

DA'NAXDA'XW FIRST NATION

FINANCIAL STATEMENTS

MARCH 31, 2015

**DA'NAXDA'XW FIRST NATION
FINANCIAL STATEMENTS
MARCH 31, 2015**

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DA'NAXDA'XW FIRST NATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
MARCH 31, 2015

The accompanying financial statements of Da'naxda'xw First Nation are the responsibility of management and have been approved by the Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the financial statements and the external auditor's report.

The external auditors, Moeller & Company, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Da'naxda'xw First Nation and meet when required.

On behalf of Da'naxda'xw First Nation:

Wm Glendale
Chief Councillor

Sept 22, 2015
Date

Anne Glendale
Councillor

Sept 22, 2015
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, 2015, 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, 2015, 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
September 18, 2015

Moeller & Company
Chartered Professional Accountants

DA'NAXDA'XW FIRST NATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015

	2015	2014
	\$	\$
Financial Assets		
Cash	324,737	101,299
Accounts receivable (Note 2)	35,974	5,508
Loans receivable (Note 3)	461,292	363,748
Trust funds held by Federal Government (Note 4)	83,977	81,491
Investment in government business partnerships (Note 5)	149,232	452,856
	1,055,212	1,004,902
Liabilities		
Accounts payable (Note 6)	81,022	22,450
Long-term debt (Note 7)	3,720,034	3,530,246
	3,801,056	3,552,696
Net debt	(2,745,844)	(2,547,794)
Non-financial Assets		
Tangible capital assets (Note 8)	2,855,248	2,848,383
Prepaid expenses (Note 9)	7,147	7,722
	2,862,395	2,856,105
Accumulated Surplus	116,551	308,311

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

, Chief Councillor

, 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, 2015

	2015 Budget (unaudited)	2015 Actual	2014 Actual
	\$	\$	\$
Revenue			
Federal Government:			
Aboriginal Affairs and Northern Development Canada	385,047	414,823	440,431
BC Treaty	51,440	50,092	67,940
Income from government business partnerships	-	248,735	194,819
Rental Income	12,600	13,840	10,570
Interest income	-	136	92
Administration fee	36,000	-	-
Other	129,448	250,987	210,952
	614,535	978,613	924,804
Expenditures			
Education	75,538	107,995	101,116
Economic Development	54,100	148,454	176,527
Housing	19,080	10,251	57,732
Band Government	488,128	540,801	530,545
Employment Programs	25,837	15,950	20,375
Public Works	211,485	346,922	217,898
	874,168	1,170,373	1,104,193
Annual deficit	(259,633)	(191,760)	(179,389)
Accumulated surplus at beginning of year	308,311	308,311	487,700
Accumulated surplus at end of year	48,678	116,551	308,311

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, 2015

	2015 Budget (unaudited)	2015 Actual	2014
	\$	\$	\$
Annual deficit	(259,633)	(191,760)	(179,389)
Acquisition of tangible capital assets	-	(165,000)	-
Amortization of tangible capital assets	-	158,135	154,229
	-	(6,865)	154,229
Acquisition of prepaid asset	-	(7,147)	(7,725)
Use of prepaid asset	-	7,722	8,597
	-	575	872
Decrease in net financial assets	(259,633)	(198,050)	(24,288)
Net debt at beginning of year	(2,547,794)	(2,547,794)	(2,523,506)
Net debt at end of year	(2,807,427)	(2,745,844)	(2,547,794)

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, 2015

	2015	2014
	\$	\$
Cash flows from Operating activities		
Annual deficit	(191,760)	(179,389)
Items not affecting cash		
Amortization	158,135	154,229
Income from government business partnerships	(248,735)	(194,818)
	(282,360)	(219,978)
Change in non-cash operating working capital		
Accounts receivable	(30,466)	27,934
Loans receivable	(97,544)	-
Prepaid expenses	575	875
Accounts payable	58,572	(11,457)
Trust funds held by Federal Government	(2,486)	(2,754)
	(353,709)	(205,380)
Capital activities		
Purchase of property and equipment	(165,000)	-
Financing activities		
Advances of long term debt	200,368	177,457
Repayments of long term debt	(10,581)	(9,817)
	189,787	167,640
Investing activities		
Distributions from government business partnerships	552,360	-
Increase (decrease) in cash and cash equivalents	223,438	(37,740)
Cash and cash equivalents, beginning of year	101,299	139,039
Cash and cash equivalents, end of year	324,737	101,299

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

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

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, 2015

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, 2015

2. Accounts receivable

	2015	2014
	\$	\$
Band members	600	1,952
Other	33,374	3,556
Aboriginal Affairs and Northern Development Canada	<u>2,000</u>	-
	<u>35,974</u>	<u>5,508</u>

3. Loans receivable

	2015	2014
	\$	\$
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.	<u>311,262</u>	363,748
Da'naxda'xw Economic Development Corporation, loan, no specified terms of repayment or stated interest rate, no portion of this amount is included as current assets.	<u>150,030</u>	-
	<u>461,292</u>	<u>363,748</u>

4. Trust funds held by Federal Government

	March 31, 2014	Additions, 2015	March 31, 2015
	\$	\$	\$
Revenue	54,669	2,486	57,155
Capital	26,822	-	26,822
	81,491	2,486	83,977

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, 2015

5. Investment in government business partnerships

	2015	2014
	\$	\$
Nanwakolas Forestry Limited Partnership	33,837	86,506
Nanwakolas Carbon Credit Limited Partnership	115,395	366,350
	149,232	452,856

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	373,389	581,462
Total liabilities	10,848	79,573
Equity	362,541	501,889
Total liabilities and equity	373,389	581,462
	Nanwakolas Forestry Limited Partnership	Nanwakolas Forestry Limited Partnership
	\$	\$
Revenue	6,682,777	853,901
Expenses	4,842,726	553,313
Net income	1,840,051	300,588

6. Accounts payable

	2015	2014
	\$	\$
Trade payables	77,157	19,024
Government remittances payable	3,865	3,426
	81,022	22,450

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

7. Long-term debt

	2015	2014
	\$	\$
AANDC, repayable as outlined in Sections 13.0 and 14.0 of the First Nation Negotiation Support Agreement.	3,547,587	3,347,219
Coastal Community Credit Union - #1, repayable at \$940 per month including interest at 4.35%.	88,098	95,270
Coastal Community Credit Union - #2, repayable at \$620 per month including interest at 4.35%.	84,349	87,757
	<u>3,720,034</u>	<u>3,530,246</u>

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

2016	11,445
2017	11,953
2018	12,483
2019	13,037
2020 and thereafter	3,671,116
	<u>3,720,034</u>

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

8. Tangible Capital Assets

	Cost			Accumulated amortization			2015 net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
Buildings	4,881,006	-	4,881,006	2,060,431	141,028	2,201,459	2,679,547
Computer equipment	50,341	-	50,341	48,894	434	49,328	1,013
Equipment	89,160	-	89,160	82,291	1,374	83,665	5,495
Boat	90,978	165,000	255,978	71,486	15,299	86,785	169,193
	5,111,485	165,000	5,276,485	2,263,102	158,135	2,421,237	2,855,248

	Cost			Accumulated amortization			2014 Net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
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

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

9. Prepaid expenses

	2015	2014
Post secondary allowances	\$ 3,125	\$ 3,700
Insurance	3,522	3,522
Security deposit - Globalstar	500	500
	<hr/> 7,147	<hr/> 7,722

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 \$499,429 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, 2015

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 Actual
	2015 Budget	2015 Actual	2014 Actual	2015 Budget	2015 Actual	2014 Actual	2015 Budget	2015 Actual	
Revenues									
Aboriginal Affairs and Northern Development Canada	\$ 85,379	\$ 88,568	\$ 89,751	\$ 12,831	\$ 6,962	\$ 12,831	-	\$ 768	\$ 35,000
Income from government business partnerships	-	-	-	-	248,735	194,819	-	-	-
Rental Income	-	-	-	-	-	-	12,600	13,840	10,570
Other revenue	-	-	-	75,968	154,795	122,212	8,484	7,800	11,627
Total revenue	85,379	88,568	89,751	88,799	410,492	329,862	21,084	22,408	57,197
Expenses									
Other expenses	75,538	107,995	101,116	54,100	148,454	176,527	19,080	10,251	57,732
Total expenses	75,538	107,995	101,116	54,100	148,454	176,527	19,080	10,251	57,732
Annual surplus (deficit)	\$ 9,841	\$ (19,427)	\$ (11,365)	\$ 34,699	\$ 262,038	\$ 153,335	\$ 2,004	\$ 12,157	\$ (535)

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

14. Segmented information, continued

	2015 Budget	Band Government		2015 Budget	Employment Programs			2015 Budget	Public Works	
		2015 Actual	2014 Actual		2015 Actual	2014 Actual	2015 Actual		2015 Actual	2014 Actual
Revenues										
Aboriginal Affairs and Northern Development Canada	\$ 131,601	\$ 153,128	\$ 147,613	-	\$ -	\$ -	\$ -	\$ 155,236	\$ 165,397	\$ 155,236
BC Treaty	51,440	50,092	67,940	-	-	-	-	-	-	-
Other revenue	51,770	75,070	43,531	29,226	13,458	21,797	-	-	-	11,877
Total revenue	234,811	278,290	259,084	29,226	13,458	21,797	155,236	165,397	167,113	
Expenses										
Wages and benefits	197,200	210,124	212,306	20,987	10,112	17,167	98,885	61,540	58,047	
Amortization	-	158,135	154,228	-	-	-	-	-	-	
Other expenses	290,928	172,542	164,011	4,850	5,838	3,208	112,600	285,382	159,851	
Total expenses	488,128	540,801	530,545	25,837	15,950	20,375	211,485	346,922	217,898	
Annual surplus (deficit)	\$ (253,317)	\$ (262,511)	\$ (271,461)	\$ 3,389	\$ (2,492)	\$ 1,422	\$ (56,249)	\$ (181,525)	\$ (50,785)	

		Consolidated totals		
		2015 Budget	2015 Actual	2014 Actual
Revenues				
Aboriginal Affairs and Northern Development Canada	\$ 385,047	\$ 414,823	\$ 440,431	
Income from government business partnerships	-	248,735	194,819	
BC Treaty	51,440	50,092	67,940	
Rental Income	12,600	13,840	10,570	
Other revenue	165,448	251,123	211,044	
Total revenue	614,535	978,613	924,804	
Expenses				
Wages and benefits	317,072	281,776	287,520	
Amortization	-	158,135	154,228	
Other expenses	557,096	730,462	662,445	
Total expenses	874,168	1,170,373	1,104,193	
Annual surplus (deficit)	\$ (259,633)	\$ (191,760)	\$ (179,389)	