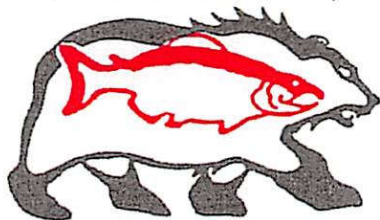


LHTAKO DENE NATION

(RED BLUFF INDIAN BAND)



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Lhtako Dene Nation

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED March 31, 2021

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Lhtako Dene Nation are the responsibility of management and have been approved by Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies is described in Note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Chief and Council. The Chief and Council review internal financial statements on a monthly basis and external audited financial statements yearly. The Chief and Council also discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

Chief and Council review the Nation's consolidated financial statements and recommend their approval. Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report. Chief and Council take this information into consideration when approving the consolidated financial statements for issuance to the Members. Chief and Council also approve the engagement of the external auditors.

The external auditors, FBB Chartered Professional Accountants LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Lhtako Dene Nation and meet when required. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.


Chief



**CHARTERED
PROFESSIONAL
ACCOUNTANTS LLP**

Ryan Broughton, CPA, CA*
Partner

Quan Cheng, CPA, CA*
Partner

**Denotes incorporated professional*

INDEPENDENT AUDITOR'S REPORT

To the Chief and Council,
Lhtako Dene Nation

Opinion

We have audited the financial statements of Lhtako Dene Nation, which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Lhtako Dene Nation as at March 31, 2021, and its financial performance and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

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 Financial Statements section of our report. We are independent of the Nation in accordance with 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 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.

INDEPENDENT AUDITOR'S REPORT (continued)**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 judgement 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 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 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 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 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 transaction and events in a manner that achieves fair presentation.

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.

*FBB Charterd Professional
Accountants LLP*

July 28, 2021
Quesnel, British Columbia

FBB Chartered Professional Accountants LLP

Lhtako Dene Nation


Consolidated Statement of Financial Position

As at March 31, 2021

	2021	2020
Financial assets		
Cash (Note 2)	\$ 1,405,550	\$ 22,159
Restricted cash (Note 3)	1,202,518	1,147,756
Accounts receivable (Note 4)	746,875	497,071
Inventory of products for resale	107,275	-
Short-term investments (Note 5)	168,000	168,000
Investments (Note 6)	276,979	276,979
Investments in Nation business entities (Note 7)	(1,207,248)	(1,000,855)
Advances to related Nation entities and departments	661,427	594,914
	<u>3,361,376</u>	<u>1,706,024</u>
Liabilities		
Bank advances (Note 2)	578,274	83,722
Accounts payable and accrued liabilities (Note 8)	690,166	253,465
Deferred revenue (Note 9)	142,080	728,815
Long-term debt (Note 10)	1,407,602	1,818,105
	<u>2,818,122</u>	<u>2,884,107</u>
Net financial assets (debt)	<u>543,254</u>	<u>(1,178,083)</u>
Non-financial assets		
Prepaid expenses	2,586	23,410
Tangible capital assets (Note 12)	8,797,289	4,883,303
	<u>8,799,875</u>	<u>4,906,713</u>
Accumulated Surplus (Note 13)	<u>\$ 9,343,129</u>	<u>\$ 3,728,630</u>

Contingent Liabilities (Note 11)

Approved by Chief and Council:


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Lhtako Dene Nation

Consolidated Statement of Operations For the Year Ended March 31, 2021

	Budget	2021	2020
Revenue			
Indigenous Services Canada	\$ 671,290	\$ 1,920,333	\$ 595,380
First Nations Health Authority	276,700	677,664	156,765
Government of Canada	-	299,633	-
Department of Fisheries and Oceans	5,000	87,620	5,000
Canada Mortgage and Housing Corporation	39,630	40,454	92,334
Province of British Columbia	870,169	1,345,906	1,169,187
BC First Nations Gaming Revenues	279,000	295,044	274,956
BC Housing Commission	-	56,593	-
Carrier Chilcotin Tribal Council	7,220	116,980	7,255
SDNA	-	112,000	-
West Fraser Timber Mills	-	1,598,955	-
Barkerville Gold Mines	410,000	438,362	-
CCATEC	25,000	32,492	31,522
First Nations Education Steering Committee	-	23,458	3,758
Rentals	82,848	100,208	102,480
Interest	-	12,554	501
StarWest Petroleum	-	78,450	-
Other revenue	49,300	1,201,218	217,753
New Relationship Trust	-	42,500	2,900
Change in Deferred Revenues	-	586,735	-
	2,716,157	9,067,158	2,659,791
Expenses (page 7)	2,510,217	3,378,320	2,678,455
Net Revenue before Other Items	205,940	5,688,838	(18,664)
Other Items:			
Results of Nation Owned Enterprises	-	(223,339)	(133,667)
Adjustment of Silviculture Responsibility Liability	-	250,000	-
Impairment Loss	-	(101,000)	(899,000)
Net Revenue for the Year	205,940	5,614,499	(1,051,331)
Accumulated Surplus - beginning of year	4,677,573	4,677,573	5,713,313
Restatement of previous years (note 23)	(948,943)	(948,943)	(933,352)
Accumulated Surplus as restated - beginning of year	3,728,630	3,728,630	4,779,961
Accumulated Surplus - end of year to page 1	\$ 3,934,570	\$ 9,343,129	\$ 3,728,630

Lhtako Dene Nation**Consolidated Statement of Expenses
For the Year Ended March 31, 2021**

	Budget	2021	2020
Administration	\$ 1,019,979	\$ 1,445,561	\$ 858,195
Amortization	-	204,722	197,266
Economic Development	40,902	557,463	31,371
Health and Well-Being	396,250	358,165	194,134
Social Assistance	250,144	396,826	343,182
Operations and Maintenance	92,770	141,089	101,318
Education	104,653	145,193	89,567
Lands and Natural Resources	282,568	470,093	423,456
Capital	-	3,494,532	577,503
Indigenous Services Canada Recoveries	-	20,625	154,604
TCA Acquisitions Included in Expenses	-	(4,118,709)	(565,974)
Housing	322,951	262,760	273,833
	\$ 2,510,217	\$ 3,378,320	\$ 2,678,455

Lhtako Dene Nation**Consolidated Statement of Changes in Net Financial Assets
For the Year Ended March 31, 2021**

	Budget	2021	2020
Net Revenue for the Year	\$ 205,940	\$ 5,614,499	\$ (1,051,331)
Amortization	-	204,722	197,266
Change in prepaid expenses	-	20,825	34,923
Loss from Nation business entities	-	-	(1,032,667)
Acquisition of tangible capital assets	-	(4,118,709)	(565,974)
Increase (decrease) in net financial assets	205,940	1,721,337	(2,417,783)
Net financial assets, beginning of year	(1,178,083)	(1,178,083)	1,239,700
Net financial assets (debt), end of year	\$ (972,143)	\$ 543,254	\$ (1,178,083)

Lhtako Dene Nation
Consolidated Statement of Cash Flows
For the Year Ended March 31, 2021

	2021	2020
NET INFLOW (OUTFLOW) OF CASH:		
Operating activities		
Net revenue for the year	\$ 5,614,499	\$ (1,051,331)
Non-cash charges to operations		
Amortization	204,722	197,323
Loss on investment in Nation business entities	223,339	1,032,667
Changes in non-cash operating balances:		
Increase (decrease) in accounts receivable	(249,804)	286,506
Increase in inventory of products for resale	(107,275)	-
Increase (decrease) in accounts payable and accrued liabilities	436,701	(54,076)
Decrease (increase) in deferred revenue	(586,735)	621,274
Decrease in prepaid expenses	20,825	34,923
	<u>5,556,272</u>	<u>1,067,286</u>
Capital activities		
Acquisition of tangible capital assets	<u>(4,118,709)</u>	<u>(565,974)</u>
Investing activities		
Loss on investments	<u>-</u>	<u>(1,032,667)</u>
Financing activities		
Repayment of long-term debt	(410,503)	(162,367)
Proceeds of long-term debt	-	328,583
Advances to/from related parties	(83,459)	308,717
	<u>(493,962)</u>	<u>474,933</u>
Increase (decrease) in cash and investments	943,601	(56,422)
Cash and investments, beginning of year	<u>1,086,193</u>	<u>1,142,615</u>
Cash and investments, end of year	<u><u>\$ 2,029,794</u></u>	<u><u>\$ 1,086,193</u></u>
Cash consists of the following:		
Cash	\$ 1,405,550	\$ 22,159
Restricted cash	1,202,518	1,147,756
Bank overdraft	(578,274)	(83,722)
	<u><u>\$ 2,029,794</u></u>	<u><u>\$ 1,086,193</u></u>

Lhtako Dene Nation

Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2021

General

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

1. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

These consolidated financial statements reflect all revenues, expenses, assets and liabilities of the Lhtako Dene Nation. It is the Nation's policy to follow Canadian public sector accounting standards and apply such principles consistently. The consolidated financial statements have been prepared incorporating guidelines issued by the Public Sector Accounting Board (PSAB) of CPA Canada as required by Indigenous Services Canada.

The focus of Canadian public sector accounting standards is on the financial position of the Nation and the changes thereto. The Consolidated Statement of Financial Position reflects the combined results and activities of the Band's Operating, Capital and Business Entities Funds. The purposes of these funds are:

i. Operating Funds

Operating Funds are to be used to record the costs associated with providing Nation services.

ii. Capital Funds

Capital Funds are used to account for the acquisition costs of the Nation's Tangible Capital Assets, the accumulated amortization thereon, and the funding thereof including related long-term debt.

iii. Nation Business Entities

The Nation has investments in various business entities through direct ownership of share equity and limited partnerships through which the entities carry out business ventures with the prospect of providing returns to the Nation.

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.

Net Financial Assets

The Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

Lhtako Dene Nation

Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Nation 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.

b. Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

c. Revenue recognition

Ottawa trust funds

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

Government transfers

The Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Canada Mortgage and Housing Corporation

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

Housing rental revenue

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.

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Revenue recognition (continued)

Other Revenue

Other revenue is recognized when goods are sold, amounts are reasonably estimated and collection is reasonably assured.

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. Restricted contributions that must be maintained in perpetuity are recorded as revenue when received or receivable, and are presented as non-financial assets in the statement of financial position.

d. Investments in Nation business entities

Lhtako Dene Nation business entities, owned or controlled by the Nation's Chief and Council but not dependent on the 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 the business entity accounting principles are not adjusted to conform to those of the Nation. Thus, the Nation's investment in these entities 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. The Nation uses the modified equity basis for the following entities:

- Red Bluff Developments
- RBDC Trucking LLP
- Lhtako Gas and Convenience

Long-term investments in entities that are not owned, controlled or influenced by the Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment. Long-term investments in entities that are controlled by the Nation are accounted for using the modified equity method.

e. Inventory held for resale

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Lhtako Dene Nation

Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset, excluding all interest costs. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Assets under development or construction are not amortized until put into use.

Amortization is provided using the straight-line and declining balance method over their estimated useful lives at the following rates:

Automotive equipment	30% straight line
Buildings	25 years straight line
Equipment	10 year straight line
Land improvements	50 years straight line
Computers	1/3 straight line

g. Impairment of tangible capital assets

The Nation performs impairment testing on tangible capital assets 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 losses are recognized when an asset's service potential is reduced. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in net revenue for the year.

h. 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 at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of management estimates include: allowance for doubtful accounts, inventory provision for obsolete items, amortization and useful life of tangible capital assets and these areas represent the best estimates of management based on information available. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Segments

The Nation conducts its business through eight reportable segments as described in Note 16. These operating segments are established by senior management to facilitate the achievement of the 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 and the accounting policies used in these segments is consistent with those used in the preparation of the consolidated financial statements.

j. Liability for Contaminated Sites

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 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, 2021.

At each financial reporting date, the 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 Band 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, 2021, no liability for contaminated sites exists.

2. CASH

	2021	2020
Operations	\$ 1,402,882	\$ (83,722)
Social Housing	2,668	22,159
	<u>\$ 1,405,550</u>	<u>\$ (61,563)</u>

Included in cash is \$54,122 (2020 - \$31,142) held in trust for the Nation by a third party.

The Nation has a business operating line of credit that is secured by a general security agreement. The authorized credit limit is \$500,000, at a rate of prime plus 0.5%. The Nation has not utilized this facility as at March 31, 2021.

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2021

2. CASH (continued)

	2021	2020
Bank advances on housing construction	\$ 578,274	\$ -

The Nation has an authorized line of credit that is used to provide financing for housing units. The authorized credit limit is \$1,000,000, at a rate of prime plus 0.5%.

3. RESTRICTED CASH

	2021	2020
Ottawa Trust Funds	\$ 1,054,482	\$ 1,017,027
Replacement Reserve - CMHC	32,933	15,626
Silviculture deposits	115,103	115,103
	<u>\$ 1,202,518</u>	<u>\$ 1,147,756</u>

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. These funds are restricted in their use. The Lhtako Dene Nation is permitted to use its revenue for any purpose that will promote the general progress and welfare of the Lhtako Dene Nation and its members. The expenditure of capital funds requires the consent of ISC and generally must be for projects of a capital nature. Withdrawals of revenue or capital funds are recorded as revenue in the applicable fund where the monies are expended.

The Replacement Reserve 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.

Lhtako Dene Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

4. ACCOUNTS RECEIVABLE

	2021	2020
Trade accounts receivable	\$ 173,812	\$ 440,815
Indigenous Services Canada	424,214	4,016
Government of Canada	83,620	-
Nation Members	-	31,150
Rents receivable	154,504	127,653
Allowance for doubtful accounts	(89,275)	(106,563)
Due from Craig Buchan	177,738	177,738
Allowance for doubtful accounts	(177,738)	(177,738)
Due from Geronimo Squinas	64,186	64,186
Allowance for doubtful accounts	(64,186)	(64,186)
	<u>\$ 746,875</u>	<u>\$ 497,071</u>

5. SHORT-TERM INVESTMENTS

	2021	2020
Marketable Securities	<u>\$ 168,000</u>	<u>\$ 168,000</u>

Marketable securities are shares held in a public company. As at March 31, 2021 the shares have a fair market value of \$168,932 (2020 - \$166,933).

6. INVESTMENTS

	2021	2020
Castle Mountain Hydro - 2.5% interest	\$ 266,979	\$ 266,979
Dene Developments	10,000	10,000
	<u>\$ 276,979</u>	<u>\$ 276,979</u>

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2021

7. INVESTMENT IN NATION BUSINESS ENTITIES

	2021	2020
Red Bluff Development Corporation Ltd.	\$ (130,600)	\$ (72,447)
RBDC Trucking LLP	(1,056,584)	(898,990)
Lhtako Gas and Convenience Store Ltd.	(20,064)	(29,418)
	<u>\$ (1,207,248)</u>	<u>\$ (1,000,855)</u>

Summary of the unaudited financial statements for the year ended March 31, 2021 is as follows:

Balance Sheet

Current assets	\$ 615,137	\$ 392,575
Capital assets	1,048,717	946,405
	<u>\$ 1,663,854</u>	<u>\$ 1,338,980</u>
Current liabilities	\$ 620,056	\$ 744,188
Long term debt	699,462	-
Shareholder's loan	1,542,153	1,061,598
Share capital	1,001	1,000
Equity	(1,198,818)	(467,806)
	<u>\$ 1,663,854</u>	<u>\$ 1,338,980</u>

Statement of Operations

Revenue	\$ 3,014,773	\$ 4,377,635
Cost of sales	2,482,282	3,800,152
Expenses	755,829	1,256,513
Net loss	(223,338)	(679,030)
Deficit, beginning of year	(975,480)	(446,571)
Distributions	-	657,795
	<u>\$ (1,198,818)</u>	<u>\$ (467,806)</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Accounts payable and accrued liabilities	\$ 599,470	\$ 189,822
Government remittances	90,696	63,643
	<u>\$ 690,166</u>	<u>\$ 253,465</u>

Lhtako Dene Nation

Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2021

9. DEFERRED REVENUE

	2021	2020
Indigenous Services Canada - capital surplus	\$ 130,619	\$ 130,619
First Nations Health Authority	11,461	194,016
Indigenous Services Canada		
Post Secondary	-	73,639
Special needs - Covid	-	3,987
Special needs	-	820
Family Violence	-	1,955
Adult In-Home Care	-	9,477
Adult In-Home Care Service Delivery	-	1,892
Province of B.C. - Truck Wash	-	12,738
Province of B.C. - Regional Mining	-	100,000
EAO - Cariboo Gold Mine	-	15,352
First Nations Health Authority - WF Response	-	7,000
First Nations Health Authority - Health and Wellness Grant	-	24,627
NAHS - Gov Gap	-	90,865
Other deferred revenue	-	61,828
	<u>\$ 142,080</u>	<u>\$ 728,815</u>

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2021

10. LONG-TERM DEBT

	2021	2020
Social Housing Mortgages		
Mortgage repayable in monthly instalments of \$2,086 including interest at prime plus 0.5% per annum, secured by a ministerial guarantee	\$ -	\$ 5,171
Mortgage repayable in monthly instalments of \$3,966 including interest at 2.21%, secured by a ministerial guarantee	855,944	884,408
Operational borrowing		
Demand loan repayable in monthly instalments of \$1,719 including interest at 2.35% per annum	201,812	220,981
Term equipment loan repayable in monthly instalments of \$895 including interest at 9.64%	20,671	44,588
Demand loan repaid during year	-	302,817
Demand loan repayable in monthly instalments of \$494 including interest at prime plus 0.5% per	15,505	20,891
Demand loan repayable in monthly instalments of \$503 including interest at prime plus 0.5% per	19,064	25,517
Capital lease payable	37,737	-
Demand loan repayable in monthly instalments of \$494 including interest at prime plus 0.5% per	256,869	313,732
	<u>\$ 1,407,602</u>	<u>\$ 1,818,105</u>

The lender's prime rate as at March 31, 2021 is 2.45% (2020 - 2.45%).

11. CONTINGENT LIABILITIES

The Nation has guaranteed certain Nation member loans with ISC.

The Nation may be subject to funding recoveries according to their agreements with federal government agencies. It has not yet been determined to what extent any funding amounts related to the year ended March 31, 2021 might be recovered.

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2021

12. TANGIBLE CAPITAL ASSETS

			2021	2020
	Cost	Accumulated Amortization	Net Carrying Amount	
Lands	\$ 150,000	\$ -	150,000	\$ 150,000
Automotive	144,497	50,991	93,506	68,750
Buildings and infrastructure	8,778,042	2,819,395	5,958,647	3,523,374
Equipment	167,335	119,740	47,595	-
Computer equipment	128,920	66,497	62,423	8,334
Social Housing	2,545,910	60,792	2,485,118	1,132,845
	<u>\$ 11,914,704</u>	<u>\$ 3,117,415</u>	<u>\$ 8,797,289</u>	<u>\$ 4,883,303</u>

Tangible Capital Asset Additions for the year are as follows:

Automotive	\$ 49,363
Buildings and infrastructure	2,562,109
Equipment	51,102
Computer equipment	70,225
Social Housing	1,385,910
	<u>\$ 4,118,709</u>

Amortization for the year is as follows:

Automotive	\$ 24,607
Building and infrastructure	126,835
Equipment	3,508
Computer equipment	16,136
Social Housing	33,636
	<u>\$ 204,722</u>

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2021

13. ACCUMULATED SURPLUS

	2021	2020
Unrestricted surplus	\$ 3,513,764	\$ 1,620,676
Contributed surplus	245,410	245,410
Ottawa Trust Funds	1,054,482	1,017,027
Net assets invested in tangible capital assets	6,873,730	2,891,468
Equity in Nation owned enterprises	(2,198,819)	(1,874,480)
Equity in CMHC Social Housing	(197,589)	(202,066)
Equity in Castle Mountain Hydro	55,609	43,166
Equity in Replacement Reserve	(3,458)	(12,571)
	<u>\$ 9,343,129</u>	<u>\$ 3,728,630</u>

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Nation's financial instruments consist of cash and investments, accounts receivable, bank advances, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted, it is management's opinion that the Nation is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The Nation is exposed to financial risk that arises from the credit quality of the entities to which it provides services. Credit risk arises from the possibility that the entities to which the Nation provides services may experience financial difficulty and be unable to fulfill their obligations. The Nation mitigates this risk by dealing with counterparties management considers to be of high integrity.

The Nation is exposed to interest rate risk arising from fluctuations in interest rates on its cash and investments and interest on long-term debt. No financial instruments are held that mitigate this risk.

15. REPLACEMENT RESERVE

Under the terms of the agreement with CMHC, the Replacement Reserve account is to be credited at March 31, 2021 in the amount of \$9,113 (2020 - \$14,177) annually. These funds along with accumulating interest are to be held in a separate bank account. The funds in this account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal.

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2021

16. SEGMENT REPORTING

The Nation is a diversified First Nation organization that provides a wide range of services to its members. Distinguishable functional segments have been separately disclosed as reporting segments. The nature of the segments and the activities they encompass are as follows:

Administration

This item relates general governance, administration and support activities of the Lhtako Dene Nation itself and any activities that cannot be directly attributed to a specific segment.

Community Welfare

This service area provides services to help the Nation members by providing a variety of programs, community services and social assistance.

Operations and Maintenance

This service area provides services relating to the development, maintenance and service of the Nation's assets, infrastructure and common property.

Education

This service area provides educational services through the operation of a post secondary education support and the operations of various other educational programs. The goal of this segment is to enhance the educational opportunities of the Nation's members.

Economic Development

This service area provides for the development of economic opportunities to the Members, along with the exploration of the development of natural resource revenues.

Capital

This service area provides for the development of new capital projects and infrastructure programs.

Social Housing

Includes revenue and expenditures relating to the operation of the Nation's social housing program.

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2021

18. ECONOMIC DEPENDENCE

The 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 funding agreements are administered by ISC under the terms and conditions of the *Indian Act*. The ability of the Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these funding agreements.

19. INDIGENOUS SERVICES CANADA (ISC) FUNDING RECONCILIATION

	2021	2020
ISC revenue per confirmation	\$ 1,920,333	\$ 440,776
Deferred revenue	-	309,365
	<u>\$ 1,920,333</u>	<u>\$ 750,141</u>

20. FEDERAL ASSISTANCE PAYMENTS

The Nation has received federal assistance through CMHC pursuant to Section 56-1 of the *National Housing Act* to reduce mortgage interest expense to 2% to enable the project to provide housing to low income individuals. The amount of the assistance received through March 31, 2021 was \$40,454 (2020 - \$47,623). This assistance will continue, providing the Nation is not in default of the agreement.

21. Covid-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

As the impacts of COVID-19 continue, there could be further impact on the Nation, its funders and its business entities. The Nation has continued to deliver services during this pandemic through a variety of means, whether face-to-face or utilizing technology as the Nation was deemed an essential service. Management is actively monitoring the effect on its financial condition, liquidity, operations and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Nation is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

Lhtako Dene Nation

Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2021

22. EXPENSES BY OBJECT

	2021	2020
Amortization	\$ 204,722	\$ 197,266
Bad debts	44,928	99,845
Bank charges and interest	24,667	41,661
Honoraria	240,200	235,587
Insurance	54,191	43,376
Contracted services	3,127,861	789,545
Advertising	17,259	13,518
Materials and supplies	1,214,512	231,735
Professional services	868,055	433,207
Repairs and maintenance	213,868	58,455
Rental	8,040	8,497
Social assistance	299,474	238,981
Indigenous Services Canada Recoveries	- 20,625	154,604
Post secondary program services	121,360	54,664
Telephone	22,468	15,015
Travel	29,499	143,231
Wages and benefits	953,003	417,609
Training and workshops	1,756	48,012
TCA Acquisitions Included in Expenses	- (4,118,709)	(565,974)
Utilities	21,428	11,521
Replacement reserve	9,113	8,100
	<u>\$ 3,378,320</u>	<u>\$ 2,678,455</u>

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2021

23. Restatement of Previous Years

Management has corrected certain misstatements of the accounts of previous years. The details of the restatements follow:

	<u>2021</u>	<u>2020</u>
Impairment loss on Advances to Nation Business Enterprises	\$ (899,000)	\$ (899,000)
Increase in Allowance for Doubtful Accounts	(53,560)	-
Adjustment of Equity in Replacement Reserve	53,560	-
Increase to revenues	-	154,604
Decrease to expenses	-	119,238
Decrease to loss from government business entities	-	615,720
Reduction in opening surplus	(152,331)	(923,914)
Correction of Tangible Capital Assets	102,388	-
	<u>\$ (948,943)</u>	<u>\$ (933,352)</u>

24. COMPARATIVE FIGURES

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