

DA'NAXDA'XW FIRST NATION

FINANCIAL STATEMENTS

MARCH 31, 2014

**DA'NAXDA'XW FIRST NATION
FINANCIAL STATEMENTS
MARCH 31, 2014**

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DA'NAXDA'XW FIRST NATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
MARCH 31, 2014

The accompanying financial statements are the responsibility of management. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and necessarily include estimates which are based on management's best judgements.

Management is also responsible for implementing and maintaining a system of internal controls designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss and financial records are properly maintained to provide reliable information for the preparation of financial statements.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The financial statements have been reviewed and approved by Chief and Council.

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 annual report, 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.)

Moeller & Company, an independent firm of Chartered Accountants, has been engaged to examine the financial statements in accordance with Canadian generally accepted auditing standards. Their report stating the scope of their examination and opinion on the financial statements, follows. Moeller & Company have full and free access to the council for information purposes.

Wm Glendale
Chief Councillor

Sept 3, 2014
Date

Jane Glendale
Councillor

Sept 3, 2014
Date

MOELLER & COMPANY

CHARTERED ACCOUNTANTS

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Independent Auditor's Report

To the Members of Da'naxda'xw First Nation

We have audited the accompanying financial statements of Da'naxda'xw First Nation, which comprise the statement of financial position as at March 31, 2014, and the statements of revenue, expenditures and accumulated surplus, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the First Nation's preparation and fair presentation of the 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 First Nation'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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Da'naxda'xw First Nation as at March 31, 2014, and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Campbell River, British Columbia
August 25, 2014

Moeller & Company
Chartered Accountants

DA'NAXDA'XW FIRST NATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014

	2014	2013
	\$	\$
Financial Assets		
Cash	101,299	139,039
Accounts receivable (Note 2)	5,508	33,442
Loans receivable (Note 3)	363,748	363,748
Trust funds held by Federal Government (Note 4)	81,491	78,737
Investment in government business partnerships (Note 5)	452,856	258,038
	<hr/> 1,004,902	<hr/> 873,004
Liabilities		
Accounts payable (Note 6)	22,450	33,906
Long-term debt (Note 7)	3,530,246	3,362,605
	<hr/> 3,552,696	<hr/> 3,396,511
Net debt	(2,547,794)	(2,523,507)
Non-financial Assets		
Tangible capital assets (Note 8)	2,848,383	3,002,612
Prepaid expenses (Note 9)	7,722	8,597
	<hr/> 2,856,105	<hr/> 3,011,209
Accumulated Surplus	308,311	487,702

Approved on behalf of the Da'naxda'xw First Nation

Wm. Hendale Chief Councillor
Jane Hendale Councillor

The accompanying notes are an integral part of these financial statements.

DA'NAXDA'XW FIRST NATION
STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2014

	2014 Budget	2014 Actual	2013 Actual
	\$	\$	\$
Revenue			
Federal Government:			
Aboriginal Affairs and Northern Development Canada	387,202	440,431	408,408
BC Treaty	67,940	67,940	61,140
Income from government business partnerships	-	194,819	275,271
Rental Income	10,560	10,570	6,705
Interest income	-	92	85
Administration fee	36,000	36,000	48,270
Other	113,678	210,952	255,605
	615,380	960,804	1,055,484
Expenditures			
Education	75,538	101,116	80,789
Economic Development	54,100	176,527	136,990
Housing	19,080	57,732	15,354
Band Government	425,129	566,546	586,768
Employment Programs	25,837	20,376	27,769
Public Works	211,485	217,898	292,951
	811,169	1,140,195	1,140,621
Annual deficit	(195,789)	(179,391)	(85,137)
Accumulated surplus at beginning of year	487,702	487,702	572,839
Accumulated surplus at end of year	291,913	308,311	487,702

The accompanying notes are an integral part of these financial statements.

DA'NAXDA'XW FIRST NATION
STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2014

	2014 Budget	2014 Actual	2013
	\$	\$	\$
Annual deficit	(195,789)	(179,391)	(85,137)
Amortization of tangible capital assets	-	154,229	163,342
Acquisition of prepaid asset	875	(7,722)	(8,597)
<u>Use of prepaid asset</u>	<u>-</u>	<u>8,597</u>	<u>8,420</u>
	875	875	(177)
(Decrease) increase in net financial assets	(194,914)	(24,287)	78,028
Net debt at beginning of year	(2,523,507)	(2,523,507)	(2,601,535)
Net debt at end of year	(2,718,421)	(2,547,794)	(2,523,507)

The accompanying notes are an integral part of these financial statements.

DA'NAXDA'XW FIRST NATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
	\$	\$
Cash flows from		
Operating activities		
Annual deficit	(179,391)	(85,137)
Items not affecting cash		
Amortization	154,229	163,343
Income from government business partnerships	(194,818)	(275,596)
	(219,980)	(197,390)
Change in non-cash operating working capital		
Accounts receivable	27,934	5,001
Loans receivable	-	89,299
Prepaid expenses	875	(177)
Accounts payable	(11,455)	(11,417)
Trust funds held by Federal Government	(2,754)	(2,298)
	(205,380)	(116,982)
Financing activities		
Long-term debt	167,640	176,075
Increase (decrease) in cash and cash equivalents	(37,740)	59,093
Cash and cash equivalents, beginning of year	139,039	79,946
Cash and cash equivalents, end of year	101,299	139,039

The accompanying notes are an integral part of these financial statements.

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

1. 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 the Canadian Institute of Chartered Accountants.

(a) Reporting entity

Da'naxda'xw First Nation reporting entity includes the Da'naxda'xw First Nation government and all related entities that are controlled by the First Nation. The Da'naxda'xw First Nation has made investments in entities that are included in the financial statements using the modified equity basis of accounting.

Under the modified equity method of accounting, only the investment in the government business partnership and the partnership's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Da'naxda'xw First Nation.

Government business partnerships accounted for on a modified equity basis include:

1. Nanwakolas Carbon Credit Limited Partnership (22.98%)
2. Nanwakolas Forestry Limited Partnership (9.608%)

(b) Cash

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

(c) Loans receivable

Loans receivable are 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.

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

1. Basis of Presentation and Significant Accounting Policies (continued)

(d) 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.

Amortization is provided for on a straight-line basis over their estimated useful lives as follows:

Buildings	5% Declining balance
Computer equipment	30% Declining balance
Equipment	20% Declining balance
Boat	15% Declining balance

Tangible capital assets are written down when conditions indicate that they no longer contribute to Da'naxda'xw 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 consolidated statement of operations.

Contributed 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 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.

(e) Revenue recognition

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.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

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.

(f) Measurement uncertainty

In preparing the 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 financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

2. Accounts receivable

	2014	2013
	\$	\$
Nanwakolas Carbon Credit Limited Partnership	-	17,232
Band members	1,952	1,538
Other	3,556	14,672
	5,508	33,442

3. Loans receivable

	2014	2013
	\$	\$
Da'naxda'wx First Nation Business Trust, loan, no specified terms of repayment or stated interest rate, no portion of this amount is included in current assets.	363,748	363,748

4. Trust funds held by federal government

	March 31, 2013	Additions, 2014	March 31, 2014
	\$	\$	\$
Revenue	51,915	2,754	54,669
Capital	26,822	-	26,822
	78,737	2,754	81,491

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

5. Investment in government business partnerships

	2014	2013
Nanwakolas Forestry Limited Partnership	\$ 86,506	-
Nanwakolas Carbon Credit Limited Partnership	366,350	258,038
	452,856	258,038

Nanwakolas Forestry Limited Partnership harvests and manages timber.

Nanwakolas Carbon Credit Limited Partnership verifies and sells carbon credits on the open market.

The following table presents condensed financial information for these commercial enterprises:

	Nanwakolas Forestry Limited Partnership	Nanwakolas Carbon Credit Limited Partnership
Total assets	\$ 1,083,179	1,643,527

	\$ 183,265	\$ 49,398
Total liabilities		
Equity	899,914	1,594,129

	1,083,179	1,643,527
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	Nanwakolas Forestry Limited Partnership	Nanwakolas Carbon Credit Limited Partnership
Revenue	\$ 3,814,183	978,446
Expenses	2,900,222	507,113
Net income	913,961	471,333

6. Accounts payable

	2014	2013
Trade payables	\$ 19,024	29,408
Government remittances payable	3,426	4,498
	22,450	33,906

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

7. Long-term debt

	2014	2013
	\$	\$
AANDC, repayable as outlined in Sections 13.0 and 14.0 of the First Nation Negotiation Support Agreement.	3,347,219	3,169,762
Coastal Community Credit Union - #1, repayable at \$950 per month including interest at 4.5%.	95,270	102,071
Coastal Community Credit Union - #2, repayable at \$650 per month including interest at 5.35%.	87,757	90,772
	3,530,246	3,362,605

Principal portion of long-term debt due within the next five years:

2015	10,321
2016	10,824
2017	11,351
2018	11,904
2019 and thereafter	3,485,846
	3,530,246

**DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

8. Tangible Capital Assets

Accumulated amortization						
Cost	Balance, beginning of year	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	2014 net book value
Buildings	\$ 4,881,006	\$ 4,881,006	\$ 1,911,979	\$ 148,452	\$ 2,060,431	\$ 2,820,575
Computer equipment	50,341	50,341	48,274	620	48,894	1,447
Equipment	89,160	89,160	80,574	1,717	82,291	6,869
Boat	90,978	90,978	68,046	3,440	71,486	19,492
	5,111,485	5,111,485	2,108,873	154,229	2,263,102	2,848,383
Accumulated amortization						
Cost	Balance, beginning of year	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	2013 Net book value
Buildings	\$ 4,881,006	\$ 4,881,006	\$ 1,755,715	\$ 156,264	\$ 1,911,979	\$ 2,969,027
Computer equipment	50,341	50,341	47,389	885	48,274	2,067
Equipment	89,160	89,160	78,427	2,147	80,574	8,586
Boat	90,978	90,978	63,999	4,047	68,046	22,932
	5,111,485	5,111,485	1,945,530	163,343	2,108,873	3,002,612

**DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

9. Prepaid expenses

	2014	2013
	\$	\$
Post secondary allowances	3,700	4,575
Insurance	3,522	3,522
Security deposit - Globalstar	500	500
	<hr/> 7,722	<hr/> 8,597

10. Contingent Liabilities

Da'naxda'xw First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

The Da'naxda'xw First Nation is contingently liable for \$535,166 with respect to its guarantee of loans made by Canada Mortgage and Housing Corporation to Band members for homes built on reserve land.

11. Economic Dependence

Da'naxda'xw First Nation receives a significant portion of its revenue pursuant to a funding agreement with Aboriginal Affairs and Northern Development Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependant on this source of revenue.

12. Budgeted Figures

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Band Council.

13. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period.

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

14. Segmented information

The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The following table presents the expenses incurred and the revenue generated by main object of expense and by major revenue type. The segment results for the year are as follows:

	Education			Economic Development			Housing		
	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual
Revenues									
Aboriginal Affairs and Northern Development Canada	\$ 85,379	\$ 89,751	\$ 93,632	\$ 12,831	\$ 12,831	\$ 12,831	\$ -	\$ 35,000	\$ -
Rental Income	-	-	-	-	-	-	10,560	10,570	6,705
Other revenue	-	-	-	75,968	317,031	411,239	8,484	11,627	8,170
Total revenue	85,379	89,751	93,632	88,799	329,862	424,070	19,044	57,197	14,875
Expenses									
Other expenses	75,538	101,116	80,789	54,100	176,527	136,990	19,080	57,732	15,354
Total expenses	75,538	101,116	80,789	54,100	176,527	136,990	19,080	57,732	15,354
Annual surplus (deficit)	\$ 9,841	\$ (11,365)	\$ 12,843	\$ 34,699	\$ 153,335	\$ 287,080	\$ (36)	\$ (53)	\$ (479)
Revenues									
Band Government	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual
Aboriginal Affairs and Northern Development Canada	\$ 133,756	\$ 147,613	\$ 133,786	\$ -	\$ -	\$ -	\$ 155,236	\$ 155,236	\$ 168,159
BC Treaty	67,940	67,940	61,140	-	-	-	-	-	-
Other revenue	36,000	79,531	128,321	29,226	21,797	31,501	-	-	11,877
Total revenue	237,696	295,084	323,247	29,226	21,797	31,501	155,236	167,113	168,159
Expenses									
Wages and benefits	216,178	212,306	218,320	20,987	17,167	23,522	98,885	58,047	58,102
Amortization	-	154,228	163,343	-	-	-	-	-	-
Other expenses	208,951	200,012	205,105	4,850	3,209	4,247	112,600	159,851	234,849
Total expenses	425,129	566,546	586,768	25,837	20,376	27,769	211,485	217,898	292,951
Annual surplus (deficit)	\$ (187,433)	\$ (271,462)	\$ (263,521)	\$ 3,389	\$ 1,421	\$ 3,732	\$ (56,249)	\$ (50,785)	\$ (124,792)

DA'NAXDA'XW FIRST NATION
 NOTES TO FINANCIAL STATEMENTS
 MARCH 31, 2014

14. Segmented information, continued

	Consolidated totals		
	2014 Budget	2014 Actual	2013 Actual
	\$	\$	\$
Revenues			
Aboriginal Affairs and Northern Development Canada	\$ 387,202	\$ 440,431	\$ 408,408
BC Treaty	67,940	67,940	61,140
Rental Income	10,560	10,570	6,705
Other revenue	149,678	441,863	579,231
Total revenue	615,380	960,804	1,055,484
Expenses			
Wages and benefits	336,050	287,520	299,944
Amortization	-	154,228	163,343
Other expenses	475,119	698,447	677,334
Total expenses	811,169	1,140,195	1,140,621
Annual surplus (deficit)	\$ (195,789)	\$ (179,391)	\$ (85,137)