

**DA'NAXDA'XW FIRST NATION**  
**Consolidated Financial Statements**  
**March 31, 2018**

# DA'NAXDA'XW FIRST NATION

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## Consolidated Financial Statements

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Year Ended March 31, 2018

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# MANAGEMENT REPORT

**March 31, 2018**

The Chiefs of the Da'naxda'xw First Nation have delegated the responsibility for the integrity and objectivity of the financial information contained in the consolidated financial statements to the management of Da'naxda'xw First Nation. The consolidated financial statements which, in part, are based on informed judgments and estimates, have been prepared by management employed by the Nation for and during the year ended March 31, 2018 in accordance with Canadian public sector accounting standards, which have been applied on a basis consistent with that of the preceding year except as described in the notes to the consolidated financial statements.

To assist in carrying out their responsibility, management employed for the year ending March 31, 2018, was to maintain an accounting system and internal controls to provide reasonable assurance that transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and that financial records are reliable for preparation of the financial statements. These systems were to be monitored and evaluated by management. These systems were not adequately implemented or monitored and financial records are not reliable for the preparation of the financial statements.

The Da'naxda'xw First Nation's independent auditors, Chan Nowosad Boates Inc., Chartered Professional Accountants, are engaged to express an opinion as to whether these consolidated financial statements present fairly the Da'naxda'xw First Nation's financial position and operating results in accordance with Canadian public sector accounting standards. Their opinion was to be based on procedures they consider sufficient to support such an opinion, however we understand that they could not obtain sufficient information to form a reasonable conclusion and will be issuing a disclaimer of opinion.

The consolidated financial statements have, in management's opinion, not been properly prepared within reasonable limits of materiality and in accordance with Canadian public sector accounting standards as a result of the limited information and records available to the current auditors, management and those charged with governance of the Nation. These statements do not present, in all significant respects the complete and accurate financial position of Da'naxda'xw First Nation as at March 31, 2018. The financial statements are being issued at the request of Indigenous Services Canada as well as to assist the Nation in moving forward to subsequent fiscal years when records and information is more readily available. The Nation, those charged with governance of it, and its management understand that the attached financial statements are inaccurate, incomplete and that the existence of assets held and reported by the Nation may be able to be called into question.



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Chief Robert Duncan  
May 26, 2022



## INDEPENDENT AUDITORS' REPORT

To the Chiefs and the Members of Da'naxda'xw First Nation

### Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of the Da'naxda'xw First Nation (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations, accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Nation. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

### Basis for Disclaimer of Opinion

The scope of our audit was limited by the loss of or destruction of an unknown quantity of the Nation's accounting and financial records that could potentially have a material impact on amounts recorded in the consolidated financial statements, as well as by managements lack of record keeping and accounting.

Due to the pervasive nature of this scope limitation, we were unable to fully verify the existence, valuation, accuracy, and completeness of financial information provided by management for the year-end March 31, 2018, as well as the opening balances as at April 1, 2017. The scope of the audit was not sufficient to warrant the expression of an opinion and we are not expressing an opinion on the financial information included within the consolidated financial statements.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Nation's financial reporting process.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Nation's consolidated financial statements in accordance with Canadian generally accepted auditing standards and to issue an auditors' report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Other Matters**

The financial statements of the Nation for the year ended March 31, 2017 were audited by another firm of Chartered Professional Accountants who expressed an unqualified opinion on those financial statements on October 24, 2017.

*Chan Nawrood Boates Inc*

Chartered Professional Accountants  
Campbell River, BC

May 26, 2022

# DA'NAXDA'XW FIRST NATION

## Consolidated Statement of Financial Position

March 31, 2018

2018

2017

(Note 11)

### FINANCIAL ASSETS

Cash	\$ 219,135	\$ 320,320
Federal Trust Funds (Note 2)	90,892	88,403
Short Term Investments	7,618	7,527
Accounts Receivable (Note 3)	639,037	36,400
Loans Receivable (Note 4)	1,695,666	1,695,666
Investment in Government Business Partnerships (Note 5)	<u>2,900,123</u>	<u>2,641,697</u>
	<u>5,552,471</u>	<u>4,790,013</u>

### LIABILITIES

Accounts Payable (Note 6)	81,225	161,708
Deferred Revenue (Note 7)	459,403	-
Long Term Debt (Note 8)	<u>4,043,213</u>	<u>3,883,295</u>
	<u>4,583,841</u>	<u>4,045,003</u>

### NET FINANCIAL ASSETS

<u>968,630</u>	<u>745,010</u>
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### NON-FINANCIAL ASSETS

Prepaid Expenses	19,402	20,182
Tangible Capital Assets (Note 9)	<u>3,994,962</u>	<u>3,797,312</u>
	<u>4,014,364</u>	<u>3,817,494</u>

### ACCUMULATED SURPLUS

<u>\$ 4,982,994</u>	<u>\$ 4,562,504</u>
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### Commitments and Contingent Liabilities (Note 10)

Approved by:

  
\_\_\_\_\_  
Chief

*James Glendale*  
\_\_\_\_\_  
Chief

*Chief William Gordon Glendale*  
\_\_\_\_\_  
Chief

*Ruby Mannita for Billy Peters*  
\_\_\_\_\_  
Chief

# DA'NAXDA'XW FIRST NATION

## Consolidated Statement of Operations

Year Ended March 31, 2018

	<b>2018</b>		<b>2017</b>
	<b>Actual</b>	<b>Budget</b>	
	<small>(Note 14)</small>		<small>(Note 11)</small>
<b>Revenue</b>			
Indigenous Services Canada	\$ 845,931	\$ 1,326,984	\$ 1,331,495
Province of British Columbia	87,285	171,129	87,215
British Columbia Treaty Commission	-	-	80,000
Rental Income	13,707	12,530	12,530
Investment Income	459	-	1,384,437
Other Revenue	337,391	293,128	446,500
Earnings from Government Business Partnerships	<u>519,405</u>	<u>-</u>	<u>2,685,355</u>
	<u>1,804,178</u>	<u>1,803,771</u>	<u>6,027,532</u>
<b>Expenditures (Note 12)</b>			
Band Government	514,050	167,853	430,569
Economic Development	347,721	191,331	484,642
Education	160,512	166,675	168,389
Employment Programs	17,026	30,401	19,854
Housing	8,710	12,920	6,285
Public Works	<u>335,669</u>	<u>1,207,987</u>	<u>217,964</u>
	<u>1,383,688</u>	<u>1,777,167</u>	<u>1,327,703</u>
<b>Annual Surplus</b>	<u>\$ 420,490</u>	<u>\$ 26,604</u>	<u>\$ 4,699,829</u>

# DA'NAXDA'XW FIRST NATION

## Consolidated Statement of Accumulated Surplus

Year Ended March 31, 2018

	<b>2018</b>		<b>2017</b>
	<b>Actual</b>	<b>Budget</b>	
	(Note 14)		(Note 11)
<b>Accumulated Surplus - Beginning of Year</b>	\$ 4,562,504	\$ 4,562,504	\$ (137,325)
<b>Annual Surplus</b>	<u>420,490</u>	<u>26,604</u>	<u>4,699,829</u>
<b>Accumulated Surplus - End of Year</b>	<u>\$ 4,982,994</u>	<u>\$ 4,589,108</u>	<u>\$ 4,562,504</u>



# DA'NAXDA'XW FIRST NATION

## Consolidated Statement of Changes in Net Financial Assets

Year Ended March 31, 2018

2018

2017

(Note 11)

<b>Annual Surplus</b>	\$ <u>420,490</u>	\$ <u>4,699,829</u>
Tangible Capital Assets Purchased	(358,066)	(1,261,774)
Amortization of Tangible Capital Assets	<u>160,416</u>	<u>158,950</u>
	<u>(197,650)</u>	<u>(1,102,824)</u>
Net Acquisition of Prepaid Asset	<u>780</u>	<u>(13,774)</u>
<b>Increase in Net Financial Assets</b>	223,620	3,583,231
<b>Net Financial Assets - Beginning of Year</b>	<u>745,010</u>	<u>(2,838,221)</u>
<b>Net Financial Assets - End of Year</b>	\$ <u>968,630</u>	\$ <u>745,010</u>

# DA'NAXDA'XW FIRST NATION

## Consolidated Statement of Cash Flows

Year Ended March 31, 2018

2018

2017

(Note 11)

### Cash Flows From Operating Activities:

Annual Surplus	\$ 420,490	\$ 4,699,829
Items Not Affecting Cash		
Amortization	160,416	158,950
Earnings from Da'naxda'xw Forestry Services LP	-	(18,704)
Earnings from Government Business Partnerships	<u>(519,405)</u>	<u>(2,685,355)</u>
	61,501	2,154,720
Changes in Non-Cash Working Capital		
Short Term Investments	(91)	(75)
Accounts Receivable	(602,637)	(21,548)
Loans Receivable	-	(980,684)
Prepaid Expenses	780	(13,774)
Accounts Payable	(80,483)	96,716
Deferred Revenue	<u>459,403</u>	<u>-</u>
	<u>(161,527)</u>	<u>1,235,355</u>

### Cash Flows From Financing Activities:

Proceeds from Long Term Debt	172,273	85,815
Repayment of Long Term Debt	<u>(12,355)</u>	<u>(12,065)</u>
	<u>159,918</u>	<u>73,750</u>

### Cash Flows From Investing Activities:

Distributions from Government Business Partnerships	365,494	127,522
Contributions to Government Business Partnerships	(104,515)	(100)
Increase in Ottawa Trust Funds	<u>(2,489)</u>	<u>(2,176)</u>
	<u>258,490</u>	<u>125,246</u>

### Cash Flows From Capital Activities:

Purchase of Tangible Capital Assets	<u>(358,066)</u>	<u>(1,261,774)</u>
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### Increase (Decrease) in Cash and Cash Equivalents

(101,185) 172,577

### Cash and Cash Equivalents - Beginning of Year

320,320 147,743

### Cash and Cash Equivalents - End of Year

\$ 219,135 \$ 320,320

# DA'NAXDA'XW FIRST NATION

## Notes to the Consolidated Financial Statements

March 31, 2018

### 1. Significant Accounting Policies:

#### a) Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

#### b) Basis of Presentation

The consolidated financial statements include the accounts of the Da'naxda'xw First Nation (the "Nation") and one organization that is controlled by the Nation, Da'naxda'xw Economic Development Corporation (the "Controlled Entity").

The Controlled Entity has been consolidated on a line-by-line basis. Inter-organizational balances and transactions are eliminated upon consolidation.

The Nation has investments in entities that meet the definition of a Government Business Partnership ("GBP") that are recorded using the modified equity basis of accounting.

Under the modified equity method of accounting, only the Nation's investment in the business partnerships and the partnerships' net income and other changes in equity are recorded. No adjustment is made for accounting policies of the partnerships that are different from those of the Nation, except that any other comprehensive income of the business partnerships is accounted for as an adjustment to the accumulated surplus or deficit. Inter-organizational transactions and balances are not eliminated.

Investments in the following partnerships are accounted for by the modified equity method:

Nanwakolas Carbon Credit Limited Partnership (22.98%)  
Nanwakolas Offset Limited Partnership (19.608%)  
Nanwakolas Forestry Limited Partnership and Knight Inlet Grizzly Lodge Ltd. (9.608%)  
Nanwakolas Timber Limited Partnership (20.647%)

#### c) Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services and may be consumed in normal operations. Non-financial assets include tangible capital assets and prepaid expenses. Intangible assets and items inherited by right of the Crown, are not recognized in the consolidated financial statements.

#### d) Cash

Cash includes cash on hand and balances held with banks. Cash subject to restrictions that prevent its use for current purposes is not included in cash.

#### e) Loans Receivable

Loans receivable are initially recorded at cost and are subsequently measured at the lower of cost and net realizable value. Valuation allowances are made when collection is doubtful as assessed by management. Loans are reviewed on an annual basis by management. Interest income is recognized in the period earned, and ceases to be earned if the collection of the outstanding principal and interest amounts is not reasonably assured.

# DA'NAXDA'XW FIRST NATION

## Notes to the Consolidated Financial Statements

March 31, 2018

### 1. Significant Accounting Policies (continued):

#### f) 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 using the declining balance method at the following rates:

Automobiles	30%
Boat	15%
Buildings	5%
Computers	30%
Equipment	20%

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Nation's ability to provide goods and services, or when the value of future economic benefits associated with the assets are less than their net book value. The net writedowns are accounted for as expenses in the consolidated statement of operations.

Contributed tangible capital assets are recorded as revenue 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.

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.

#### g) Revenue Recognition

Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue and is recorded on an accrual basis, except when the accrual cannot be determined with a reasonable degree of certainty or when 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 any 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 consolidated statement of operations as the 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 being performed is deferred and recognized when the fee is earned or service performed.

#### h) Measurement Uncertainty

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, revenues, and expenses at the reporting date. Significant estimates include the useful lives of tangible capital assets, impairment of tangible capital assets, recoverability of investments and advances, accrued liabilities, and contingent liabilities. Actual results could differ from these estimates.

# DA'NAXDA'XW FIRST NATION

## Notes to the Consolidated Financial Statements

March 31, 2018

### 2. Federal Trust Funds:

	<u>2017</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>2018</u>
Revenue	\$ 61,581	\$ 2,489	\$ -	\$ 64,070
Capital	<u>26,822</u>	<u>-</u>	<u>-</u>	<u>26,822</u>
	<u>\$ 88,403</u>	<u>\$ 2,489</u>	<u>\$ -</u>	<u>\$ 90,892</u>

The Trust Funds Held by the Federal Government 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 and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the *Indian Act*.

### 3. Accounts Receivable:

	<u>2018</u>	<u>2017</u>
Due from Members:	\$ 6,848	\$ 6,016
Due from Others:		
Indigenous Services Canada	497,722	3,538
Other	<u>134,467</u>	<u>26,846</u>
	<u>632,189</u>	<u>30,384</u>
Net Accounts Receivable	<u>\$ 639,037</u>	<u>\$ 36,400</u>

### 4. Loans Receivable:

	<u>2018</u>	<u>2017</u>
Da'naxda'xw First Nation Business Trust	\$ 1,695,566	\$ 1,695,566
Da'naxda'xw Forestry Services Ltd.	<u>100</u>	<u>100</u>
	<u>\$ 1,695,666</u>	<u>\$ 1,695,666</u>

The above-noted loans carry no specific terms of repayment or stated interest rate.

# DA'NAXDA'XW FIRST NATION

## Notes to the Consolidated Financial Statements

March 31, 2018

### 5. Investment in Government Business Partnerships:

The Nation's investment in Government Business Partnerships consists of the following:

	<u>2018</u>	<u>2017</u>
<b>Investments and Earnings (Loss) in Business Partnerships:</b>		
Nanwakolas Carbon Credit Limited Partnership	\$ 19,040	\$ 184,762
Nanwakolas Forestry Limited Partnership	39,280	39,992
Nanwakolas Offset Limited Partnership	101,037	(1,579)
Nanwakolas Timber Limited Partnership	2,669,768	2,418,522
Nanwakolas Timber LP - Investment in Knight Inlet Grizzly Tours Ltd.	70,998	-
	<u>\$ 2,900,123</u>	<u>\$ 2,641,697</u>

Nanwakolas Forestry Limited Partnership and Nanwakolas Timber Limited Partnership ("Timber LP") harvest and manage timber. Nanwakolas Carbon Credit Limited Partnership and Nanwakolas Offset Limited Partnership verify and sell carbon credits on the open market.

Timber LP is presented on a consolidated basis which includes the balance that would be allocated to Timber LP from Knight Inlet Grizzly Tours ("KIGT"). KIGT operates the Knight Inlet Lodge that provides Grizzly Tours. It is wholly owned by Timber LP but its operations are not reflected within the financial statements of the Timber LP as it is not consolidated into the Timber LP financial statements, with the Timber LP reporting under Accounting Standards for Private Enterprises (ASPE) and accounting for the investment in KIGT at cost. KIGT has an October 31st year end. For the remainder of this note, its operations are presented as combined with Timber LP.

	Nanwakolas Carbon Credit Limited Partnership	Nanwakolas Forestry Limited Partnership	Nanwakolas Offset Limited Partnership	Nanwakolas Timber Limited Partnership	Total 2018	Total 2017
Total Assets	\$ 138,096	\$ 414,011	\$ 289,750	\$ 18,996,354	\$ 19,838,211	\$ 12,867,841
Total Liabilities	55,819	2,799	3,005	2,134,223	2,195,846	212,876
Total Equity	82,277	411,212	286,745	16,862,131	17,642,365	12,654,965
Total Liabilities and Equity	<u>\$ 138,096</u>	<u>\$ 414,011</u>	<u>\$ 289,750</u>	<u>\$ 18,996,354</u>	<u>\$ 19,838,211</u>	<u>\$ 12,867,841</u>
Revenue	\$ 1,106,886	\$ 3,653	\$ -	\$ 6,478,799	\$ 7,589,338	\$ 2,601,660
Expenses	237,562	11,060	5,530	4,891,205	5,145,357	365,472
Net Income	<u>\$ 869,324</u>	<u>\$ (7,407)</u>	<u>\$ (5,530)</u>	<u>\$ 1,587,594</u>	<u>\$ 2,443,981</u>	<u>\$ 2,236,188</u>

### 6. Accounts Payable:

	<u>2018</u>	<u>2017</u>
Government Remittances Payable	\$ 5,330	\$ 6,930
Trade Payable	75,895	154,778
	<u>\$ 81,225</u>	<u>\$ 161,708</u>

# DA'NAXDA'XW FIRST NATION

## Notes to the Consolidated Financial Statements

March 31, 2018

### 7. Deferred Revenue:

	<u>2017</u>	<u>Funding Received</u>	<u>Revenue Recognized</u>	<u>2018</u>
Indigenous Services Canada:				
NP0S-001	\$ -	\$ 98	\$ -	\$ 98
NP12-001	-	98	-	98
NP13-001	-	61	-	61
NP1B-001	-	75	33	42
NPG7-001	-	5,000	500	4,500
NTM9-001	-	497,722	449,622	48,100
NTOD-001	-	378,204	-	378,204
	-	881,258	450,155	431,103
Coast Conservation Endowment Fund Foundation	-	28,300	-	28,300
	<u>\$ -</u>	<u>\$ 909,558</u>	<u>\$ 450,155</u>	<u>\$ 459,403</u>

### 8. Long Term Debt:

	<u>2018</u>	<u>2017</u>
Indigenous Services Canada - Treaty Loan	\$ 3,643,904	\$ 3,643,904
Coastal Community Credit Union Loan: Repayable at \$910 per month plus interest at 3.84% per annum; due July 1, 2018.	64,274	72,491
Coastal Community Credit Union Loan: Repayable at \$590 per month plus interest at 3.84% per annum; due July 5, 2018.	71,654	75,792
Da'naxda'xw Forestry Services Ltd. Loan: No specified terms of repayment or stated interest rate.	<u>263,381</u>	<u>91,108</u>
	<u>\$ 4,043,213</u>	<u>\$ 3,883,295</u>

# DA'NAXDA'XW FIRST NATION

## Notes to the Consolidated Financial Statements

March 31, 2018

### 8. Long Term Debt (continued):

Principal repayments within each of the next five years and beyond is estimated to be as follows:

2019	\$	12,758
2020		13,264
2021		13,789
2022		14,335
2023 and beyond		3,989,067

### 9. Tangible Capital Assets:

	Cost				Accumulated Amortization				Net Book Value	
	Opening	Additions	Disposals	Closing	Opening	Amort	Disposals	Closing	2018	2017
Automobiles	\$ 18,069	\$ -	\$ -	\$ 18,069	\$ 2,710	\$ 4,608	\$ -	\$ 7,318	\$ 10,751	\$ 15,359
Boats	255,978	-	-	255,978	133,736	18,336	-	152,072	103,906	122,242
Buildings	6,124,711	351,216	-	6,475,927	2,469,013	133,195	-	2,602,208	3,873,719	3,655,698
Computers	50,341	6,850	-	57,191	49,845	3,574	-	53,419	3,772	496
Equipment	89,160	-	-	89,160	85,643	703	-	86,346	2,814	3,517
	<u>\$ 6,538,259</u>	<u>\$ 358,066</u>	<u>\$ -</u>	<u>\$ 6,896,325</u>	<u>\$ 2,740,947</u>	<u>\$ 160,416</u>	<u>\$ -</u>	<u>\$ 2,901,363</u>	<u>\$ 3,994,962</u>	<u>\$ 3,797,312</u>

### 10. Commitments and Contingent Liabilities:

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

The Nation is contingently liable for \$333,171 with respect to its guarantee of loans made by Canada Mortgage and Housing Corporation to members of the Nation for homes built on reserve land.

Additional potential commitments and contingent liabilities are further discussed in Note 17, Subsequent Events.

### 11. Prior Period Adjustments:

1. The March 31, 2017 consolidated financial statements have been restated to reflect an increase in income earned within the Da'naxda'xw Forestry Services Limited Partnership from its Stafford Lake forestry site, which is allocated to the Nation as a beneficiary of the Da'naxda'xw First Nation Business Trust; see the table on the next page for the impacts of this restatement.
2. The March 31, 2017 consolidated financial statements have been restated to include an adjustment for amounts that were found to be duplicated in the bank reconciliation, as well as amounts that were entered that resulted in revenues and expenses being incorrectly grossed up; see the table on the next page for the impacts of this restatement.



# DA'NAXDA'XW FIRST NATION

## Notes to the Consolidated Financial Statements

March 31, 2018

### 11. Prior Period Adjustments (continued):

3. In the current year, the Nation determined that its controlled entity, Da'naxda'xw Economic Development Corporation, does not and has not in prior years met the definition of a Government Business Enterprise as defined within the Public Sector Accounting Standards for Government entities. As a result, the Nation has elected to consolidate the entity by making a prior period restatement. See the table below for the impacts of this restatement.

	Previously Stated at March 31, 2017	Prior Period Adjustment (1)	Prior Period Adjustment (2)	Prior Period Adjustment (3)	Restated as at March 31, 2018
Cash	\$ 180,122	\$ -	\$ 21,800	\$ 118,398	\$ 320,320
Loans Receivable	1,638,526	176,106	-	(118,966)	1,695,666
Accounts Payable	160,707	-	-	1,001	161,708
Long Term Debt	3,876,127	-	-	7,168	3,883,295
Investment Income	1,208,331	176,106	-	-	1,384,437
Other Income	485,512	-	(49,410)	10,398	446,500
Band Government Expenditures	501,779	-	(71,210)	-	430,569
Economic Development Expenditures	484,211	-	-	431	484,642
Annual Surplus - March 31, 2017	4,491,956	176,106	21,800	9,967	4,699,829
Accumulated Deficit - April 1, 2016	(118,621)	-	-	(18,704)	(137,325)
Accumulated Surplus - March 31, 2017	4,373,335	176,106	21,800	(8,737)	4,562,504

Term deposits of \$7,257 were previously included in Cash. In the current year, this balance was classified as short-term investments and removed from the cash balance. This balance has been excluded from the cash balance as previously stated in the above table.

FCRSA income of \$87,215 was previously included in Other Income. In the current year, this balance was classified as income from the Province of British Columbia. This balance has been excluded from the Other Income balance as previously stated in the above table.

A Treaty loan of \$1,875 was previously included in Loans Receivable. In the current year, this balance was offset against the treaty loan balance in long term debt. This balance has been excluded from the Loans Receivable balance as previously stated in the above table.

# DA'NAXDA'XW FIRST NATION

## Notes to the Consolidated Financial Statements

March 31, 2018

### 12. Schedule of Expenses by Object:

	<u>2018</u>	<u>2017</u>
Advertising	\$ 4,438	\$ 4,492
Amortization	160,416	158,950
Contractors	169,887	86,148
Honoraria	6,389	6,250
Insurance	28,057	18,863
Interest and Bank Charges	9,002	9,084
Material and Supplies	160,001	160,066
Office	13,608	11,641
Professional Fees	102,004	34,406
Rent	983	3,131
Repairs and Maintenance	177,895	338,883
Travel	98,174	72,268
Telephone and Utilities	8,612	8,050
Wages and Benefits	444,222	415,471
	<u>\$ 1,383,688</u>	<u>\$ 1,327,703</u>

### 13. Economic Dependence:

The Nation receives a significant portion of its revenues from Indigenous Services Canada (ISC) as a result of agreements entered into with the Government of Canada. These agreements are administered by ISC under the terms and conditions of the Indian Act. The ability of the Nation to continue operations consistent with that of the current year is dependant upon the Government of Canada's continued financial commitments as guaranteed by these agreements.

### 14. Budget Figures:

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Council and have not been audited. Not all departments or programs had budgets prepared.

### 15. Comparative Figures:

Certain prior year figures have been reclassified, where necessary, to conform with the current year's presentation.

### 16. Band Support Accumulated Surplus:

The accumulated surplus recorded under Band Support includes the Nation's equity in property and equipment and the Nation's equity in federal trust funds.

# DA'NAXDA'XW FIRST NATION

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## Notes to the Consolidated Financial Statements

March 31, 2018

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### 17. Subsequent Events:

#### **Forensic Audit and Report:**

Subsequent to March 31, 2018, it was identified that there potentially had been a misappropriation of assets as well as potentially other untoward actions taken by the management of the Nation and those charged with governance of the Nation. These purported improprieties were reported to ISC. Ernst & Young LLP (EY) was engaged to perform a forensic audit for the period of April 1, 2016 to September 30, 2019 (the "Period"). Prior to the commencement of their audit, it was identified that supporting records for the above described period were no longer available and may have been removed from the Nation's office or destroyed.

The final report was provided by EY to the Nation and ISC on January 20, 2021. The report detailed that it appears that funding from ISC was used to make unsupported and ineligible payments during the Period that totaled \$321,485. The report also detailed that \$86,446 in post-secondary support payments and living allowances, funded by ISC, were paid to individuals who were not members of the Nation. The report also detailed that ISC funding was used to make advances of funds to members of the Nation that totaled \$5,666.

As of the date of the issuance of these financial statements, May 26, 2022, ISC has not explicitly confirmed with the Nation that the Nation will be responsible for the repayment of the above noted funds, totaling \$413,597, to ISC. It is possible that ISC may require the repayment of what are potentially unsupported or inappropriate payments noted above, totaling \$413,597.

The EY Report also identified payments on a credit card for purchases of potentially a personal nature of \$54,646 using the Nations own funds.

#### **Treaty Loan Forgiveness:**

On March 31, 2020, the total amount of \$3,643,904 in comprehensive land claim negotiation loan debt was forgiven by Canada.

#### **COVID-19:**

The Nation evaluated its March 31, 2018 financial statements to the date the financial statements were issued. As of this date, the global outbreak of the coronavirus disease (COVID-19) has caused economic uncertainties that are likely to have a material impact on the annual surplus of the Nation. The extent of the impact of COVID-19 on the Nation and its operations in future years cannot be determined at this time.

### 18. Segment Disclosure:

The Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations. These activities can also be categorized into segments. The following segments have been identified and as such are separately disclosed:

#### **Education:**

Education contains activities that provide education and facilitate educational opportunities to members for primary and secondary schooling and adult vocational training.

#### **Economic Development:**

Economic Development contains activities that are involved in the development and operation of economic opportunities.

# DA'NAXDA'XW FIRST NATION

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## Notes to the Consolidated Financial Statements

March 31, 2018

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### 18. Segment Disclosure (continued):

**Housing:**

Housing contains activities that relate to on reserve housing.

**Band Government:**

Band Government contains activities that are needed to manage and administer the Nation's organization, including corporate administration. Band Government is responsible for the support and coordination of all of the Nation's segments.

**Employment Programs:**

The objectives of the Employment Programs segment are to assist the members of the Nation to develop as individuals and find gainful employment.

**Public Works:**

Public Works contains activities that are involved in the development and operation of infrastructure for the support of the community.

# DA'NAXDA'XW FIRST NATION

## Schedule 1 - Consolidated Segment Disclosure

March 31, 2018

	Education	Economic Development	Housing	Band Government	Employment Programs	Public Works	Total
<b>Revenue</b>							
ISC	\$ 131,427	\$ 14,344	\$ -	\$ 170,082	\$ -	\$ 1,026,325	\$ 1,342,178
Provincial	-	87,285	-	-	-	-	87,285
Other	-	698,118	20,957	119,585	32,302	-	870,962
	<u>131,427</u>	<u>799,747</u>	<u>20,957</u>	<u>289,667</u>	<u>32,302</u>	<u>1,026,325</u>	<u>2,300,425</u>
<b>Expenses</b>							
Materials and Supplies	106,162	13,454	2,935	12,729	-	24,721	160,001
Professional Fees	-	59,460	-	42,544	-	-	102,004
Wages and Benefits	51,714	157,031	-	70,566	15,973	148,938	444,222
Other	2,636	117,776	5,775	388,211	1,053	162,010	677,461
	<u>160,512</u>	<u>347,721</u>	<u>8,710</u>	<u>514,050</u>	<u>17,026</u>	<u>335,669</u>	<u>1,383,688</u>
ISC Recoveries	-	-	-	(65,144)	-	-	(65,144)
ISC Transfer to Deferred Revenue	(299)	-	-	(4,500)	-	(426,304)	(431,103)
<b>Annual Surplus (Deficit)</b>	<u>\$ (29,384)</u>	<u>\$ 452,026</u>	<u>\$ 12,247</u>	<u>\$ (294,027)</u>	<u>\$ 15,276</u>	<u>\$ 264,352</u>	<u>\$ 420,490</u>

March 30, 2017

	Education	Economic Development	Housing	Band Government	Employment Programs	Public Works	Total
<b>Revenue</b>							
ISC	\$ 82,961	\$ 19,104	\$ -	\$ 131,914	\$ -	\$ 1,097,516	\$ 1,331,495
Provincial	-	87,215	-	80,000	-	-	167,215
Other	-	4,168,449	20,330	1,926	29,082	309,035	4,528,822
	<u>82,961</u>	<u>4,274,768</u>	<u>20,330</u>	<u>213,840</u>	<u>29,082</u>	<u>1,406,551</u>	<u>6,027,532</u>
<b>Expenses</b>							
Materials and Supplies	129,332	9,792	150	3,044	1,201	16,547	160,066
Professional Fees	-	19,290	-	15,116	-	-	34,406
Wages and Benefits	38,527	121,139	-	192,313	15,222	48,270	415,471
Other	530	334,421	6,135	220,096	3,431	153,147	717,760
	<u>168,389</u>	<u>484,642</u>	<u>6,285</u>	<u>430,569</u>	<u>19,854</u>	<u>217,964</u>	<u>1,327,703</u>
<b>Annual Surplus (Deficit)</b>	<u>\$ (85,428)</u>	<u>\$ 3,790,126</u>	<u>\$ 14,045</u>	<u>\$ (216,729)</u>	<u>\$ 9,228</u>	<u>\$ 1,188,587</u>	<u>\$ 4,699,829</u>