue to seek further financial support, while maintaining our commitments to the banks.

This report is intended to equip the community with all of the necessary information with which to move forward.

REMEDIAL MANAGEMENT PLAN (RMP)

SECTION 4 – CAUSES FOR DEFAULT

The following documents outline the Skidegate Band Council's reasons which led to insolvency:

- 1.) 2007 Auditor's Management Letter
- 2.) Housing Rental in Arrears
- 3.) Mismanagement of VISA Credit Card
- 4.) Public Presentation of 2007 Audited Financial Statements.
- 5.) Budget Monitoring
- 6.) Signing Authority
- 7.) Endowment Strategy for Qay.
- 8.) Council Travel
- 9.) Accountability

SUPPORTING DOCUMENTS: APPENDIXES

- See Indian and Northern Affairs, Financial Services Officer RMP address (1a)
- Audit Letter 2008 (1b)
- KA'AY Audit letter (1c)
- OMVC Ec Dev. Letter (1d)

REMEDIAL MANAGEMENT PLAN -continued-

PURPOSE:

- 1) To implement an effective and comprehensive accounting system that adequately addresses the overall needs of record keeping, audit, safeguards, reporting and internal controls over assets and obligations.
- 2) To institute financial and other management reporting practices which are timely, accurate and informative.
- 3) To maintain a system of files which substantiate in detail all of the transactions, whether revenue or expenditure in a form which facilitates ready reference and retrieval.

In entering into a Remedial Management Plan (2008), several measures were implemented to address the deficit. Chief and Council, in meeting with SBC staff, discussed alternatives and, as a result, staff recommended and adopted a four day work week to avoid 3rd Party Management. Chief and Council also agreed to work 5 days a week and get paid for four - a 20% cut across the board. Council, in working a five day work week, would dedicate the extra time toward strategic planning initiatives and financial reviews,

Overall, performance reviews are outlined under the RMP, wherein, Council took a full review of employee benefits, salaries and job performance that would then be evaluated by the RMP committee.

Recommendations would be made to a full quorum of Council for discussion.

To date, Council has made several recommendations that require immediate action. For the purpose of efficiency, the SBC will need to implement changes in finance, management structure, and program delivery. Professional development is required to maintain capacity and keep staff well trained.

Chief and Council:

Chief and Council's expenditures for 2008-2010 were approximately \$ 568,112.00 (YTD), 38.2 % savings from previous Council (\$ 919,433). Despite the cuts, Council recognizes that there is still much work to do on this particular area.

SOLUTIONS UNDER RMP/CORRECTIVE ACTION:

1. Chief and Council will be required to operate within the prescribed Indian and Northern Affairs budget of approximately \$91,000.00. This will allow for more funding opportunities in program areas like: elders/culture, education and training, social development initiatives, professional development for staff, operations and maintenance, aboriginal justice and community safety.
2. SBC management will be required to adopt salaried positions, allowing for greater flexibility and performance measures.
3. New accounting software will allow for greater efficiency and tracking of program expenses.
4. Accurate and correct financial reporting from our finance department on a monthly basis – this is an ongoing problem identified in finance over the past 16 years.

SKIDEGATE PROGRAMS AND SERVICES:

Education: While the Skidegate Band Council has always remained committed to the education of our people and building capacity through various training initiatives, the education portfolio, over the last two years, has benefited from the increased attention of the Band Council. A clear indication of this re-affirmed commitment is the fact that five members of the Council put their name forward to hold the portfolio, giving it greater continuity and purpose at Council meetings. It is necessary to point out, however, that the increased attention goes far beyond names to paper. Over this Council's mandate, we have sought to improve our Education policies and enhance the lifestyles of our funded students through the following such measures:

- Within the first year of our mandate, we increased the Post-Secondary budget from \$500,000 to \$580,000 because we realized, all too clearly, that our previous commitment often fell short of student and community expectations.
- Over the last two years, we have increased the relevance of the Band Council's Education Committee through a clearer understanding around roles and responsibilities. The Council's strong commitment to empowering the Education Committee is clearly reflected in the January 19, 2009 minutes where Council

suggested that they were “trying to distance from the boards and committees,” thus empowering them to make recommendations to the Band Council.

- The Skidegate Band Council has made a firm commitment towards revising the existing education policies, opening them up further and making them more student friendly: “In order to address [the policy] issue, [the] education committee began engaging itself in policy development. Those that sit on the committee gather to review the policy . . . we’ve worked on polishing the mission statement, which should encompass and reflect the whole SBC policy” (20 November 2009 Public Meeting).
- On December 6, 2009, the Education Committee plus Portfolio holders met for a full day to discuss, review and revise the education policy as well as the mandate of the Education Committee. Key items that came out of this preliminary session include opening the education policy up to explicitly acknowledge the importance of Trades programs, as well as the development of a draft “Terms of Reference” for the Committee. The work is still ongoing, however, when the work is completed, we will continue seeking feedback from the community at large: “we agreed once we finish developing policy, we will bring the education policies to community in a public forum for adoption so all are aware of the policy, the ultimate act of accountability” (20 November 2009 Public Meeting).
- The Band Council has been working hard on keeping the School District accountable with respect to funding dollars. To date, we have received a credit of approximately \$60,000.00 on Provincial Tuition thanks to the tireless work done by our Education Coordinator.
- The Band Council is seeking new partnerships with various post-secondary institutes to offer important “core” courses to the community of Skidegate.

Economic Development:

1. Over the past two years, through a strategic review of the **Gwaalagaa Naay Corporation (GNC)**, Council has undergone a restructuring process including the recruitment of an Executive Director. The roles and responsibilities of our corporation will focus on business and entrepreneurship.
- *The position of Executive Director for GNC will be filled starting the new fiscal year, April 2010.*

Skidegate Project: “A Skidegate Band Council Program for Economic Self Sufficiency”

Application to Community Economic Opportunities Program

- Hotel Resort and Spa- Focus of Skidegate’s Gwaalagaa Naay Corporation and the SBC: this initiative will help support tourism on Haida Gwaii. Direct benefits will flow to the community through job creation in the areas of construction, operations, and tour operations. ***GNC has begun a comprehensive planning process to achieve our goals of profitable enterprises, job creation all with a well trained and educated Skidegate community.***

1) To date, Western Diversification (WED) has committed to fund Skidegate's Hotel Resort and Spa, with the assistance of Mel Woolley (Land Strategies Inc.) we are continuing to work hard to secure all funding for this project.

- Skidegate Youth Centre- With funding commitments in place from SBC and Gwaii Trust, Council is working hard to identify more funding sources. Presently, we are in discussion with Indian and Northern Affairs regarding a funding commitment toward the youth centre. To date, Council has secured \$ **500,000** in funding: \$150,000 SBC, \$150,000 Gwaii Trust, and \$200,000 from Indian Affairs.

Economic Objectives of the SBC:

- 1) Develop profitable enterprises so as to achieve the Skidegate Band Council goal of Economic Self Sufficiency;
 - 2) Create meaningful jobs to provide our present members and our future generations the opportunity to take their role as productive members of the Skidegate community
2. **Tourism-** Through a review of the Haida Gwaii Watchmen Program, the hiring of a full time manager and assistant has allowed the program to develop further. To meet the expectations of our partners, Gwaii Haanas National Park Reserve/Haida Heritage Site and the AMB, the Skidegate Band Council has helped management facilitate a training curriculum for staff and the completed construction of two new watchmen cabins at Skedans and Tanu.
3. **Haida Heritage Centre-** With active participation, SBC involvement in KA'AY has developed several strategic planning initiatives wherein management and the SBC have established a new board of governance. With an Endowment Campaign underway, Governance Model in development, and the 1.5 million dollar Northern Trust contribution, KA'AY is working toward becoming a viable operation. More importantly, the grand opening of Ka'ay in August 23, 2008 marked the successful beginning of a new direction for the centre.

Haida Expeditions- In managing a deficit, GNC Board of Directors underwent a consolidation process/review of the business venture and its assets. Furthermore, through consultation with previous partners, the Board was able to restore a business contract with Queen Charlotte Safaris. All assets were posted locally and made available to our membership.

Paddle Making Venture- To accommodate the completion of 3 newly carved Haida Canoes (August 23, 2008), the Skidegate Band Council received \$31,000.00 in funding from Gwaii Trust to carve and paint new paddles. In fairness to our membership, a callout for carvers was addressed through our community newsletter offering the opportunity to carve paddles for the project. In doing so, SBC awarded 5 carvers with contracts:

- 4 local carvers and apprentices awarded a combined total of \$ 16,500.00 (est).
- Essential Skills Program received \$ 9000.00.

Canoe Design Project:

Through a Gwaii Trust grant of \$31, 000.00, SBC awarded \$10,000.00 toward the design and painting of each canoe. Carvers and their apprentices worked hard to complete their designs by August 23, 2008 for the grand opening of the KA'AY centre.

Canoe Project:

The canoe project was completed on August 23, 2008. There were some difficulties with cost overruns, which were addressed through the terms of the contracts negotiated by the Band.

Herring Roe on Kelp:

In our commitment to provide Ka'aw for the community of Skidegate and our membership abroad, the Skidegate Band Council has revised past food fishing operations so that overall expenditures are kept at a minimum.

2008 HROK- With the unexpected passing of Chief Skidegate, Dempsey Collinson, Conrad Collinson remained committed and provided ka'aw for our membership. Ka'aw was provided to our membership at a cost of \$3 a pound.

2009- With the awarding of a Commercial Fishery to the Skidegate Band Council, Chief and Council in fishing its communal J license, entered into a business contract with Conrad Collinson. In the completion of the contract, SBC grossed \$ 189,000.00 @ 10.00 dollars per pound, after expenses a net profit of \$ 89,000.00 was made. To reduce our deficit, monies earned were then "ear marked" for SBC debts. A total of 6 positions were created.

JOINT VENTURES:

The Skidegate Band Council, through the 2008-09 term, has entered into a joint venture agreement with the Old Massett Village Council (OMVC). For the first time ever, the SBC and OMVC have agreed in principle to work collaboratively on large scale Economic Development Initiatives (see Appendixes 1d).

Shellfish Aquaculture: In farming scallops for the open market, both the SBC and OMVC Band Councils and their economic development departments are working together in developing a Scallop Industry for our membership. Partnerships with the Dalian Blossom Group (China) and Can Fis.Co (Pattison Group) will help build a successful venture on Haida Gwaii.

Forestry:

SBC, in collaboration with Old Massett Village Council, are actively working on developing opportunities within the forest sector on Haida Gwaii. The Skidegate Band Council is committed toward providing job opportunities for its membership in cooperation with our Council of the Haida Nation's Economic Department (Hai Co).

Hai Co.

The Skidegate Band Council is committed to developing economic initiatives on Haida Gwaii for our citizens. In working together with the Council of the Haida Nation, all parties will benefit from the success of the Haida Enterprise Corporation (Hai Co.).

Fisheries:

With active participation at the CHN fisheries committee, SBC and its membership see opportunities through the strategic planning initiatives presently underway. Furthermore, political representation at the negotiating table will make certain community needs are addressed.

The Skidegate Band Council, in its commitment to our membership, has an “open door” policy for all members. Over the past two years, we have strived to meet the expectations and needs of our membership.

Fostering Relationships:

- SBC is working closely with its neighbours, the Village of Queen Charlotte, to identify community needs and commit to working together.
- Working with West Coast Resorts, SBC is looking into educational opportunities, training, and employment initiatives for our membership.
- **Accountability and Transparency** – Over the last two years, the Skidegate Band Council has worked hard to develop, and sustain, a “corporate culture” that championed accountability and transparency towards its membership. The road has not been easy and there is still much work to do, but the arduous process is well underway. Under the difficult mandate of the last two years, the Skidegate Band Council has remained committed in this regard through holding regular scheduled meetings to inform our membership of Band Council activities.
- All job opportunities are posted to allow a fair process for our members looking for employment through the Skidegate Band Council.
- In establishing trust with our lenders/financiers (Northern Savings, Royal Bank, INAC, Northern Savings Credit Union, Parks Canada), the SBC has improved business relationships.

Forecast:

Given the financial situation and the actions that led up to the adoption of a Remedial Management Plan, the Skidegate Band Council has identified and implemented policy measures to prevent cases of:

1. **Misappropriation of INAC/Community funding-** policy around honoraria violations, vacation and benefits, and missed meetings requires further review and implementation.
2. **Dog By-Law-** SBC has adopted a by-law wherein Council's task will be to implement all necessary measures outlined in the law to protect the safety of our citizens.
3. **Crime Free Housing Policy (Housing)** - To address the drug issue in our community, SBC has adopted a policy that prohibits and monitors all activities within its social houses, rental units and so forth. The primary intent is to enforce eviction on those members in breach of policy.

4. **Housing**-Through hard work and commitment, Council and the SBC housing department has successfully emerged from Indian and Northern Affairs "freeze list", thus enabling the SBC to be eligible for "new" funding for renovations, mould, RAPP, construction of new units, and so forth. The Band Council, over the past two years, has successfully sold approximately 12 units to our membership, allowing for affordable living through low interest mortgage plans. Priorities for housing are:

- 1) Elders (Health and Welfare)
- 2) Overcrowding
- 3) Families

Sold 20 band units over the last two years(james thats (6 bungalows, 14 social, may not want to publish over ten due to not been able to pay out until Dec.1, 2011)

Currently, the SBC is selling 5 band units 4X \$62,500 (2 bedroom) 1X \$77,500 (3 bedroom)

- 4) Skidegate Client Selection Critiera
 - a. **Families currently living in overcrowded conditions**
 - b. **Elders and Pensioners**
 - c. **Couple with one or more children**
 - d. **Single parent with one or more children**
 - e. **Couples**
 - f. **Singles**

Skidegate Housing Projects Applied (2010-2011)

Canada Economic Action Plan (CEAP)

<i>CMHC Retrofit (mostly social roofs)</i>	18 Units	\$240,000
<i>INAC Renovations</i>	5 Units	\$91,650

Canada Mortgage and Housing Corporation (CMHC)

Section 95 New Housing (Social)	10 Units	\$1,100,000
Residential Rehabilitation Assistance Program (RRAP)	6 Applicants per year	
Home Addaptations for Seniors Indepence (HASI)		\$3500 each

Indian Northern Affairs Canada

New Housing (10 social, 10 band)	\$40,430 each
Renovations (20 applicants)	\$20,215 max
Mould Renovations (20 applicants)	\$40,430 max

New Skidegate Housing Committee

Our new housing committee consists of: Trent Moraes (Housing Coordinator), Ed Russ, James Cowpar, Tanu Lusignan, Remi Levesque (SBC), Carol Crosby, Denise Husband, Judson Brown, Ernie Gladstone, Shelly Williams-Gladstone (community members)

Our new committee has taken on the task of reviewing and amending a dated housing policy. The amended policy will be brought to a public forum for community input and ratification.

All correspondence to the committee can be sent to housing.committee@skidegate.ca

Or to: Skidegate Band Council
Box 1301
Skidegate, B.C.
V0T 1S1

Attn: Housing Committee

5. **Aboriginal Justice-** With an active portfolio, Council has managed to maintain healthy relationships with our partners (Royal Canadian Mounted Police, CHN, Skidegate Community). In dealing with crime and safety in our community, the SBC has remained committed in supporting the services of our 'community patrol service, Mr. Steve Collinson and those volunteers under his direction.
6. Participation and attendance at meetings has remained a priority. It is imperative that Chief and Council "provide reporting for every meeting attended." This process will allow for accurate delivery of information for planning purposes and public meetings.
7. Use of consultants: The Skidegate Band Council, in a strategic review of all business practices past and present, determined the following:
 - a) Consultant fees were to not exceed the standard of 9.5 %.
 - b) In the case of "status quo" any long standing consulting firms were held to budget parameters within their proposal (this was to minimize cost overruns as this was a contributing factor to SBC deficits).
 - c) Performance and delivery based provisions were implemented; consultants were paid for completed works, including a requirement for full written reports.

With the support and involvement of members of the community, the incoming Band Council will continue to face difficult decisions, but will be able to build the programs and services that the community needs. We all want to work toward a healthy community, building toward the future through our youth, and respecting our past through our treatment of our elders.

Together, we can face these problems and build a better tomorrow!



OLD MASSETT VILLAGE COUNCIL

Economic Development

PO Box 175, Masset

Haida Gwaii, BC V0T 1M0

Tel: 1.250.626.3337 FAX 1.250.626.5440

Email: ecdev@mhtv.ca

February 5, 2010

To Whom It May Concern:

The Old Massett Village Council and especially this office is delighted to report that we have formed a sound and agreeable working relationship with the Skidegate Band Council. This relationship has been based on mutual respect and the common goal of a need to work together to develop economic opportunities for the betterment of all Haida.

To date we have developed a potential corporate structure that not only will help create employment but will create independent wealth for both bands. This new unrestricted prosperity will be used to expand our corporate base and move both bands into a position of financial independence. It has been determined that this is the only way forward for all Haida as it will finally put them in a position of independent control of the resources and opportunities that surround us.

Both councils have been in discussions about forming a joint band corporation, set up in such a way as to minimize tax payments and provide the maximum benefit to all Haida. Most importantly the structure separates the business from the politics in a way that profits are directed to where they are most needed and everything is supported by strong workable policies. We have been in discussions about first steps for business options and see common areas to work together in aquaculture, forestry, alternate energy, tourism etc.

In 2010 this office is committed to continuing and expanding this relationship as we move forward together. If you have any questions please don't hesitate to contact me at any time,

Yours truly,

John Disney, Economic Development Officer.

Appendixes (1A)



January 28, 2010

VAN-E 4219-11-670

Chief and Council
Skidegate Indian Band
P.O. Box 1301
SKIDEGATE, BC V0T 1S1

Dear Chief and Council,

RE: Report of the Status of the Remedial Management Plan (RMP)

This is an interim Report of the band's situation under the Remedial Management Plan (RMP). The audit review for the audit submitted for March 31 2009 is near complete. I am just waiting for final comments by the other programs and directorates before I can present the whole package to the Regional Audit Review Committee (RARC). I have received two quarterly reports for the Band for this fiscal year so I am taking those factors into consideration in writing this report.

First as you all know the sole reason for the need for an RMP was that the Band has a deficit ratio greater than negative 8 percent. It is at this point that we call a band insolvent. The Skidegate ratio was negative **31.78 percent**. There are many reasons why a band may need to have a RMP but for Skidegate it was that the deficit was greater than the amount reasonably acceptable for any band.

The initial assessment was made on the audit of March 31 2008. At the time the band had a number of programs in a deficit position. Further, the management letter issued by the auditor showed numerous administrative deficiencies as well. In months that followed the Audit review, the Skidegate Band Council reviewed their situation and determine reasons which led to their insolvency. They describe them as follows:

- Inadequate Financial Management, Reporting & Procedural Controls
- Lack of understanding Financial Statements
- Financial & Management strain of Qaay Heritage Centre Project
- Housing Rentals in Arrears
- O&M deficit
- Education Program Costs

Since the execution of the formal RMP agreement the band has undertaken work in all these areas. As evidenced by the improvement in the Management letter of the Auditor the band has made significant improvement in Financial Management, Reporting & Procedural Controls.

Appendixes (16)

Through the involvement of the Consultant Paul Daniels the council has overcome the lack of understanding of financial statements. The Housing arrears are still a problem but seem to be managed in a better way. Hence, there is still some work to be done here to be sure. The council has made applications for the O&M deficit and continue to work and improve this area of responsibility. The education programs have been brought into line with the funding provided and the band has acquired more funding generally. All of this has all worked to improve the band's financial position.

That being said the work is not complete. The Band's Audit review this year will show that the Band's deficit ratio is negative **16.40 percent**, about half of last years.

The band must continue to work to collect debts owing to them such as rent arrears and other accounts receivable to get out of debt. The most clear and the largest of these debts are the funds given by Skidegate Band Council to the Qaay Heritage Centre Project. It is obvious that with all the work and effort to make the business of running the Qaay Heritage Centre Project profitable, the organization continues to loose money. The business of running such a large complex set of buildings with most visitors attending in the summer part of the year is very hard. The skidegate council has undertaken the moral responsibility to pay the deficit of the Qaay Heritage Centre Project. This is about \$600,000 per year. This is money the Sidegate Council does not have. Therefore if the Sidegate council continues to cover the debt of the Qaay Heritage Centre Project it will continue to be insolvent.

The council have proposed a short, medium and long term strategy to help both the Qaay Heritage Centre Project and the Band Council from bankruptcy. We are committed to supporting the solutions where we can because we understand the real benefit the Qaay Heritage Centre Project has on the whole of the Haida Gwaii.

If the Qaay Heritage Centre Project can be separate from council and still be viable so as to be able to pay the funds it owes to the council back then the council will be solvent again.

In the longer term, if the endowment fund, being developed, was big enough to act like the Gwaii Trust does, by investing and paying only the income out, and that amount can pay for the operation and maintenance of the Qaay Heritage Centre Project, the centre would be viable for a long time into the future. If there can be a the development of some core funding for the centre so as to cover their deficit then this too would work to make it viable for the long term.

Without the financial separation and the repayment of the funds advanced to Qaay Heritage Centre Project the band will never get out of the RMP. Therefore in summary, the band must continue to develop and make its operations cost effective and it must collect all debts owing but the most important thing for the council do is address the separation and financial viability of the Qaay Heritage Centre Project.

Appendixes (16)

Should the council not get out of an RMP situation prior to the renewal of the funding agreement, due to take place some time before March 31, 2011, then the band will have to be put under a lower level agreement and this will result in significant funding reductions compared to the current funding agreement.

Please feel free to contact me if you have any questions or concerns with your audit review. I can be reached at (604)666-0866.

Sincerely,



David Seymour, Funding Services Officer
Funding Services Directorate
INAC – BC Region
600 – 1138 Melville Street
Vancouver BC V6E 4S3
(604)666-4893
Email: seymourd@inac.gc.ca

Appendixes (76)



**Barkman
& Tanaka**

Chartered Accountants

Dale Barkman Ltd.
Wayne A. Tanaka Ltd.

Woughheed Plaza
225-9600 Cameron Street
Burnaby, BC V3J 7N3

Phone 604.421.2591
Fax 604.421.1171

July 10, 2008

Qay'lnagaay Heritage Centre Society
POB 1523
Front Street
Skidegate Haida Gwaii
VOG 1S1

Dear Audit Committee Members:

We have been engaged to audit the financial statements of Qay'lnagaay Heritage Centre Society for the year ending March 31, 2008. Canadian generally accepted auditing standards require that we communicate the following information with you in relation to your audit.

Evaluation of Internal Controls

Audits include a review and evaluation of the system of internal controls to assist in determining the level of reliance that may or should be placed on the system in assessing the nature and extent of audit procedures to be undertaken.

We have prepared a separate management letter making specific recommendations regarding internal control.

Significant Accounting Principles

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application as part of our audit. The accounting policies used by Qay'lnagaay Heritage Centre Society are described in Note 2, Summary of Significant Accounting policies, in the financial statements.

There were no new accounting policies adopted or changes to the application of accounting policies of Qay'lnagaay Heritage Centre Society during the year.

Significant Unusual Transactions

We are aware of many significant transactions related to the construction of the Centre. It is our understanding that the audit committee is well aware of these transactions.

We wish to bring to your attention that \$234,645 was spent on fundraising expenses. These expenses included legal fees to a South African lawyer, an appraisal fee for a Mexican property and various other transportation and other costs. These costs are detailed in account 8700-790. To date, no funds have been raised by these expenditures. In discussions with Chief Wilson we were told that no further expenditures would be made unless income was being generated.

Accounting Estimates

Management is responsible for the accounting estimates included in financial statements. Estimates and the related judgments and assumptions are based on management's knowledge of the business and past experience about current and future events.

Appendixes (1c)

Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the financial statements as a whole. An audit includes performing appropriate procedures to verify the:

- Calculation of accounting estimates;
- Analyzing of key factors such as underlying management assumptions;
- Materiality of estimates individually and in the aggregate in relation to the financial statements as a whole;
- Estimate's sensitivity to variation and deviation from historical patterns;
- Estimate's consistency with the entity's business plans; and
- Other audit evidence.

Disagreements with Management

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the Society's financial statements or auditor's report. Disagreements may arise over:

- Selection or application of accounting principles;
- Assumptions and related judgments for accounting estimates;
- Financial statement disclosures;
- Scope of the audit; or
- Wording of the auditors' report.

We are pleased to inform you that we had no disagreements with management during the course of our audit.

Consultation with Other Accountants (Second Opinions)

Management may consult with other accountants about auditing and accounting matters to obtain a "second opinion". When an entity requests that another accountant provide a written report or oral advice on the application of accounting principles to a specific transaction or the type of opinion that may be rendered on the entity's financial statements, we are required to ensure that the accountant has ensured that the reporting accountant has knowledge of all facts and circumstances and has conducted the engagement in accordance with Canadian generally accepted auditing standards on the Reports on the Application of Accounting Principles.

We are not aware of any consultations that have taken place with other accountants.

Issues Discussed



The auditor generally discusses among other matters, the application of accounting principles and auditing standards, and fees, etc. with management during the initial or recurring appointment of the auditor during the normal course of business. There were no major issues discussed during our audit with regards to our retention that were not in the normal course of business.

Difficulties Encountered During the Audit

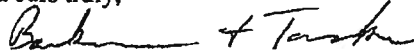
We encountered no significant difficulties during our audit that should be brought to the attention of the audit committee.

We shall be pleased to discuss with you further any matters mentioned above, at your convenience.

This communication is prepared solely for the information of the audit committee and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

To ensure there is a clear understanding and record of the matters discussed, we ask that members of the audit committee sign their acknowledgement in the spaces provided below. Should any member of the audit committee wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time.

Yours truly,



BARKMAN & TANAKA

Acknowledgement of Audit Committee:

We have read and reviewed the above disclosures and understand and agree with the comments therein:

Per: _____ Title: _____ Date: _____

Per: _____ Title: _____ Date: _____



Appendixes (Tc)



SKIDEGATE BAND COUNCIL

BOX 1301, SKIDEGATE, B.C. V0T 1S1 PHONE (250) 559-4496 FAX (250) 559-8247

2010-02-23

The Skidegate Band Council wish to express its deepest gratitude toward our staff for their hard work and dedication over the past two years. Without the support of our staff, volunteers in the community, our effort to move forward through these tough times would have been impossible.

Skidegate Band Council