

DA'NAXDA'XW FIRST NATION
Consolidated Financial Statements
March 31, 2020

MANAGEMENT REPORT

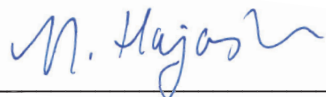
March 31, 2020

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, 2020 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, 2020, 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, CNB, 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, 2020. 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



INDEPENDENT AUDITORS' REPORT

To the Chiefs and Councilors 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, 2020, 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, 2020, as well as the opening balances as at April 1, 2019.

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 Nawrood Boatis Inc

Chartered Professional Accountants
Campbell River, BC

October 2, 2025

DA'NAXDA'XW FIRST NATION

Consolidated Statement of Financial Position

March 31, 2020

2020

2019

(Note 16)

FINANCIAL ASSETS

Cash	\$ 1,043,512	\$ 1,426,399
Ottawa Trust Funds (Note 2)	95,541	93,506
Short Term Investments	7,881	7,731
Accounts Receivable (Note 3)	203,778	38,818
Due from Related Parties (Note 4)	2,531,716	1,695,714
Investment in Government Business Partnerships (Note 5)	4,349,506	3,940,038
	<u>8,231,934</u>	<u>7,202,206</u>

LIABILITIES

Accounts Payable (Note 6)	357,866	86,575
Due to Related Parties (Note 7)	514,302	433,007
Deferred Revenue (Note 8)	183,132	6,722
Long Term Debt (Note 9)	109,974	3,767,114
	<u>1,165,274</u>	<u>4,293,418</u>

NET FINANCIAL ASSETS

<u>7,066,660</u>	<u>2,908,788</u>
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NON-FINANCIAL ASSETS

Prepaid Expenses	12,626	16,605
Tangible Capital Assets (Note 10)	5,507,272	4,534,349
	<u>5,519,898</u>	<u>4,550,954</u>

ACCUMULATED SURPLUS

<u>\$ 12,586,558</u>	<u>\$ 7,459,742</u>
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Commitments and Contingent Liabilities (Note 11)

Approved by:



Councilor



Councilor



Councilor

DA'NAXDA'XW FIRST NATION

Consolidated Statement of Operations

Year Ended March 31, 2020

	2020		2019
	Actual	Budget	(Note 16)
Revenue			
Indigenous Services Canada	\$ 528,600	\$ -	\$ 2,642,656
Province of British Columbia	237,695	-	175,247
First Nations Health Authority	346,956	-	28,897
Rental Income	25,698	-	13,967
Interest	2,679	-	3,010
Other Revenue	630,215	-	385,997
Earnings from Government Business Partnerships	<u>1,245,096</u>	<u>-</u>	<u>1,094,220</u>
	<u>3,016,939</u>	<u>-</u>	<u>4,343,994</u>
Expenditures (Note 12)			
Band Government	896,255	-	781,752
Economic Development	124,108	-	237,450
Education	121,417	-	208,088
Employment Programs	20,120	-	-
Housing	33,899	-	11,236
Public Works	<u>338,228</u>	<u>-</u>	<u>589,372</u>
	<u>1,534,027</u>	<u>-</u>	<u>1,827,898</u>
Annual Surplus from Operations	1,482,912	\$ <u>-</u>	2,516,096
Other Income			
Forgiveness of Treaty Loan (Note 9)	<u>3,643,904</u>		<u>-</u>
Annual Surplus	<u>\$ 5,126,816</u>		<u>\$ 2,516,096</u>

DA'NAXDA'XW FIRST NATION

Consolidated Statement of Accumulated Surplus

Year Ended March 31, 2020

	2020		2019
	Actual	Budget	(Note 16)
Accumulated Surplus - Beginning of Year	\$ 7,459,742	\$ -	\$ 4,943,646
Annual Surplus	<u>5,126,816</u>	<u>-</u>	<u>2,516,096</u>
Accumulated Surplus - End of Year	<u>\$ 12,586,558</u>	<u>\$ -</u>	<u>\$ 7,459,742</u>

DA'NAXDA'XW FIRST NATION

Consolidated Statement of Changes in Net Financial Assets

Year Ended March 31, 2020

2020

2019

(Note 16)

Annual Surplus	\$ 5,126,816	\$ 2,516,096
Tangible Capital Assets Purchased	(1,130,396)	(689,536)
Amortization of Tangible Capital Assets	157,473	150,149
Net Acquisition of Prepaid Asset	3,979	2,797
	<u>(968,944)</u>	<u>(536,590)</u>
Increase in Net Financial Assets	4,157,872	1,979,506
Net Financial Assets - Beginning of Year	2,908,788	968,630
Prior Period Adjustment (Note 16)	-	(39,348)
Net Financial Assets - End of Year	<u>\$ 7,066,660</u>	<u>\$ 2,908,788</u>

DA'NAXDA'XW FIRST NATION

Consolidated Statement of Cash Flows

Year Ended March 31, 2020

2020

2019

(Note 16)

Cash Flows From Operating Activities:

Annual Surplus	\$ 5,126,816	\$ 2,516,096
Items Not Affecting Cash		
Amortization	157,473	150,149
Forgiveness of Treaty Loan	(3,643,904)	-
Earnings from Government Business Partnerships	<u>(1,245,096)</u>	<u>(1,094,220)</u>
	<u>395,289</u>	<u>1,572,025</u>
Changes in Non-Cash Working Capital		
Short Term Investments	(150)	(113)
Accounts Receivable	(164,960)	615,175
Due from Related Parties	(836,002)	(48)
Prepaid Expenses	3,979	2,797
Accounts Payable	271,291	5,351
Deferred Revenue	<u>176,410</u>	<u>(452,681)</u>
	<u>(154,143)</u>	<u>1,742,506</u>

Cash Flows From Financing Activities:

Repayments to Related Parties	81,295	169,626
Repayment of Long Term Debt	<u>(13,236)</u>	<u>(12,718)</u>
	<u>68,059</u>	<u>156,908</u>

Cash Flows From Investing Activities:

Investment in Government Business Partnerships	(13)	-
Distributions from Government Business Partnerships	835,641	-
Increase in Ottawa Trust Funds	<u>(2,035)</u>	<u>(2,614)</u>
	<u>833,593</u>	<u>(2,614)</u>

Cash Flows From Capital Activities:

Purchase of Tangible Capital Assets	<u>(1,130,396)</u>	<u>(689,536)</u>
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Increase (Decrease) in Cash and Cash Equivalents (382,887) 1,207,264

Cash and Cash Equivalents - Beginning of Year 1,426,399 219,135

Cash and Cash Equivalents - End of Year \$ 1,043,512 \$ 1,426,399

DA'NAXDA'XW FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2020

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 (22.977%)
Nanwakolas Offset Limited Partnership (26.180%)
Nanwakolas Forestry Limited Partnership (16.667%)
Nanwakolas Timber Limited Partnership and Knight Inlet Grizzly Lodge Ltd. (20.647%)
Gwabalish Fisheries Limited Partnership (24.997%)

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, 2020

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

Notes to the Consolidated Financial Statements

March 31, 2020

2. Ottawa Trust Funds:

	<u>2019</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>2020</u>
Revenue	\$ 66,684	\$ 2,035	\$ -	\$ 68,719
Capital	<u>26,822</u>	<u>-</u>	<u>-</u>	<u>26,822</u>
	<u>\$ 93,506</u>	<u>\$ 2,035</u>	<u>\$ -</u>	<u>\$ 95,541</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>2020</u>	<u>2019</u>
Due from Members:	\$ <u>30,587</u>	\$ <u>30,036</u>
Due from Others:		
Indigenous Services Canada	26,254	-
Province of BC	20,000	-
First Nations Health Authority	66,244	-
Other	<u>60,693</u>	<u>8,782</u>
	<u>173,191</u>	<u>8,782</u>
	<u>\$ 203,778</u>	<u>\$ 38,818</u>

4. Due from Related Parties:

	<u>2020</u>	<u>2019</u>
Da'naxda'xw First Nation Business Trust	\$ 1,695,707	\$ 1,695,614
Da'naxda'xw Forestry Services Ltd.	100	100
Da'naxda'xw Economic Development Corporation	268	-
Nanwakolas Offset LP	331,864	-
Nanwakolas Carbon Credit LP	126,874	-
Nanwakolas Timber LP	<u>376,903</u>	<u>-</u>
	<u>\$ 2,531,716</u>	<u>\$ 1,695,714</u>

Balances due from related parties contain no specified terms of repayment or stated interest rate.

DA'NAXDA'XW FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2020

5. Investment in Government Business Partnerships:

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

	<u>2020</u>	<u>2019</u>
Investments and Earnings in Business Partnerships:		
Nanwakolas Carbon Credit Limited Partnership	\$ 16,235	\$ 144,260
Nanwakolas Forestry Limited Partnership	192	39,652
Nanwakolas Offset Limited Partnership	741,060	511,894
Nanwakolas Timber Limited Partnership	3,146,298	3,112,475
Nanwakolas Timber LP - Investment in Knight Inlet Grizzly Tours Ltd.	240,246	131,757
Gwabalish Fisheries Limited Partnership	205,475	-
	<u>\$ 4,349,506</u>	<u>\$ 3,940,038</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.

Gwabalish Fisheries Limited Partnership purchases and leases out communal fishing licenses provided by the Department of Fisheries and Oceans of Canada. Gwabalish Fisheries Limited Partnership has a December 31st year end.

	Gwabalish Fisheries Limited Partnership	Nanwakolas Carbon Credit Limited Partnership	Nanwakolas Forestry Limited Partnership	Nanwakolas Offset Limited Partnership	Nanwakolas Timber Limited Partnership	Total 2020	Total 2019
Total Assets	\$ 4,756,763	\$ 70,557	\$ 6,399	\$ 3,047,323	\$ 23,620,493	\$ 31,501,535	\$ 26,459,717
Total Liabilities	3,934,786	-	2,029	210,359	3,375,147	7,522,321	3,805,243
Total Equity	821,977	70,557	4,370	2,836,964	20,245,346	23,979,214	22,654,474
Total Liabilities and Equity	<u>\$ 4,756,763</u>	<u>\$ 70,557</u>	<u>\$ 6,399</u>	<u>\$ 3,047,323</u>	<u>\$ 23,620,493</u>	<u>\$ 31,501,535</u>	<u>\$ 26,459,717</u>
Revenue	955,288	\$ -	\$ 15	\$ 2,265,137	\$ 7,708,540	\$ 10,928,980	\$ 10,395,918
Expenses	133,359	5,006	6,725	122,166	5,581,924	5,849,180	5,383,809
Net Income (Loss)	<u>\$ 821,929</u>	<u>\$ (5,006)</u>	<u>\$ (6,710)</u>	<u>\$ 2,142,971</u>	<u>\$ 2,126,616</u>	<u>\$ 5,079,800</u>	<u>\$ 5,012,109</u>

6. Accounts Payable:

	<u>2020</u>	<u>2019</u>
Government Remittances Payable	\$ 2,784	\$ 6,979
Trade Payable	355,082	79,596
	<u>\$ 357,866</u>	<u>\$ 86,575</u>

DA'NAXDA'XW FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2020

7. Due to Related Parties:

Da'naxda'xw Forestry Services Ltd. \$ 514,302 \$ 433,007

Balances due to related parties contain no specified terms of repayment or stated interest rate.

8. Deferred Revenue:

	<u>2019</u>	<u>Funding Received</u>	<u>Revenue Recognized</u>	<u>2020</u>
Indigenous Services Canada	\$ 6,722	\$ 552,893	\$ 528,600	\$ 31,015
Nanwakolas Council Society	-	139,870	19,553	120,317
First Nations Health Authority	-	378,756	346,956	31,800
	<u>\$ 6,722</u>	<u>\$ 1,071,519</u>	<u>\$ 895,109</u>	<u>\$ 183,132</u>

9. Long Term Debt:

	<u>2020</u>	<u>2019</u>
Indigenous Services Canada - Treaty Loan	\$ -	\$ 3,643,904
Coastal Community Credit Union Loan: Repayable at \$928 per month plus interest at 4.29% per annum; due July 1, 2020.	46,825	55,738
Coastal Community Credit Union Loan: Repayable at \$595 per month plus interest at 4.29% per annum; due July 5, 2020.	<u>63,149</u>	<u>67,472</u>
	<u>\$ 109,974</u>	<u>\$ 3,767,114</u>

The amount due to Indigenous Services Canada for the Treaty Loan represented advances made by Canada for negotiations under the First Nation Negotiation Support Agreements. As of March 31, 2020, the total Treaty Loan amount of \$3,643,904 was forgiven by Canada and is no longer repayable.

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

2021	\$ 13,789
2022	14,335
2023	14,902
2024	15,493
2025 and beyond	51,455

DA'NAXDA'XW FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2020

10. Tangible Capital Assets:

	Cost				Accumulated Amortization				Net Book Value	
	Opening	Additions	Disposals	Closing	Opening	Amort	Disposals	Closing	2020	2019
Automobiles	\$ 18,069	\$ -	\$ -	\$ 18,069	\$ 10,543	\$ 2,258	\$ -	\$ 12,801	\$ 5,268	\$ 7,526
Boats	255,978	-	-	255,978	167,658	13,248	-	180,906	75,072	88,320
Buildings	7,165,463	1,014,864	-	8,180,327	2,729,454	128,770	-	2,858,224	5,322,103	4,436,009
Computers	57,191	4,480	-	61,671	56,948	857	-	57,805	3,866	243
Equipment	89,160	111,052	-	200,212	86,909	12,340	-	99,249	100,963	2,251
	<u>\$ 7,585,861</u>	<u>\$ 1,130,396</u>	<u>\$ -</u>	<u>\$ 8,716,257</u>	<u>\$ 3,051,512</u>	<u>\$ 157,473</u>	<u>\$ -</u>	<u>\$ 3,208,985</u>	<u>\$ 5,507,272</u>	<u>\$ 4,534,349</u>

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 \$270,893 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.

12. Schedule of Expenses by Object:

	2020	2019
Amortization	\$ 157,473	\$ 150,149
Contractors	191,348	636,656
Freight and Fuel	190,012	-
Honoraria	8,833	-
Insurance	38,142	32,753
Interest and Bank Charges	8,473	9,686
Material and Supplies	148,356	270,108
Office	46,386	22,280
Professional Fees	288,643	719
Rent	29,345	8,384
Repairs and Maintenance	23,541	202,666
Training	6,120	-
Travel	35,323	36,463
Telephone and Utilities	2,677	6,183
Wages and Benefits	359,355	451,851
	<u>\$ 1,534,027</u>	<u>\$ 1,827,898</u>

DA'NAXDA'XW FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2020

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. Financial Instruments:

The Nation, as part of its operations, carries a number of financial instruments. It is management's opinion that the Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit Concentration:

Financial instruments that potentially subject the Nation to concentrations of credit risk consist primarily of accounts receivable. Funding from government agencies to the Nation represents 52% (2019 - 0%) of the net accounts receivable balance. Due to the source of funding, the Nation believes there is no unusual exposure associated with the collection of these receivables.

15. Comparative Figures:

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

16. Prior Period Adjustment:

During the year ending March 31, 2020, it was determined that a 2017 bonus totalling \$263,000 that was paid to Tlowitsis First Nation, Wei Wai Kum First Nation, and K'omoks First Nation by Nanwakolas Timber LP was recorded as a withdrawal to the Partners' Capital account when it should have been reported as an expense during the year ending March 31, 2017. Comparative financial information has been restated as follows:

- Investment in Government Business Partnerships decreased by \$54,304
- Opening Accumulated Surplus decreased by \$54,304

During the year ending March 31, 2020, it was determined that rental income had been under-accrued in previous years. Comparative figures have been restated as follows:

- Accounts Receivable increased by \$23,188
- Rental Income increased by \$8,232
- Opening Accumulated Surplus increased by \$14,956

DA'NAXDA'XW FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2020

17. Subsequent Events:

Forensic Audit and Report:

During the year ending March 31, 2020, 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, October 3, 2025, 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.

BC First Nations Gaming Revenue Sharing LP:

During the year ending March 31, 2024, the Nation invested \$110 to join the BC First Nations Gaming Revenue Sharing Limited Partnership. Upon joining, a distribution totaling \$2,983,575 was paid to the Nation; this distribution represents five years of gaming revenue allocations, which had been set aside for the Nation since the inception of the BC First Nations Gaming Revenue Sharing Limited Partnership. This transaction is anticipated to increase revenue and cash by \$2,983,575 in the year ending March 31, 2024, as well as increase portfolio investments by \$110.

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

Notes to the Consolidated Financial Statements

March 31, 2020

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, 2020

	Education	Economic Development	Housing	Band Government	Employment Programs	Public Works	Total
Revenue							
ISC	\$ 139,001	\$ -	\$ -	\$ 254,199	\$ -	\$ 135,400	\$ 528,600
Provincial	-	-	-	51,195	-	186,500	237,695
Other	-	<u>1,039,727</u>	<u>25,698</u>	<u>4,521,204</u>	<u>14,704</u>	<u>344,437</u>	<u>5,945,770</u>
	<u>139,001</u>	<u>1,039,727</u>	<u>25,698</u>	<u>4,826,598</u>	<u>14,704</u>	<u>666,337</u>	<u>6,712,065</u>
Inter-Program Charges	-	-	-	(51,222)	-	-	(51,222)
	<u>139,001</u>	<u>1,039,727</u>	<u>25,698</u>	<u>4,775,376</u>	<u>14,704</u>	<u>666,337</u>	<u>6,660,843</u>
Expenses							
Materials and Supplies	115,003	852	-	28,699	-	3,801	148,355
Professional Fees	-	-	-	278,810	-	9,833	288,643
Wages and Benefits	4,683	102,394	-	195,853	17,096	39,328	359,354
Other	<u>15,631</u>	<u>20,862</u>	<u>33,899</u>	<u>404,096</u>	<u>3,024</u>	<u>311,385</u>	<u>788,897</u>
	<u>135,317</u>	<u>124,108</u>	<u>33,899</u>	<u>907,458</u>	<u>20,120</u>	<u>364,347</u>	<u>1,585,249</u>
Inter-Program Charges	(13,900)	-	-	(11,203)	-	(26,119)	(51,222)
	<u>121,417</u>	<u>124,108</u>	<u>33,899</u>	<u>896,255</u>	<u>20,120</u>	<u>338,228</u>	<u>1,534,027</u>
Annual Surplus (Deficit)	<u>\$ 17,584</u>	<u>\$ 915,619</u>	<u>\$ (8,201)</u>	<u>\$ 3,879,121</u>	<u>\$ (5,416)</u>	<u>\$ 328,109</u>	<u>\$ 5,126,816</u>

March 31, 2019

	Education	Economic Development	Housing	Band Government	Employment Programs	Public Works	Total
Revenue							
ISC	\$ 139,613	\$ 12,355	\$ -	\$ 229,022	\$ -	\$ 2,261,666	\$ 2,642,656
Other	-	<u>1,435,090</u>	<u>13,967</u>	<u>280,034</u>	<u>42,319</u>	-	<u>1,771,410</u>
	<u>139,613</u>	<u>1,447,445</u>	<u>13,967</u>	<u>509,056</u>	<u>42,319</u>	<u>2,261,666</u>	<u>4,414,066</u>
Inter-Program Charges	-	-	-	(70,072)	-	-	(70,072)
	<u>139,613</u>	<u>1,447,445</u>	<u>13,967</u>	<u>438,984</u>	<u>42,319</u>	<u>2,261,666</u>	<u>4,343,994</u>
Expenses							
Materials and Supplies	149,842	26,731	5,832	38,581	-	49,117	270,103
Professional Fees	-	-	-	719	-	-	719
Wages and Benefits	42,087	169,782	-	119,385	-	50,526	381,780
Other	<u>30,120</u>	<u>42,365</u>	<u>5,404</u>	<u>652,447</u>	-	<u>515,032</u>	<u>1,245,368</u>
	<u>222,049</u>	<u>238,878</u>	<u>11,236</u>	<u>811,132</u>	-	<u>614,675</u>	<u>1,897,970</u>
Inter-Program Charges	(13,961)	(1,428)	-	(29,380)	-	(25,303)	(70,072)
	<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>
Annual Surplus (Deficit)	<u>\$ (68,475)</u>	<u>\$ 1,209,995</u>	<u>\$ 2,731</u>	<u>\$ (342,768)</u>	<u>\$ 42,319</u>	<u>\$ 1,672,294</u>	<u>\$ 2,516,096</u>