

DA'NAXDA'XW FIRST NATION

FINANCIAL STATEMENTS

MARCH 31, 2017

**DA'NAXDA'XW FIRST NATION
FINANCIAL STATEMENTS
MARCH 31, 2017**

Management's Responsibility for Financial Reporting	1
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Revenue, Expenditures and Accumulated Surplus	4
Statement of Change in Net Financial Assets (Debt)	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 16

DA'NAXDA'XW FIRST NATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
MARCH 31, 2017

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 Chartered Professional Accountants of Canada 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 Matthews, 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:


Chief Councillor


Date


Councillor


Date

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, 2017, and the statements of revenue, expenditures and accumulated surplus, change in net financial assets (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, 2017, 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
October 24, 2017


Chartered Professional Accountants

DA'NAXDA'XW FIRST NATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017

	2017	2016
	\$	\$
Financial Assets		
Cash	187,648	155,195
Accounts receivable (Note 2)	36,400	14,852
Loans receivable (Note 3)	1,640,401	709,689
Trust funds held by Federal Government (Note 4)	88,403	86,227
Investment in government business partnerships (Note 5)	2,641,697	83,763
	<u>4,594,549</u>	<u>1,049,726</u>
Liabilities		
Accounts payable (Note 6)	160,704	64,991
Long-term debt (Note 7)	3,878,002	3,804,252
	<u>4,038,706</u>	<u>3,869,243</u>
Net financial assets (debt)	<u>555,843</u>	<u>(2,819,517)</u>
Non-financial Assets		
Tangible capital assets (Note 8)	3,797,312	2,694,488
Prepaid expenses (Note 9)	20,182	6,408
	<u>3,817,494</u>	<u>2,700,896</u>
Accumulated Surplus (Deficit)	<u>4,373,337</u>	<u>(118,621)</u>

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, 2017

	2017 Budget	2017 Actual	2016 Actual
	\$	\$	\$
Revenue			
Federal Government:			
Indigenous and Northern Affairs Canada	1,326,984	1,331,495	627,989
British Columbia Treaty Commission	186,682	80,000	80,000
Income from government business partnerships	-	2,685,355	182,929
Rental Income	12,530	12,530	12,692
Investment income	-	1,208,331	228
Administration fee	25,000	-	24,000
Other	436,322	572,728	294,426
	1,987,518	5,890,439	1,222,264
Expenditures			
Education	166,675	168,389	83,366
Economic Development	199,100	484,211	449,985
Housing	20,720	6,285	20,860
Band Government	359,730	501,778	640,997
Employment Programs	30,401	19,854	33,028
Public Works	1,261,930	217,964	229,202
	2,038,556	1,398,481	1,457,438
Annual surplus (deficit)	(51,038)	4,491,958	(235,174)
Accumulated surplus (deficit) at beginning of year	(118,621)	(118,621)	116,553
Accumulated surplus (deficit) at end of year	(169,659)	4,373,337	(118,621)

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

DA'NAXDA'XW FIRST NATION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED MARCH 31, 2017

	2017 Budget (unaudited)	2017 Actual	2016
	\$	\$	\$
Annual surplus (deficit)	(51,038)	4,491,958	(235,174)
Acquisition of tangible capital assets	-	(1,261,774)	-
Amortization of tangible capital assets	-	158,950	160,760
	-	(1,102,824)	160,760
Acquisition of prepaid asset	-	(19,682)	(7,283)
Use of prepaid asset	-	5,908	8,022
	-	(13,774)	739
Decrease in net financial assets	(51,038)	3,375,360	(73,675)
Net debt at beginning of year	(2,819,517)	(2,819,517)	(2,745,842)
Net debt at end of year	(2,870,555)	555,843	(2,819,517)

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, 2017

	2017	2016
	\$	\$
Cash flows from		
Operating activities		
Annual surplus (deficit)	4,491,958	(235,174)
Items not affecting cash		
Amortization	158,950	160,761
Income from government business partnerships	(2,685,355)	(182,929)
	1,965,553	(257,342)
Change in non-cash operating working capital		
Accounts receivable	(21,548)	21,122
Loans receivable	(930,712)	(248,397)
Prepaid expenses	(13,774)	739
Accounts payable	95,713	(16,030)
Trust funds held by Federal Government	(2,176)	(2,250)
	1,093,056	(502,158)
Capital activities		
Purchase of property and equipment	(1,261,775)	-
Financing activities		
Advances of long term debt	85,815	96,317
Repayments of long term debt	(12,065)	(12,098)
	73,750	84,219
Investing activities		
Contribution in government business partnerships	(100)	-
Distributions from government business partnerships	127,522	248,397
	127,422	248,397
Increase (decrease) in cash and cash equivalents	32,453	(169,542)
Cash and cash equivalents, beginning of year	155,195	324,737
Cash and cash equivalents, end of year	187,648	155,195

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

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

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 Chartered Professional Accountants of Canada.

(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%)
3. Nanwakolas Offset Limited Partnership (19.608%)
4. Nanwakolas Timber Limited Partnership (20.647%)

(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, 2017

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 over their estimated useful lives at the following rates and methods:

Buildings	5% Declining balance
Automotive equipment	30% 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, 2017

2. Accounts receivable

	2017	2016
	\$	\$
Band members	6,016	673
Indigenous & Northern Affairs Canada	3,538	2,000
Other	26,846	12,179
	36,400	14,852

3. Loans receivable

	2017	2016
	\$	\$
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	1,519,461	311,262
Da'naxda'wx Economic Development Corporation, loan, no specified terms of repayment or stated interest rate, no portion of this amount is included as current assets	119,065	398,427
Da'naxda'wx First Nation Treaty, loan, no specified terms of repayment or stated interest rate, no portion of this amount is included as current assets	1,875	-
	1,640,401	709,689

4. Trust funds held by Federal Government

	March 31, 2016	Additions, 2017	March 31, 2017
	\$	\$	\$
Capital	26,822	-	26,822
Revenue	59,405	2,176	61,581
	86,227	2,176	88,403

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, 2017

5. Investment in government business partnerships

	2017	2016
	\$	\$
Nanwakolas Carbon Credit Limited Partnership	184,762	42,734
Nanwakolas Forestry Limited Partnership	39,992	41,029
Nanwakolas Offset Limited Partnership	(1,579)	-
Nanwakolas Timber Limited Partnership	2,418,522	-
	2,641,697	83,763

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

Nanwakolas Forestry Limited Partnership harvests and manages timber.

Nanwakolas Offset Limited Partnership develops carbon credit and emission offset projects within the Great Bear Rainforest and markets, sells, and distributes such carbon credits and emission offsets.

Nanwakolas Timber Limited Partnership develops forestry based opportunities within the Great Bear Rainforest.

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

	Nanwakolas Carbon Credit Limited Partnership	Nanwakolas Forestry Limited Partnership	Nanwakolas Offset Limited Partnership	Nanwakolas Timber Limited Partnership
	\$	\$	\$	\$
Total assets	961,085	421,328	763	11,484,665
Total liabilities	157,480	2,709	8,387	44,300
Equity	803,605	418,619	(7,624)	11,440,365
Total liabilities and equity	961,085	421,328	763	11,484,665

	Nanwakolas Carbon Credit Limited Partnership	Nanwakolas Forestry Limited Partnership	Nanwakolas Offset Limited Partnership	Nanwakolas Timber Limited Partnership
	\$	\$	\$	\$
Revenue	868,952	2,936	-	1,729,772
Expenses	250,905	13,718	8,134	92,715
Net income	618,047	(10,782)	(8,134)	1,637,057

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

6. Accounts payable

	2017	2016
	\$	\$
Government remittances payable	4,930	4,220
Trade payables	155,774	60,771
	<u>160,704</u>	<u>64,991</u>

7. Long-term debt

	2017	2016
	\$	\$
Indigenous and Northern Affairs Canada, repayable as outlined in Sections 13.0 and 14.0 of the First Nation Negotiation Support Agreement	3,643,904	3,643,904
Coastal Community Credit Union - #1, repayable at \$910 per month including interest at 3.84%	72,491	80,466
Coastal Community Credit Union - #2, repayable at \$590 per month including interest at 3.84%	75,792	79,882
Da'naxda'wx First Nation Treaty, loan, no specified terms of repayment or stated interest rate, no portion of this amount is included in current liabilities	1,875	-
Da'naxda'wx Forestry Services Ltd, loan, no specified terms of repayment or stated interest rate, no portion of this amount is included in current liabilities	83,940	-
	<u>3,878,002</u>	<u>3,804,252</u>

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

2018	12,524
2019	13,014
2020	13,523
2021	14,051
2022 and thereafter	3,824,890
	<u>3,878,002</u>

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

8. Tangible Capital Assets

	Cost			Accumulated amortization			
	Balance, beginning of year \$	Additions \$	Balance, end of year \$	Balance, beginning of year \$	Amortization end of year \$	Balance, end of year \$	2017 net book value \$
Buildings	4,881,006	1,243,705	6,124,711	2,335,437	133,576	2,469,013	3,655,698
Automotive equipment	-	18,069	18,069	-	2,710	2,710	15,359
Computer equipment	50,341	-	50,341	49,632	213	49,845	496
Equipment	89,160	-	89,160	84,764	879	85,643	3,517
Boat	255,978	-	255,978	112,164	21,572	133,736	122,242
	5,276,485	1,261,774	6,538,259	2,581,997	158,950	2,740,947	3,797,312

	Cost			Accumulated amortization			
	Balance, beginning of year \$	Additions \$	Balance, end of year \$	Balance, beginning of year \$	Amortization end of year \$	Balance, end of year \$	2016 Net book value \$
Buildings	4,881,006	-	4,881,006	2,201,459	133,978	2,335,437	2,545,569
Computer equipment	50,341	-	50,341	49,328	304	49,632	709
Equipment	89,160	-	89,160	83,665	1,099	84,764	4,396
Boat	255,978	-	255,978	86,785	25,379	112,164	143,814
	5,276,485	-	5,276,485	2,421,237	160,760	2,581,997	2,694,488

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

9. Prepaid expenses

	2017	2016
	\$	\$
Insurance	10,869	1,533
Post secondary allowances	8,813	4,375
Security deposit - Globalstar	500	500
	<u>20,182</u>	<u>6,408</u>

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 \$363,146 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 Indigenous and Northern Affairs 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. Band Support Accumulated Surplus

The accumulated surplus recorded in the Band Support program includes the Band's equity in property and equipment and the Band's equity in Ottawa Trust funds.

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

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	
	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual
Revenues								
Indigenous and Northern Affairs Canada	\$ 85,379	\$ 82,961	\$ 82,418	\$ 12,831	\$ 19,104	\$ 177,284	\$ -	\$ -
Income from government business partnerships	-	-	-	-	2,685,355	182,929	-	-
Rental income	-	-	-	-	-	-	12,530	12,692
Other revenue	85,379	-	-	205,638	1,383,805	170,266	8,484	7,800
Total revenue	170,758	82,961	82,418	218,469	4,088,264	530,479	21,014	20,330
Expenses								
Contractors	-	-	-	35,500	50,037	108,154	-	200
Insurance	-	-	-	-	18,863	-	-	-
Materials and supplies	136,675	129,332	74,581	11,100	9,792	32,623	10,920	150
Professional fees	-	-	-	8,500	18,869	-	-	-
Repairs and maintenance	-	-	-	3,500	202,877	115,674	-	-
Travel	-	530	510	10,500	51,660	4,319	-	-
Wages and benefits	30,000	38,527	8,274	130,000	121,139	185,037	-	5,838
Other expenses	-	-	1	-	10,974	4,178	9,800	5,935
Total expenses	166,675	168,389	83,366	199,100	484,211	449,985	20,720	6,285
Annual surplus (deficit)	\$ 4,083	\$ (85,428)	\$ (948)	\$ 19,369	\$ 3,604,053	\$ 80,494	\$ 294	\$ 14,045
								\$ (368)

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

14. Segmented information, continued

	Band Government		Employment Programs		Public Works	
	2017 Budget	2016 Actual	2017 Budget	2016 Actual	2017 Budget	2016 Actual
Revenues	\$	\$	\$	\$	\$	\$
Indigenous and Northern Affairs Canada	139,264	131,914	-	-	1,089,510	1,097,516
British Columbia Treaty Commission	186,682	80,000	-	-	-	-
Other revenue	42,739	51,337	29,082	29,082	90,000	309,035
Total revenue	368,685	263,251	29,082	29,082	1,179,510	1,406,551
Expenses						
Amortization	-	158,950	-	-	-	-
Contractors	32,365	15,575	-	3,431	2,500	16,905
Insurance	7,200	-	-	-	-	-
Materials and supplies	-	3,045	-	1,201	102,500	16,547
Professional fees	7,000	15,116	-	-	-	-
Repairs and maintenance	-	74	-	-	25,000	135,932
Travel	49,712	20,140	-	-	-	-
Wages and benefits	217,273	263,461	30,401	15,222	98,885	48,270
Other expenses	46,180	25,417	-	-	1,033,045	310
Total expenses	359,730	501,778	30,401	19,854	1,261,930	217,964
Annual surplus (deficit)	\$ 8,955	\$(238,527)	\$(1,319)	\$ 9,228	\$(82,420)	\$ 1,188,587
						\$(61,365)

DA'NAXDA'XW FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

14. Segmented information, continued

	2017 Budget	2017 Actual	2016 Actual
	\$	\$	\$
Revenues			
Indigenous and Northern Affairs Canada	\$ 1,326,984	\$ 1,331,495	\$ 627,989
Income from government business partnerships	-	2,685,355	182,929
British Columbia Treaty Commission	186,682	80,000	80,000
Rental Income	12,530	12,530	12,692
Other revenue	461,322	1,781,059	318,654
Total revenue	1,987,518	5,890,439	1,222,264
Expenses			
Amortization	-	158,950	160,759
Contractors	70,365	86,148	182,664
Insurance	7,200	18,863	21,755
Materials and supplies	261,195	160,067	131,637
Professional fees	15,500	33,985	13,129
Repairs and maintenance	28,500	338,883	246,040
Travel	60,212	72,330	88,477
Wages and benefits	506,559	486,619	570,428
Other expenses	1,089,025	42,636	42,549
Total expenses	2,038,556	1,398,481	1,457,438
Annual surplus (deficit)	\$ (51,038)	\$ 4,491,958	\$ (235,174)