

**DA'NAXDA'XW FIRST NATION**  
**Consolidated Financial Statements**

**March 31, 2019**

# DA'NAXDA'XW FIRST NATION

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## Consolidated Financial Statements

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Year Ended March 31, 2019

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## MANAGEMENT REPORT

March 31, 2019

The elected Council 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, 2019 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, 2019, 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.

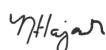
The consolidated financial statements have, in management's and the elected Council's opinion, not been properly prepared within reasonable limits of materiality and in accordance with Canadian public sector accounting standards as a result of the limited information and records available to the current 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, 2019. 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.



Councilor



Councilor



Councilor



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Councilor



## 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, 2019, 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 management's 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, 2019, as well as the opening balances as at April 1, 2018. 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.

**Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

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.

*Chan Nowzad Boats Inc*

Chartered Professional Accountants  
Campbell River, BC

February 22, 2024

# DA'NAXDA'XW FIRST NATION

## Consolidated Statement of Financial Position

March 31, 2019

2019

2018

### FINANCIAL ASSETS

Cash	\$ 1,426,399	\$ 219,135
Ottawa Trust Funds (Note 2)	93,506	90,892
Short Term Investments	7,731	7,618
Accounts Receivable (Note 3)	15,630	639,037
Loans Receivable (Note 4)	1,695,714	1,695,666
Investment in Government Business Partnerships (Note 5)	3,994,342	2,900,123
	<u>7,233,322</u>	<u>5,552,471</u>

### LIABILITIES

Accounts Payable (Note 6)	86,575	81,225
Due to Related Parties (Note 7)	433,007	263,381
Deferred Revenue (Note 8)	6,722	459,403
Long Term Debt (Note 9)	3,767,114	3,779,832
	<u>4,293,418</u>	<u>4,583,841</u>

### NET FINANCIAL ASSETS

2,939,904 968,630

### NON-FINANCIAL ASSETS

Prepaid Expenses	16,605	19,402
Tangible Capital Assets (Note 10)	4,534,349	3,994,962
	<u>4,550,954</u>	<u>4,014,364</u>

### ACCUMULATED SURPLUS

\$ 7,490,858 \$ 4,982,994

### Commitments and Contingent Liabilities (Note 11)

Approved by:

  
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Councilor

  
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# DA'NAXDA'XW FIRST NATION

## Consolidated Statement of Operations

Year Ended March 31, 2019

	<b>2019</b>		<b>2018</b>
	<b>Actual</b>	<b>Budget</b>	
	(Note 14)		
<b>Revenue</b>			
Indigenous Services Canada	\$ 2,642,656	\$ -	\$ 845,931
Province of British Columbia	175,247	31,202	87,285
First Nations Health Authority	28,897	-	-
Rental Income	5,735	-	13,707
Interest	3,010	-	2,948
Other Revenue	385,997	-	334,902
Earnings from Government Business Partnerships	<u>1,094,220</u>	<u>-</u>	<u>519,405</u>
	<u>4,335,762</u>	<u>31,202</u>	<u>1,804,178</u>
<b>Expenditures (Note 12)</b>			
Band Government	781,752	31,202	514,050
Economic Development	237,450	-	347,721
Education	208,088	-	160,512
Employment Programs	-	-	17,026
Housing	11,236	-	8,710
Public Works	<u>589,372</u>	<u>-</u>	<u>335,669</u>
	<u>1,827,898</u>	<u>31,202</u>	<u>1,383,688</u>
<b>Annual Surplus</b>	<b>\$ 2,507,864</b>	<b>\$ -</b>	<b>\$ 420,490</b>

# DA'NAXDA'XW FIRST NATION

## Consolidated Statement of Accumulated Surplus

Year Ended March 31, 2019

	<b>2019</b>		
	<b>Actual</b>	<b>Budget</b>	<b>2018</b>
<b>Accumulated Surplus - Beginning of Year</b>	\$ 4,982,994	\$ 4,982,994	\$ 4,562,504
<b>Annual Surplus</b>	<u>2,507,864</u>	<u>-</u>	<u>420,490</u>
<b>Accumulated Surplus - End of Year</b>	<u>\$ 7,490,858</u>	<u>\$ 4,982,994</u>	<u>\$ 4,982,994</u>

# DA'NAXDA'XW FIRST NATION

## Consolidated Statement of Changes in Net Financial Assets

Year Ended March 31, 2019

2019

2018

<b>Annual Surplus</b>	\$ 2,507,864	\$ 420,490
Tangible Capital Assets Purchased	(689,536)	(358,066)
Amortization of Tangible Capital Assets	150,149	160,416
	<u>(539,387)</u>	<u>(197,650)</u>
Net Acquisition of Prepaid Asset	2,797	780
<b>Increase in Net Financial Assets</b>	1,971,274	223,620
<b>Net Financial Assets - Beginning of Year</b>	<u>968,630</u>	<u>745,010</u>
<b>Net Financial Assets - End of Year</b>	\$ 2,939,904	\$ 968,630

# DA'NAXDA'XW FIRST NATION

## Consolidated Statement of Cash Flows

Year Ended March 31, 2019

2019

2018

### Cash Flows From Operating Activities:

Annual Surplus	\$ 2,507,864	\$ 420,490
Items Not Affecting Cash		
Amortization	150,149	160,416
Earnings from Government Business Partnerships	(1,094,220)	(519,405)
	1,563,793	61,501
Changes in Non-Cash Working Capital		
Short Term Investments	(113)	(91)
Accounts Receivable	623,407	(602,637)
Loans Receivable	(48)	-
Prepaid Expenses	2,797	780
Accounts Payable	5,351	(80,483)
Deferred Revenue	(452,681)	459,403
	1,742,506	(161,527)

### Cash Flows From Financing Activities:

Repayments to Related Parties	169,626	(104,515)
Proceeds from Long Term Debt	-	172,273
Repayment of Long Term Debt	(12,718)	(12,355)
	156,908	55,403

### Cash Flows From Investing Activities:

Distributions from Government Business Partnerships	-	365,494
Increase in Ottawa Trust Funds	(2,614)	(2,489)
	(2,614)	363,005

### Cash Flows From Capital Activities:

Purchase of Tangible Capital Assets	(689,536)	(358,066)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,207,264</b>	<b>(101,185)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>219,135</b>	<b>320,320</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 1,426,399</b>	<b>\$ 219,135</b>

# DA'NAXDA'XW FIRST NATION

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## Notes to the Consolidated Financial Statements

March 31, 2019

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### 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 (26.180%)

Nanwakolas Forestry Limited Partnership and Knight Inlet Grizzly Lodge Ltd. (9.608%)

Nanwakolas Timber Limited Partnership (20.648%)

#### 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

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## Notes to the Consolidated Financial Statements

March 31, 2019

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### 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.

Rental, other fees or services and interest revenue are recognized as revenue in the period earned, when collection is reasonably assured.

#### 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 the possibility of contingent liabilities. Actual results could differ from these estimates.

# DA'NAXDA'XW FIRST NATION

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## Notes to the Consolidated Financial Statements

March 31, 2019

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### 2. Ottawa Trust Funds:

	<u>2018</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>2019</u>
Revenue	\$ 64,070	\$ 2,614	\$ -	\$ 66,684
Capital	\$ 26,822	\$ -	\$ -	\$ 26,822
	<u>\$ 90,892</u>	<u>\$ 2,614</u>	<u>\$ -</u>	<u>\$ 93,506</u>

The Ottawa 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>2019</u>	<u>2018</u>
Due from Members:	\$ 6,848	\$ 6,848
Due from Others:		
Indigenous Services Canada	\$ -	\$ 497,722
Other	<u>\$ 8,782</u>	<u>\$ 134,467</u>
	<u>\$ 8,782</u>	<u>\$ 632,189</u>
Net Accounts Receivable	\$ 15,630	\$ 639,037

### 4. Loans Receivable:

	<u>2019</u>	<u>2018</u>
Da'naxda'xw First Nation Business Trust	\$ 1,695,614	\$ 1,695,566
Da'naxda'xw Forestry Services Ltd.	\$ 100	\$ 100
	<u>\$ 1,695,714</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, 2019

### 5. Investment in Government Business Partnerships:

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

	<u>2019</u>	<u>2018</u>
<b>Investments and Earnings in Business Partnerships:</b>		
Nanwakolas Carbon Credit Limited Partnership	\$ 144,260	\$ 19,040
Nanwakolas Forestry Limited Partnership	39,652	39,280
Nanwakolas Offset Limited Partnership	511,894	101,037
Nanwakolas Timber Limited Partnership	3,166,779	2,669,768
Nanwakolas Timber LP - Investment in Knight Inlet Grizzly Tours Ltd.	<u>131,757</u>	<u>70,998</u>
	<u>\$ 3,994,342</u>	<u>\$ 2,900,123</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, KIGT operations are presented as combined with Timber LP.

	Nanwakolas	Carbon	Nanwakolas	Nanwakolas	Nanwakolas	Total	Total
		Credit	Forestry	Offset	Timber		
		Limited	Limited	Limited	Limited		
		Partnership	Partnership	Partnership	Partnership	2019	2018
Total Assets	<u>\$ 691,711</u>	<u>\$ 415,072</u>	<u>\$ 2,641,108</u>	<u>\$ 22,711,826</u>	<u>\$ 26,459,717</u>	<u>\$ 19,838,211</u>	
Total Liabilities	64,522	-	785,013	2,955,708	3,805,243	2,195,846	
Total Equity	<u>627,189</u>	<u>415,072</u>	<u>1,856,095</u>	<u>19,756,118</u>	<u>22,654,474</u>	<u>17,642,365</u>	
Total Liabilities and Equity	<u>\$ 691,711</u>	<u>\$ 415,072</u>	<u>\$ 2,641,108</u>	<u>\$ 22,711,826</u>	<u>\$ 26,459,717</u>	<u>\$ 19,838,211</u>	
Revenue	\$ 623,022	\$ 5,855	\$ 1,672,654	\$ 8,094,387	\$ 10,395,918	\$ 7,589,338	
Expenses	<u>78,110</u>	<u>1,995</u>	<u>103,304</u>	<u>5,200,400</u>	<u>5,383,809</u>	<u>5,145,357</u>	
Net Income	<u>\$ 544,912</u>	<u>\$ 3,860</u>	<u>\$ 1,569,350</u>	<u>\$ 2,893,987</u>	<u>\$ 5,012,109</u>	<u>\$ 2,443,981</u>	

### 6. Accounts Payable:

	<u>2019</u>	<u>2018</u>
Government Remittances Payable	\$ 6,979	\$ 5,330
Trade Payable	<u>79,596</u>	<u>75,895</u>
	<u>\$ 86,575</u>	<u>\$ 81,225</u>

# DA'NAXDA'XW FIRST NATION

## Notes to the Consolidated Financial Statements

March 31, 2019

### 7. Due to Related Parties:

Da'naxda'xw Forestry Services Ltd.:

No specified terms of repayment or stated interest rate. \$ 433,007      \$ 263,381

### 8. Deferred Revenue:

	2018	Funding Received	Revenue Recognized	2019
Indigenous Services Canada:				
NP0S-001	\$ 98	\$ -	\$ -	\$ 98
NP12-001	98	-	-	98
NP13-001	61	-	-	61
NP1B-001	42	-	-	42
NPG7-001	4,500	-	4,500	-
NTM9-001	48,100	-	48,100	-
NTOD-001	378,204	-	378,204	-
NGNF-001	-	5,000	500	4,500
NT51-001	-	14,278	12,355	1,923
	<u>431,103</u>	<u>19,278</u>	<u>443,659</u>	<u>6,722</u>
Coast Conservation Endowment Fund Foundation	<u>28,300</u>	<u>-</u>	<u>28,300</u>	<u>-</u>
	<u><u>\$ 459,403</u></u>	<u><u>\$ 19,278</u></u>	<u><u>\$ 471,959</u></u>	<u><u>\$ 6,722</u></u>

### 9. Long Term Debt:

	2019	2018
Indigenous Services Canada - Treaty Loan	\$ 3,643,904	\$ 3,643,904
Coastal Community Credit Union Loan: Repayable at \$928 per month plus interest at 4.29% per annum; due July 1, 2020.	55,738	64,274
Coastal Community Credit Union Loan: Repayable at \$595 per month plus interest at 4.29% per annum; due July 5, 2020.	<u>67,472</u>	<u>71,654</u>
	<u><u>\$ 3,767,114</u></u>	<u><u>\$ 3,779,832</u></u>

# DA'NAXDA'XW FIRST NATION

## Notes to the Consolidated Financial Statements

March 31, 2019

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

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

2020	\$ 13,264
2021	13,789
2022	14,335
2023	14,902
2024 and beyond	3,710,824

### 10. Tangible Capital Assets:

	Cost				Accumulated Amortization				Net Book Value	
	Opening	Additions	Disposals	Closing	Opening	Amort	Disposals	Closing	2019	2018
Automobiles	\$ 18,069	\$ -	\$ -	\$ 18,069	\$ 7,318	\$ 3,225	\$ -	\$ 10,543	\$ 7,526	\$ 10,751
Boats	255,978	-	-	255,978	152,072	15,586	-	167,658	88,320	103,906
Buildings	6,475,927	689,536	-	7,165,463	2,602,208	127,246	-	2,729,454	4,436,009	3,873,719
Computers	57,191	-	-	57,191	53,419	3,529	-	56,948	243	3,772
Equipment	89,160	-	-	89,160	86,346	563	-	86,909	2,251	2,814
	\$ 6,896,325	\$ 689,536	\$ -	\$ 7,585,861	\$ 2,901,363	\$ 150,149	\$ -	\$ 3,051,512	\$ 4,534,349	\$ 3,994,962

### 11. 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 \$299,536 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 16, Subsequent Events.

# DA'NAXDA'XW FIRST NATION

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## Notes to the Consolidated Financial Statements

March 31, 2019

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### 12. Schedule of Expenses by Object:

	<u>2019</u>	<u>2018</u>
Advertising	\$ -	\$ 4,438
Amortization	150,149	160,416
Contractors	636,656	169,887
Honoraria	-	6,389
Insurance	32,753	28,057
Interest and Bank Charges	9,686	9,002
Material and Supplies	267,697	160,001
Office	24,691	13,608
Professional Fees	719	102,004
Rent	8,384	983
Repairs and Maintenance	202,666	177,895
Travel	36,463	98,174
Telephone and Utilities	6,183	8,612
Wages and Benefits	<u>451,851</u>	<u>444,222</u>
	<u>\$ 1,827,898</u>	<u>\$ 1,383,688</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.

# DA'NAXDA'XW FIRST NATION

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## Notes to the Consolidated Financial Statements

March 31, 2019

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### 16. Subsequent Events:

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

Subsequent to March 31, 2019, 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 ineligible 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, 2019 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 and its businesses in years subsequent to March 31, 2019.

### 17. 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, 2019

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### 17. 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, 2019

	Education	Economic Development	Housing	Band Government	Employment Programs	Public Works	Total
<b>Revenue</b>							
ISC	\$ 139,613	\$ 14,278	\$ -	\$ 233,545	\$ -	\$ 1,835,362	\$ 2,222,798
Provincial	-	175,247	-	-	-	-	175,247
Other	-	<u>1,259,843</u>	<u>5,735</u>	<u>214,463</u>	<u>42,319</u>	<u>426,304</u>	<u>1,948,664</u>
	<u>139,613</u>	<u>1,449,368</u>	<u>5,735</u>	<u>448,008</u>	<u>42,319</u>	<u>2,261,666</u>	<u>4,346,709</u>
<b>Expenses</b>							
Materials and Supplies	152,040	26,731	5,832	33,979	-	49,116	267,698
Professional Fees	-	-	-	719	-	-	719
Wages and Benefits	56,048	171,210	-	119,885	-	104,708	451,851
Other	-	<u>39,509</u>	<u>5,404</u>	<u>627,169</u>	-	<u>435,548</u>	<u>1,107,630</u>
	<u>208,088</u>	<u>237,450</u>	<u>11,236</u>	<u>781,752</u>	-	<u>589,372</u>	<u>1,827,898</u>
ISC Recoveries	-	-	-	(4,524)	-	-	(4,524)
ISC Transfer to Deferred Revenue	-	<u>(1,923)</u>	-	<u>(4,500)</u>	-	-	<u>(6,423)</u>
<b>Annual Surplus (Deficit)</b>	<b>\$ (68,475)</b>	<b>\$ 1,211,918</b>	<b>\$ (5,501)</b>	<b>\$ (342,768)</b>	<b>\$ 42,319</b>	<b>\$ 1,672,294</b>	<b>\$ 2,507,864</b>

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	-	<u>698,118</u>	<u>20,957</u>	<u>119,585</u>	<u>32,302</u>	-	<u>870,962</u>
	<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	<u>2,636</u>	<u>117,776</u>	<u>5,775</u>	<u>388,211</u>	<u>1,053</u>	<u>162,010</u>	<u>677,461</u>
	<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	-	<u>(299)</u>	-	<u>(4,500)</u>	-	<u>(426,304)</u>	<u>(431,103)</u>
<b>Annual Surplus (Deficit)</b>	<b>\$ (29,384)</b>	<b>\$ 452,026</b>	<b>\$ 12,247</b>	<b>\$ (294,027)</b>	<b>\$ 15,276</b>	<b>\$ 264,352</b>	<b>\$ 420,490</b>