

Dzawada'enuxw First Nation
Consolidated Financial Statements
March 31, 2023

Dzawada'enuxw First Nation

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Management's Responsibility

To the Members of Dzawada'enuxw First Nation:

The accompanying consolidated financial statements of Dzawada'enuxw First Nation are the responsibility of management and have been approved by the Chair and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Dzawada'enuxw First Nation Chair and Council are responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Chair and Council fulfil these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Chair and Council are also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP is appointed by the Chair and Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to both the Chair and Council and management to discuss their audit findings.

May 9, 2024

Signed by: Dawn Nicolson

Administrator

Independent Auditor's Report

To the Members of Dzawada'enuxw First Nation:

Qualified Opinion

We have audited the consolidated financial statements of Dzawada'enuxw First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations and accumulated operating surplus, remeasurement gains and losses, changes in net debt, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2023, and the results of its operations, its remeasurement gains and losses, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The First Nation recorded all unspent funds as at March 31, 2023 as deferred revenue on the consolidated statement of financial position. Canadian Public Sector Accounting Standards ("PSAS") require that specific criteria be met before funds can be recorded as deferred revenue. We were unable to obtain sufficient appropriate audit evidence to support the deferral of \$8,327,040 at March 31, 2023 (2022 - \$14,477,633). As a result, we were unable to determine whether any adjustments were required to deferred revenue, revenue, annual surplus and accumulated surplus at March 31, 2023. Our opinion for the year ending March 31, 2022 was also modified accordingly for this matter.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 First 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 intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nanaimo, British Columbia

May 9, 2024

MNP LLP

Chartered Professional Accountants

Dzawada'enuxw First Nation
Consolidated Statement of Financial Position
As at March 31, 2023

	2023	2022
Financial assets		
Cash and cash equivalents	12,369,613	13,605,710
Accounts receivable (Note 4)	5,363,564	752,393
Investments in First Nation business partnership (Note 5)	314,120	282,436
Funds held in trust (Note 6)	54,830	52,022
Restricted cash (Note 7)	64,013	64,013
Total financial assets	18,166,140	14,756,574
Liabilities		
Accounts payable and accruals (Note 8)	761,708	404,180
Deferred revenue (Note 9)	18,017,414	14,592,757
Total liabilities	18,779,122	14,996,937
Net debt	(612,982)	(240,363)
Commitments (Note 10)		
Contingency (Note 11)		
Non-financial assets		
Tangible capital assets (Schedule 1)	10,016,039	4,581,850
Prepaid expenses	222,758	161,826
Total non-financial assets	10,238,797	4,743,676
Accumulated surplus (Note 12)	9,625,815	4,503,313

Approved on behalf of the Dzawada'enuxw First Nation

Signed by: Melissa Willie

Councilor

Signed by: Marijo Willie

Councilor

Dzawada'enuxw First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2023

	<i>Schedules</i>	2023 Budget (Note 17)	2023	2022
Revenue				
Indigenous Services Canada (Note 13)		5,216,983	7,456,777	2,785,113
First Nations Health Authority		2,273,240	957,948	1,180,358
Province of British Columbia		81,014	729,284	263,898
Canada Mortgage and Housing Corporation		6,000	45,700	110,038
First Nations Education Steering Committee		716,971	204,428	80,987
North Vancouver Island Aboriginal Training Society		20,000	33,467	20,957
Ottawa Trust		-	2,808	2,174
Other revenue		1,589,509	2,005,329	997,919
Income from investment in First Nation business partnership (Note 5)		-	31,684	61,042
Rental income		46,980	53,735	48,310
Interest income		96,000	119,524	20,545
		10,046,697	11,640,684	5,571,341
Expenses (Schedule 2)				
Public Works	3	2,184,144	2,057,409	1,587,380
Band Government	4	883,916	1,752,347	1,285,562
Education	5	1,526,935	1,191,207	1,044,787
Health	6	1,018,549	862,916	671,322
Community and Social Services	7	516,353	366,057	246,291
Economic Development	8	286,046	111,591	83,715
Housing	9	197,201	176,655	114,314
		6,613,144	6,518,182	5,033,371
Annual surplus before other items		3,433,553	5,122,502	537,970
Transfers between programs		(270,233)	-	(55,790)
Annual surplus		3,163,320	5,122,502	482,180
Accumulated surplus, beginning of year		4,503,313	4,503,313	4,021,133
Accumulated surplus, end of year		7,666,633	9,625,815	4,503,313

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

Dzawada'enuxw First Nation
Consolidated Statement of Changes in Net Debt
For the year ended March 31, 2023

	2023 Budget (Note 17)	2023	2022
Annual surplus	3,163,320	5,122,502	482,180
Purchases of tangible capital assets	-	(6,031,000)	(1,166,189)
Amortization of tangible capital assets	-	546,608	459,196
Loss on disposal of tangible capital assets	-	10,203	-
Proceeds of disposal of tangible capital assets	-	40,000	-
Acquisition of prepaid expenses	-	(60,932)	(20,571)
Change in net financial assets	3,163,320	(372,619)	(245,384)
Net financial assets (net debt), beginning of year	(240,363)	(240,363)	5,021
Net debt, end of year	2,922,957	(612,982)	(240,363)

Dzawada'enuxw First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	5,122,502	482,180
Non-cash items		
Amortization	546,608	459,196
Funds held in trust	(2,808)	(2,173)
Loss on disposal of tangible capital assets	10,203	-
Income from investment in First Nation partnerships	(31,684)	(61,042)
	5,644,821	878,161
Changes in working capital accounts		
Accounts receivable	(4,611,171)	(161,734)
Prepaid expenses	(60,932)	(20,571)
Accounts payable and accruals	357,528	93,502
Deferred revenue	3,424,657	7,563,842
	4,754,903	8,353,200
Financing activities		
Repayment of long-term debt	-	(10,972)
Capital activities		
Purchases of tangible capital assets	(6,031,000)	(1,166,189)
Proceeds of disposal of tangible capital assets	40,000	-
	(5,991,000)	(1,166,189)
Investing activities		
Change in restricted cash	-	(35,901)
Increase (decrease) in cash and cash equivalents	(1,236,097)	7,140,138
Cash and cash equivalents, beginning of year	13,605,710	6,465,572
Cash and cash equivalents, end of year	12,369,613	13,605,710

Dzawada'enuxw First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

1. Operations

The Dzawada'enuxw First Nation (the "First Nation") is located in the province of British Columbia, and provides various services to its members. Dzawada'enuxw First Nation includes the First Nation's members, government and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

2. Change in accounting policies

Financial instruments

Effective April 1, 2022, the First Nation adopted the Public Sector Accounting Board's (PSAB) new recommendations for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities and derivatives under Section PS 3450 *Financial Instruments*. The new Section is applied prospectively, and prior periods have not been restated.

There was no material impact on the consolidated financial statements from the prospective application of the new accounting recommendations.

Asset retirement obligations

Effective April 1, 2022, the First Nation adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of a liability for asset retirement obligations under PS 3280 *Asset Retirement Obligations*. The new standard establishes when to recognize and how to measure a liability for an asset retirement obligation, and provides the related financial statement presentation and disclosure requirements. Pursuant to these recommendations, the change was applied prospectively, and prior periods have not been restated.

Before Section PS 3280 was issued, there was no specific guidance in PSAB addressing the accounting for various types of asset retirement obligations. Section PS 3260 *Liability for Contaminated Sites* deals with liabilities associated with the contamination of sites. This section did not have an effect on the Nation's consolidated financial statements in previous years. Under the new standard, a liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset when certain criteria are met, as described in Note 3.

There was no material impact on the consolidated financial statements from the prospective application of the new accounting recommendations.

3. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Reporting entity consolidated

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business partnerships. Trusts administered on behalf of third parties by Dzawada'enuxw First Nation are excluded from the First Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments

- CMHC Social Housing Program

All inter-entity balances have been eliminated on consolidation.

Dzawada'enuxw First Nation business partnerships, owned or controlled by the First Nation's Chair and Council but not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that business partnership accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these partnerships is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Partnerships accounted for by the modified equity basis include:

- Musgamagw Dzawada'enuxw Fisheries Group Limited Partnership
- Dzawada'enuxw Development Corporation

3. Significant accounting policies *(Continued from previous page)*

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

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 normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

Cash and cash equivalents

Cash and cash equivalent include balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in accumulated operating surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on land or other First Nation capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Tangible capital assets

Tangible capital assets are initially recorded at cost less accumulated amortization. Contributed tangible capital assets are recorded at their fair value at the date of contribution.

All intangible assets and items inherited by the right of the First Nation, such as reserved land, forests, water and mineral resources, are not recognized in the First Nation's consolidated financial statements.

Amortization

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	<i>Method</i>	<i>Rate</i>
Buildings	straight-line	25 years
Infrastructure	straight-line	25-50 years
Automotive equipment	straight-line	5-10 years
Furniture and equipment	straight-line	5-10 years
Computer equipment	straight-line	3-6 years

Long-lived assets

Long-lived assets consist of tangible capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using quoted market prices. Any impairment is included in surplus (deficit) for the year.

3. Significant accounting policies *(Continued from previous page)*

Measurement uncertainty (use of estimates)

The preparation of 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

Net financial assets (net debt)

The First Nation's consolidated financial statements are presented so as to highlight net financial assets (net debt) as the measurement of consolidated financial position. The net financial assets (net debt) of the First Nation are determined by its financial assets less its liabilities. Net financial assets are comprised of two components, non-financial assets and accumulated surplus.

Revenue recognition

i) Government Transfers

Government transfers are recorded as revenue and are matched to the corresponding expenses as they occur, the resulting surpluses, if any, are then recorded as a liability. This is not in accordance with the PSAS standards where government transfers are recognized as revenue when the transfer is authorized and all eligibility criteria have been met. Consequently, the deferred revenue is overstated as the entire balance does not reflect an obligation of the First Nation, the audit report has modified in respect of this matter. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

ii) First Nation Capital and Revenue Trust Funds

The First Nation recognizes revenue of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

iii) Canada Mortgage and Housing Corporation ("CMHC")

CMHC revenue is recognized as it becomes receivable under the terms of the applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the consolidated statement of financial position in the year of receipt.

iv) Housing rental income

Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

v) Other revenue

Other revenue is recognized when performance is completed, amounts are measurable and collection is reasonably assured.

Segments

The First Nation conducts its business through a number of reportable segments as described in Note 16. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives, to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

3. Significant accounting policies *(Continued from previous page)*

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2023.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at March 31, 2023, no liability for contaminated site exists.

Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the consolidated financial statement date when there is a legal obligation for the First Nation to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at March 31, 2023. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. The First Nation recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Financial Instruments

The First Nation recognizes its financial instruments when the First Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the First Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The First Nation has not made such an election during the year.

The First Nation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the consolidated statement of remeasurement gains and losses. The First Nation has not presented a consolidated statement of remeasurement gains and losses as it does not have any items giving rise to remeasurement gains (losses). Interest income is recognized in the consolidated statement of operation. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating annual surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Dzawada'enuxw First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

3. Significant accounting policies *(Continued from previous page)*

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years, recent collection experience for the loan, such as a default or delinquency in interest or principal payments, in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the consolidated statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the consolidated statement of remeasurement gains and losses.

4. Accounts receivable

	2023	2022
Members	387,606	318,302
First Nations Health Authority	91,568	157,039
Indigenous Services Canada	4,726,268	164,622
Other accounts receivable	351,431	260,242
Goods and Services Tax	17,000	43,739
Less: Allowance for doubtful accounts	(210,309)	(191,551)
	5,363,564	752,393

5. Investments in First Nation business partnership

Summary financial information for Musgamagw Dzawada'enuxw Fisheries Group Limited Partnership, accounted for using the modified equity method is as follows:

	<i>Investment cost</i>	<i>Earnings</i>	<i>2023 Total investment</i>
Musgamagw Dzawada'enuxw Fisheries Group Limited Partnership - 33.33%	282,436	31,684	314,120
			<i>2022 Total investment</i>
	<i>Investment cost</i>	<i>Earnings</i>	
Musgamagw Dzawada'enuxw Fisheries Group Limited Partnership - 33.33%	221,394	61,042	282,436

Continued on next page

Dzawada'enuxw First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

5. Investments in First Nation partnership *(Continued from previous page)*

Musgamagw Dzawada'enuxw Fisheries Group Limited Partnership (the "Partnership") is a partnership formed on April 13, 2015 between Musgamagw Fisheries Group GP Ltd., the First Nation, Kwicksutaineuk-ah-kwaw-ah-mish First Nation and Gwawaenuk Tribe. The principal purpose of the Partnership is to participate and manage business opportunities generated by marine activities and related economic development activities occurring within the Musgamagw Territory.

Summary financial information for the Partnership, prepared under the International Financial Reporting Standards and accounted for using the modified equity method, for the respective year-end is as follows:

	<i>As at March 31, 2023 Audited</i>	<i>As at March 31, 2022 Audited</i>
Assets		
Cash	250,454	420,484
Accounts receivable	481,948	352,628
Prepaid expenses	12,274	9,932
Deposit	114,591	75,275
Due from related party	313,156	92,745
Other assets	164,577	131,546
Tangible capital assets	122,929	140,335
Total assets	1,459,929	1,222,945
Liabilities		
Accounts payable and accruals	28,920	24,280
Deferred revenue	489,897	352,105
Other liabilities	152	663
Total liabilities	518,969	377,048
	940,960	845,897
Total revenue	318,370	451,062
Total expenses	223,307	267,919
	95,063	183,143

6. Funds held in trust

Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the First Nation's Council.

	2023	2022
Capital Trust		
Balance, beginning and end of year	11,516	11,516
Revenue Trust		
Balance, beginning of year	40,506	38,333
Interest	1,626	970
British Columbia special distribution	1,182	1,203
Balance, end of year	43,314	40,506
	54,830	52,022

Dzawada'enuxw First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

6. Funds held in trust *(Continued from previous page)*

Ottawa Trust Funds

The Ottawa Trust accounts 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*.

7. Restricted cash

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited in the amount of \$1,228 (2022 - \$4,913) annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. At year end, the reserve was adequately funded (2022 - adequately funded).

8. Accounts payable and accruals

	2023	2022
Trade payables	627,967	320,798
Wages and vacation payable	90,235	49,499
Amounts owed to members	18,447	18,083
Government remittances payable	25,059	15,800
	761,708	404,180

Dzawada'enuxw First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

9. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of funding:

	<i>Balance, beginning of year</i>	<i>Contributions received, net of recovery</i>	<i>Recognized as revenue</i>	<i>Balance, end of year</i>
ISC - Housing admin (11534/811)	3,675	-	-	3,675
ISC - Post secondary education program	83,160	62,957	83,160	62,957
ISC - Adult education	2,170	-	2,170	-
ISC - Community based initiative	407,412	957,067	373,227	991,252
ISC - Membership	18,746	23,194	18,746	23,194
ISC - Student accommodation	100,902	153,127	100,902	153,127
ISC - Teacher residence	20,988	-	20,988	-
ISC - Band support	363,241	-	363,241	-
ISC - Instructional services	491,881	369,809	491,881	369,809
ISC - Community waste sanitation	66,735	146,878	66,735	146,878
ISC - Covid-19 assistance	52,366	-	52,366	-
ISC - Off Reserve Covid-19	18,650	28,118	23,248	23,520
ISC - Service Delivery	313,615	481,497	180,054	615,058
ISC - Vogel Padakus Creek	5,342,304	3,953,397	1,063,470	8,232,231
ISC - Hydro Roads upgrade	701,328	-	-	701,328
ISC ACRS capital projects	-	238,318	-	238,318
Province of British Columbia - FRA	397,299	-	-	397,299
Province of British Columbia - Gaming	1,119,876	565,437	-	1,685,313
Province of British Columbia - Adult Ed	40,000	37,564	40,000	37,564
Province of British Columbia - Vogel Creek	200,000	-	200,000	-
Coast Funds - Padakus	1,320,000	-	1,320,000	-
Province of British Columbia - Padakus	422,952	-	422,952	-
First Nations Health Authority	1,373,674	1,459,888	1,373,674	1,459,888
First Nations Education Steering Committee	267,728	444,434	267,728	444,434
Wharf Project	38,297	29,296	38,297	29,296
ISC - Other amounts	365,519	180,618	379,466	166,671
Vancouver Foundation	297,000	50,000	18,479	328,521
Other amounts	763,239	1,866,458	722,616	1,907,081
	14,592,757	11,048,057	7,623,400	18,017,414

10. Commitments

The First Nation has entered into various lease agreements with estimated minimum annual payments as follows:

2024	2,373
2025	5,820
2026	3,984
2027	2,148
2028	2,148
	16,473

Dzawada'enuxw First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

11. Contingency

The financial results of the CMHC Social Housing program are subject to review by CMHC. It is possible that adjustments could be made based on the results of their review.

12. Accumulated surplus

Accumulated surplus consists of the following:

	2023	2022
Equity in tangible capital assets (general)	10,016,039	4,581,850
Equity in Ottawa Trust Fund	54,830	52,022
Replacement reserve	-	(14,571)
Equity in investment in First Nation partnerships	314,120	282,436
Deficit in operating fund	(759,174)	(398,424)
	9,625,815	4,503,313

13. Indigenous Services Canada ("ISC") funding reconciliation

	2023	2022
Revenue per confirmation	10,832,103	9,541,615
ISC funding deferred	(6,594,980)	(8,244,069)
Deferred revenue recognized as revenue	3,219,654	1,487,567
	7,456,777	2,785,113

14. Economic dependence

Dzawada'enuxw First Nation receives a significant portion of its revenue from Indigenous Services Canada ("ISC") as a result of funding 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 First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these agreements.

15. Defined contribution plan

The First Nation has a defined contribution pension plan covering eligible members. Members are required to contribute 5.5% of their salary, and the First Nation matches this 5.5% contribution. The amount of retirement benefits to be received by the members will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. The First Nation contributions and corresponding expense totaled \$22,763 in 2023 (2022 - \$20,147). The First Nation does not have any other obligations with regards to the pension plan as at March 31, 2023.

16. Segments

The First Nation receives revenue and incurs expenses from many different projects and sources. For management and reporting purposes, the revenue, expenses and surplus or deficits are organized by the following segments:

Public Works:

Includes the maintenance of infrastructure owned by the First Nation.

Band Government:

Includes general operations, support, and financial management of the First Nation.

Education:

Includes revenue and expenses related to primary, secondary and post secondary education of the members of the First Nation.

Health:

Includes activities related to the provision of health services within the First Nation.

Community and Social Services:

Includes revenue and expenditures related to programs put on to support the First Nation community.

Economic Development:

Includes activities related to the growth of revenue producing projects with the First Nation.

Housing:

Includes revenue and expenditures related to band-owned and CMHC housing.

17. Budget information

The disclosed budget information has been approved by the Chair and Council of Dzawada'enuxw First Nation. The original budget was approved on March 28, 2023.

Budget figures on the Consolidated Statement of Operations and Accumulated Surplus are presented using the same basis of accounting as the actual results, except for amortization which is not included in the approved budget.

18. Financial Instruments

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

Risk Management Policy

The Nation does not have formal risk management policies in place.

Credit Risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations. Financial instruments that potentially subject the Nation to concentrations of credit risk consists principally of cash and cash equivalents, restricted cash and accounts receivable. The maximum credit risk exposure is \$17,797,190 (2022 - \$14,422,116).

The Nation manages its credit risk by holding cash balances with a chartered financial institution, and by providing an allowance for potentially uncollectible accounts receivable.

19. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

Dzawada'enuxw First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended March 31, 2023

	<i>Buildings</i>	<i>Automotive equipment</i>	<i>Computer equipment</i>	<i>Furniture and equipment</i>	<i>Infrastructure</i>	<i>2023</i>	<i>2022</i>
Cost							
Balance, beginning of year	8,657,820	351,060	165,938	569,946	6,710,506	16,455,270	15,289,081
Acquisition of tangible capital assets	484,104	92,705	10,603	54,724	2,454,031	3,096,167	978,911
Construction-in-progress	-	-	-	-	2,934,833	2,934,833	187,278
Disposal of tangible capital assets	-	(55,782)	-	-	-	(55,782)	-
Balance, end of year		387,983	176,541	624,670	12,099,370	22,430,488	16,455,270
Accumulated amortization							
Balance, beginning of year	7,780,052	242,792	149,124	323,739	3,377,713	11,873,420	11,414,224
Annual amortization	155,131	35,620	11,199	66,592	278,066	546,608	459,196
Accumulated amortization on disposals	-	(5,579)	-	-	-	(5,579)	-
Balance, end of year	7,935,183	272,833	160,323	390,331	3,655,779	12,414,449	11,873,420
Net book value of tangible capital assets	1,206,741	115,150	16,218	234,339	8,443,591	10,016,039	4,581,850
2022 Net book value of tangible capital assets	877,768	108,268	16,814	246,207	3,332,793	4,581,850	

Dzawada'enuxw First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2023

	2023 Budget (Note 17)	2023	2022
Consolidated expenses by object			
Administrative overhead	528,176	525,784	651
Amortization	-	546,608	459,196
Bad debts	-	18,967	10,085
Bank charges and interest	6,485	5,901	8,024
Basic Needs	84,642	98,979	68,774
Community donations	5,000	5,000	-
Consultants	450,271	421,633	424,566
Election expense	1,500	575	20,191
Equipment rental	40,052	58,443	14,875
Family Violence	2,400	7,635	-
Freight	216,979	241,593	257,344
Fuel	403,163	747,369	589,177
Honoraria	74,350	76,964	53,136
In-home care	-	16,059	11,952
Insurance	86,815	99,495	49,524
License and permits	2,508	875	1,161
Loss on disposal of capital assets	-	10,203	-
Meeting	24,984	135,823	35,794
Office	75,049	66,681	50,465
Office rent	15,730	19,133	15,957
Professional fees	205,993	226,841	305,420
Program expense	1,260,273	674,904	467,863
Repairs and maintenance	773,194	220,329	177,672
Salaries and benefits (Note 15)	1,415,718	1,440,216	1,100,404
Small equipment purchases	47,895	12,657	10,907
Special needs	8,444	7,675	2,512
Student accommodations	187,276	221,933	213,659
Student tuition	83,921	84,431	75,417
Students allowance	-	7,760	8,100
Supplies	227,050	220,972	281,586
Telephone and utilities	60,000	94,605	95,973
Training	87,074	81,743	21,171
Transfer to replacement reserve	1,307	1,307	5,426
Travel	236,895	119,089	196,389
	6,613,144	6,518,182	5,033,371

Dzawada'enuxw First Nation
Public Works
Schedule 3 - Schedule of Revenue and Expenses
For the year ended March 31, 2023

	2023 Budget (Note 17)	2023	2022
Revenue			
Indigenous Services Canada	1,425,749	4,972,633	1,122,337
Province of British Columbia	-	624,768	-
First Nations Education Steering Committee	376,000	19,730	-
First Nations Health Authority	-	-	5,000
Other revenue	331,551	1,564,973	526,883
	2,133,300	7,182,104	1,654,220
Expenses			
Administrative overhead	200,346	351,392	176,917
Consultants	230,841	248,862	237,751
Equipment rental	40,052	58,443	14,875
Freight	11,072	19,822	13,126
Fuel	403,163	747,369	589,177
Insurance	61,278	68,188	24,860
License and permits	2,508	875	1,161
Program expense	390,000	63,876	36,580
Repairs and maintenance	495,754	111,908	94,248
Salaries and benefits	239,999	179,737	168,896
Small equipment purchases	2,872	4,282	-
Supplies	42,134	62,574	102,497
Telephone and utilities	16,488	34,636	34,219
Training	-	-	56
Travel	47,637	2,177	93,017
Meeting	-	103,268	-
	2,184,144	2,057,409	1,587,380
Annual surplus (deficit) before transfers	(50,844)	5,124,695	66,840
Transfers between programs	150,000	209,788	106,893
Annual surplus	99,156	5,334,483	173,733

Dzawada'enuxw First Nation
Band Government
Schedule 4 - Schedule of Revenue and Expenses
For the year ended March 31, 2023

	2023 Budget (Note 17)	2023	2022
Revenue			
Indigenous Services Canada	1,133,257	962,789	431,081
Province of British Columbia	38,845	38,945	75,188
Ottawa Trust	-	2,808	2,174
First Nations Health Authority	-	-	66,400
Other revenue	441,384	270,492	288,157
Interest income	96,000	119,524	20,545
	1,709,486	1,394,558	883,545
Expenses			
Administrative overhead recovery	(275,872)	(69,320)	(440,552)
Amortization	-	546,608	448,224
Bad debts	-	18,967	10,085
Bank charges and interest	6,485	5,861	7,918
Community donations	5,000	5,000	-
Consultants	35,600	47,137	44,232
Election expense	1,500	575	20,191
Freight	175,659	198,787	222,186
Honoraria	74,350	76,964	53,136
Insurance	3,250	2,600	2,857
Loss on disposal of capital assets	-	10,203	-
Meeting	10,288	16,557	15,629
Office	19,931	29,012	31,536
Office rent	5,011	11,215	8,905
Professional fees	194,458	216,481	300,283
Program expense	600	43,391	54,241
Repairs and maintenance	1,200	215	-
Salaries and benefits	440,187	431,447	343,141
Small equipment purchases	5,000	-	-
Supplies	86,139	74,008	118,912
Telephone and utilities	12,512	12,417	14,128
Training	44,875	45,923	1,850
Travel	37,743	28,299	28,660
	883,916	1,752,347	1,285,562
Annual surplus (deficit) before other items	825,570	(357,789)	(402,017)
Transfers between programs	(169,640)	(197,149)	(38,693)
Annual surplus (deficit)	655,930	(554,938)	(440,710)

Dzawada'enuxw First Nation
Education
Schedule 5 - Schedule of Revenue and Expenses
For the year ended March 31, 2023

	2023 Budget (Note 17)	2023	2022
Revenue			
Indigenous Services Canada	1,351,511	1,024,000	932,765
First Nations Education Steering Committee	334,471	174,181	74,106
First Nations Health Authority	82,640	69,462	331,477
Province of British Columbia	42,169	65,571	176,007
Other revenue	341,217	22,273	10,274
	2,152,008	1,355,487	1,524,629
Expenses			
Administrative overhead	219,882	108,788	137,344
Consultants	73,909	24,887	56,938
Freight	23,828	15,603	11,469
Insurance	1,646	2,500	1,878
Office	48,818	25,993	11,283
Office rent	4,500	-	-
Professional fees	1,275	1,275	-
Program expense	258,232	95,500	185,192
Repairs and maintenance	2,000	-	465
Salaries and benefits	397,089	458,066	239,510
Small equipment purchases	10,023	8,375	10,557
Student accommodations	187,276	220,307	205,062
Student tuition	83,921	84,431	75,417
Students allowance	-	7,760	8,100
Supplies	51,759	38,190	28,256
Telephone and utilities	16,960	13,595	14,062
Training	39,688	34,975	18,765
Travel	106,129	50,962	40,489
	1,526,935	1,191,207	1,044,787
Annual surplus before transfers	625,073	164,280	479,842
Transfers between programs	-	(98,501)	(187,843)
Annual surplus	476,273	65,779	291,999

Dzawada'enuxw First Nation
Health
Schedule 6 - Schedule of Revenue and Expenses
For the year ended March 31, 2023

	2023 Budget (Note 17)	2023	2022
Revenue			
First Nations Health Authority	2,190,600	888,486	777,481
Other revenue	186,635	32,229	(67,480)
	2,377,235	920,715	710,001
Expenses			
Administrative overhead	241,328	85,818	70,689
Capital purchases	-	-	350
Consultants	29,796	40,366	46,148
Freight	4,500	6,033	7,361
Insurance	8,300	11,445	9,587
Meeting	13,776	13,518	11,701
Office	3,300	11,259	7,646
Office rent	3,639	5,337	4,472
Program expense	372,084	316,860	129,762
Repairs and maintenance	-	11,772	14,841
Salaries and benefits	270,543	281,286	280,599
Student accommodations	-	1,626	8,596
Supplies	24,972	25,043	18,726
Telephone and utilities	5,400	27,259	27,132
Training	2,511	555	-
Travel	38,400	24,739	33,712
	1,018,549	862,916	671,322
Annual surplus before transfers	1,358,686	57,799	38,679
Transfers between programs	-	(7,393)	(5,100)
Annual surplus	1,164,276	50,406	33,579

Dzawada'enuxw First Nation
Community and Social Services
Schedule 7 - Schedule of Revenue and Expenses
For the year ended March 31, 2023

	2023 Budget (Note 17)	2023	2022
Revenue			
Indigenous Services Canada	867,079	330,635	233,917
North Vancouver Island Aboriginal Training Society	20,000	33,467	20,957
First Nations Education Steering Committee	6,500	10,518	6,881
Other revenue	160,828	5,033	(34,887)
	1,054,407	379,653	226,868
Expenses			
Administrative overhead	92,864	13,967	14,818
Basic Needs	84,642	98,979	68,774
Capital purchases	30,000	-	-
Consultants	35,000	14,400	-
Family Violence	2,400	7,635	-
Freight	-	-	1,292
In-home care	-	16,059	11,952
Meeting	920	2,480	8,464
Program expense	168,357	86,834	62,089
Repairs and maintenance	3,840	-	-
Salaries and benefits	67,900	89,681	68,257
Special needs	8,444	7,675	2,512
Supplies	13,040	14,891	6,116
Telephone and utilities	2,760	1,053	1,007
Training	-	291	500
Travel	6,186	12,112	510
	516,353	366,057	246,291
Annual surplus (deficit) before transfers	538,054	13,596	(19,423)
Transfers between programs	(8,023)	(11,607)	70,050
Annual surplus	530,031	1,989	50,627

Dzawada'enuxw First Nation
Economic Development
Schedule 8 - Schedule of Revenue and Expenses
For the year ended March 31, 2023

	2023 Budget (Note 17)	2023	2022
Revenue			
Indigenous Services Canada	89,158	74,012	31,398
Province of British Columbia	-	-	12,702
Other revenue	124,294	95,021	262,568
Income from investment in First Nation partnerships	-	31,684	61,042
	213,452	200,717	367,710
Expenses			
Administrative overhead	11,210	23,468	27,779
Consultants	24,000	24,856	39,497
Freight	1,920	1,348	1,910
Insurance	2,000	-	-
Office	3,000	413	-
Office rent	2,580	2,580	2,580
Professional fees	10,260	3,185	137
Program expense	2,000	2,449	-
Repairs and maintenance	215,790	41,730	-
Supplies	6,606	5,578	6,388
Telephone and utilities	5,880	5,184	5,424
Travel	800	800	-
	286,046	111,591	83,715
Annual surplus (deficit) before transfers	(72,594)	89,126	283,995
Transfers between programs	100,640	104,862	(1,097)
Annual surplus	28,046	193,988	282,898

Dzawada'enuxw First Nation
Housing
Schedule 9 - Schedule of Revenue and Expenses
For the year ended March 31, 2023

	2023 Budget (Note 17)	2023	2022
Revenue			
Indigenous Services Canada	350,229	92,706	33,616
Canada Mortgage and Housing Corporation	6,000	45,700	110,038
Rental income	46,980	53,735	48,310
Other revenue	3,600	15,308	12,404
	406,809	207,449	204,368
Expenses			
Administrative overhead	38,418	11,672	13,656
Amortization	-	-	10,972
Bank charges and interest	-	40	111
Consultants	21,125	21,125	-
Insurance	10,341	14,762	10,342
Professional fees	-	5,900	5,000
Program expense	69,000	65,995	-
Repairs and maintenance	54,610	54,704	68,117
Supplies	2,400	688	690
Telephone and utilities	-	462	-
Transfer to replacement reserve	1,307	1,307	5,426
	197,201	176,655	114,314
Annual surplus	209,608	30,794	90,054