

# **Lhtako Dene Nation**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2022**

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# LHTAKO DENE NATION

(RED BLUFF INDIAN BAND)



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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

LOCATION: 1515 ARBUTUS RD.



**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, 2022, and the consolidated statements of operations, changes in net financial assets(debt) 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, 2022, 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.



**CHARTERED  
PROFESSIONAL  
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Partner

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Partner

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## **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 Chartered Professional  
Accountants LLP*

November 18, 2022  
Quesnel, British Columbia

FBB Chartered Professional  
Accountants LLP

# Lhtako Dene Nation

## Consolidated Statement of Financial Position

As at March 31, 2022

	2022	2021
<b>Financial assets</b>		
Cash (Note 2)	\$ 2,530,463	\$ 1,405,550
Restricted cash (Note 3)	1,257,923	1,202,518
Accounts receivable (Note 4)	745,929	746,875
Inventory of products for resale	128,835	107,275
Short-term investments (Note 5)	168,000	168,000
FNFA Debt Reserve	26,320	-
Investments (Note 6)	122,500	206,330
Investments in Nation business entities (Note 7)	(1,396,986)	(1,207,248)
Advances to related Nation entities and departments	947,273	661,427
	<u>4,530,257</u>	<u>3,290,727</u>
<b>Liabilities</b>		
Bank advances (Note 2)	556,276	578,274
Accounts payable and accrued liabilities (Note 8)	963,791	690,166
Deferred revenue (Note 9)	142,080	142,080
Long-term debt (Note 10)	6,012,981	1,407,602
	<u>7,675,128</u>	<u>2,818,122</u>
<b>Net financial assets (debt)</b>	<u>(3,144,871)</u>	<u>472,605</u>
<b>Non-financial assets</b>		
Prepaid expenses	2,586	2,586
Tangible capital assets (Note 12)	14,947,972	8,797,289
	<u>14,950,558</u>	<u>8,799,875</u>
<b>Accumulated Surplus (Note 13)</b>	<u>\$ 11,805,687</u>	<u>\$ 9,272,480</u>
<b>Contingent Liabilities (Note 11)</b>		

Approved by Chief and Council:



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**Lhtako Dene Nation**  
**Consolidated Statement of Operations**  
**For the Year Ended March 31, 2022**

	<b>Budget</b>	<b>2022</b>	<b>2021</b>
<b>Revenue</b>			
Indigenous Services Canada	\$ 575,388	\$ 2,768,941	\$ 1,920,333
First Nations Health Authority	558,695	488,597	677,664
Government of Canada	5,000	-	299,633
Department of Fisheries and Oceans	-	74,570	87,620
Canada Mortgage and Housing Corporation	38,906	258,134	40,454
Province of British Columbia	959,171	1,042,721	1,345,906
BC First Nations Gaming Revenues	125,000	167,981	295,044
BC Housing Commission	-	-	56,593
Carrier Chilcotin Tribal Council	7,640	7,520	116,980
SDNA	-	-	112,000
West Fraser Timber Mills	-	679,348	1,598,955
Barkerville Gold Mines	350,000	198,690	438,362
Spanish Mountain Gold Mines	-	50,000	-
CCATEC	33,500	32,320	32,492
First Nations Education Steering Committee	-	31,500	23,458
Rentals	71,400	108,260	100,208
Interest	-	45,961	12,554
City of Quesnel	-	92,350	-
StarWest Petroleum	60,000	121,118	78,450
Other revenue	4,215	1,310,344	1,132,348
New Relationship Trust	-	-	42,500
Change in Deferred Revenues	-	-	586,735
	<b>2,788,915</b>	<b>7,478,355</b>	<b>8,998,288</b>
<b>Expenses (page 7)</b>	<b>2,203,872</b>	<b>4,672,693</b>	<b>3,378,320</b>
<b>Net Revenue before Other Items</b>	<b>585,043</b>	<b>2,805,662</b>	<b>5,619,968</b>
<b>Other Items:</b>			
Results of Nation Owned Enterprises	-	(272,455)	(223,339)
Adjustment of Silviculture Responsibility Liability	-	-	250,000
Impairment Loss	-	-	(101,000)
<b>Net Revenue for the Year</b>	<b>585,043</b>	<b>2,533,207</b>	<b>5,545,629</b>
Accumulated Surplus - beginning of year	9,343,129	9,343,129	4,677,573
Restatement of previous years (note 23 )	(70,649)	(70,649)	(950,722)
Accumulated Surplus as restated - beginning of year	9,272,480	9,272,480	3,726,851
<b>Accumulated Surplus - end of year to page 5</b>	<b>\$ 9,857,523</b>	<b>\$ 11,805,687</b>	<b>\$ 9,272,480</b>

**Lhtako Dene Nation**  
**Consolidated Statement of Expenses**  
**For the Year Ended March 31, 2022**

	<b>Budget</b>	<b>2022</b>	<b>2021</b>
Administration	\$ 575,107	\$ 2,287,372	\$ 1,445,561
Amortization	-	335,842	204,722
Economic Development	75,848	631,806	557,463
Health and Well-Being	464,369	831,999	358,165
Social Assistance	184,551	291,097	396,826
Operations and Maintenance	118,712	239,944	141,089
Education	64,127	151,750	145,193
Lands and Natural Resources	459,346	993,445	470,093
Capital	55,000	4,685,633	3,494,532
Indigenous Services Canada Recoveries	-	24,053	20,625
Acquisition of tangible capital assets	-	(6,486,525)	(4,118,709)
Housing	206,812	686,277	262,760
	<u>\$ 2,203,872</u>	<u>\$ 4,672,693</u>	<u>\$ 3,378,320</u>

**Lhtako Dene Nation****Consolidated Statement of Changes in Net Financial Assets (Debt)****For the Year Ended March 31, 2022**

	<b>Budget</b>	<b>2022</b>	<b>2021</b>
<b>Net Revenue for the Year</b>	\$ 585,043	\$ 2,533,207	\$ 5,545,629
Amortization	-	335,842	204,722
Change in prepaid expenses	-	-	20,825
Loss from Nation business entities	-	-	-
Acquisition of tangible capital assets	-	(6,486,525)	(4,118,709)
<b>Increase (decrease) in net financial assets</b>	<b>585,043</b>	<b>(3,617,476)</b>	<b>1,652,467</b>
<b>Net financial assets, beginning of year</b>	<b>472,605</b>	<b>472,605</b>	<b>(1,179,862)</b>
<b>Net financial assets (debt), end of year</b>	<b>\$ 1,057,648</b>	<b>\$ (3,144,871)</b>	<b>\$ 472,605</b>

**Lhtako Dene Nation**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended March 31, 2022**

	2022	2021
<b>NET INFLOW (OUTFLOW) OF CASH:</b>		
<b>Operating activities</b>		
Net revenue for the year	\$ 2,533,207	\$ 5,545,629
Non-cash charges to operations		
Amortization	335,842	204,722
Loss on investment in Nation business entities	272,455	223,339
Changes in non-cash operating balances:		
(Increase) decrease in accounts receivable	946	(249,804)
(Increase) decrease in inventory of products for resale	(21,560)	(107,275)
Decrease in short-term investments	83,830	68,870
Increase in accounts payable and accrued liabilities	273,625	436,701
(Increase) in deferred revenue	-	(586,735)
Decrease in prepaid expenses	-	20,825
	<u>3,478,345</u>	<u>5,556,272</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	<u>(6,486,525)</u>	<u>(4,118,709)</u>
<b>Financing activities</b>		
Proceeds of long-term debt	4,777,129	-
FNFA Debt Reserve	(26,320)	-
Repayment of long-term debt	(171,750)	(410,503)
Advances to related parties	(368,563)	(83,459)
	<u>4,210,496</u>	<u>(493,962)</u>
<b>Increase in cash and investments</b>	1,202,316	943,601
<b>Cash and investments, beginning of year</b>	<u>2,029,794</u>	<u>1,086,193</u>
<b>Cash and investments, end of year</b>	<u>\$ 3,232,110</u>	<u>\$ 2,029,794</u>
<b>Cash consists of the following:</b>		
Cash	\$ 2,530,463	\$ 1,405,550
Restricted cash	1,257,923	1,202,518
Bank overdraft	(556,276)	(578,274)
	<u>\$ 3,232,110</u>	<u>\$ 2,029,794</u>

# **Lhtako Dene Nation**

## **Notes to the Consolidated Financial Statements For the Year Ended March 31, 2022**

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### **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, 2022**

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### **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, 2022**

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### **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

- Red Bluff Developments
- RBDC Trucking LLP
- Lhtako Gas and Convenience
- 1305049 B.C. Ltd.

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, 2022**

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#### **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, 2022

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### i. Segments

The Nation conducts its business through seven 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, 2022.

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 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, 2022, no liability for contaminated sites exists.

### 2. CASH

	2022	2021
Operations	\$ 2,530,463	\$ 1,402,882
Social Housing	-	2,668
	<u>\$ 2,530,463</u>	<u>\$ 1,405,550</u>

Included in cash is \$21,580 (2021 - \$54,122) 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, 2022.

## Lhtako Dene Nation

### Notes to the Consolidated Financial Statements For the Year Ended March 31, 2022

#### 2. CASH (continued)

	2022	2021
Bank advances on housing construction	\$ 556,276	\$ 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

	2022	2021
Ottawa Trust Funds	\$ 1,100,439	\$ 1,054,482
Replacement Reserve - CMHC	42,381	32,933
Silviculture deposits	115,103	115,103
	\$ 1,257,923	\$ 1,202,518

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, 2022

### 4. ACCOUNTS RECEIVABLE

	2022	2021
Trade accounts receivable	\$ 223,425	\$ 170,570
Indigenous Services Canada	185,929	424,214
Government of Canada	74,570	83,620
CMHC subsidies receivable	8,231	3,242
CMHC grants	189,286	-
Rents receivable	192,806	154,504
Allowance for doubtful accounts	(128,318)	(89,275)
Due from Craig Buchan	167,878	177,738
Allowance for doubtful accounts	(167,878)	(177,738)
Due from Geronimo Squinas	64,186	64,186
Allowance for doubtful accounts	(64,186)	(64,186)
	<u>\$ 745,929</u>	<u>\$ 746,875</u>

### 5. SHORT-TERM INVESTMENTS

	2022	2021
Marketable Securities	\$ 168,000	\$ 168,000

Marketable securities are shares held in a public company. As at March 31, 2022 the shares have a fair market value of \$188,353 (2021 - \$168,932).

### 6. INVESTMENTS

	2022	2021
Castle Mountain Hydro - 2.5% interest	\$ 112,500	\$ 196,330
Dene Developments	10,000	10,000
	<u>\$ 122,500</u>	<u>\$ 206,330</u>

## Lhtako Dene Nation

### Notes to the Consolidated Financial Statements For the Year Ended March 31, 2022

#### 7. INVESTMENT IN NATION BUSINESS ENTITIES

	2022	2021
Red Bluff Development Corporation Ltd.	\$ (165,359)	\$ (130,600)
RBDC Trucking LLP	(1,138,812)	(1,056,584)
1305049 BC Ltd.	(17,783)	-
Lhtako Gas and Convenience Store Ltd.	(75,032)	(20,064)
	<u>\$ (1,396,986)</u>	<u>\$ (1,207,248)</u>

Summary of the unaudited financial statements for the year ended March 31, 2022 follows:

##### Balance Sheet

Current assets	\$ 758,913	\$ 615,137
Capital assets	1,071,580	1,048,717
	<u>\$ 1,830,493</u>	<u>\$ 1,663,854</u>
Current liabilities	\$ 852,453	\$ 620,056
Long term debt	637,893	699,462
Shareholder's loan	1,787,628	1,519,364
Share capital	1,003	1,001
Equity	(1,448,484)	(1,176,029)
	<u>\$ 1,830,493</u>	<u>\$ 1,663,854</u>

##### Statement of Operations

Revenue	\$ 4,513,078	\$ 3,014,773
Cost of sales	3,997,293	2,482,282
Expenses	788,240	733,040
Net loss	(272,455)	(200,549)
Deficit, beginning of year	(1,176,029)	(975,480)
	<u>\$ (1,448,484)</u>	<u>\$ (1,176,029)</u>

#### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Accounts payable and accrued liabilities	\$ 909,507	\$ 599,470
Government remittances	54,284	90,696
	<u>\$ 963,791</u>	<u>\$ 690,166</u>

# Lhtako Dene Nation

## Notes to the Consolidated Financial Statements For the Year Ended March 31, 2022

### 9. DEFERRED REVENUE

	2022	2021
Indigenous Services Canada - capital surplus	\$ 130,619	\$ 130,619
First Nations Health Authority	11,461	11,461
	<u>\$ 142,080</u>	<u>\$ 142,080</u>

### 10. LONG-TERM DEBT

#### Social Housing Mortgages

Mortgage repayable in monthly instalments of \$3,966 including interest at 2.21%, secured by a ministerial guarantee

\$ 826,891 \$ 855,944

Mortgage repayable in monthly instalments of \$5,935 including interest at 1.51%, secured by a ministerial guarantee

1,466,563 -

#### BC Housing Commission

Interim financing

2,769,271 -

#### First Nation Finance Authority

Interim financing repayable interest only at 2.0% increasing to 2.50% on April 22, 2022 secured by an assignment of BC First Nations Gaming Revenues

526,320 -

#### Operational borrowing

Demand loan repayable in monthly instalments of \$1,719 including interest at 2.35% per annum

182,422 201,812

Demand loan repaid during year

- 20,671

Demand loan repaid during year

- 15,505

Demand loan repayable in monthly instalments of \$503 including interest at prime plus 0.5% per annum

12,388 19,064

Capital lease payable

31,310 37,737

Demand loan repayable in monthly instalments of \$494 including interest at prime plus 0.5% per annum

197,816 256,869

\$ 6,012,981 \$ 1,407,602

The lender's prime rate as at March 31, 2022 is 2.45% (2021 - 2.45%).

## Lhtako Dene Nation

### Notes to the Consolidated Financial Statements For the Year Ended March 31, 2022

#### 11. CONTINGENT LIABILITIES

The Nation has guaranteed certain Nation member loans with ISC.

The Nation may be subject to funding recoveries according to agreements with federal government agencies. It has not yet been determined to what extent any funding amounts related to the year ended March 31, 2022 might be recovered.

#### 12. TANGIBLE CAPITAL ASSETS

			2022	2021
	Cost	Accumulated Amortization	Net Carrying Amount	
Lands	\$ 150,000	\$ -	\$ 150,000	\$ 150,000
Automotive	532,530	111,161	421,369	93,506
Buildings and infrastructure	14,078,963	3,027,585	11,051,378	5,958,647
Equipment	309,296	135,392	173,904	47,595
Computer equipment	128,920	74,300	54,620	62,423
Social Housing	3,201,520	104,819	3,096,701	2,485,118
	<u>\$ 18,401,229</u>	<u>\$ 3,453,257</u>	<u>\$ 14,947,972</u>	<u>\$ 8,797,289</u>

Tangible Capital Asset Additions for the year were:

Automotive	\$ 388,033
Buildings and infrastructure	5,300,921
Equipment	141,961
Social Housing	655,610
	<u>\$ 6,486,525</u>

Amortization for the year is as follows:

Automotive	\$ 60,170
Building and infrastructure	208,190
Equipment	15,652
Computer equipment	7,803
Social Housing	44,027
	<u>\$ 335,842</u>

## Lhtako Dene Nation

### Notes to the Consolidated Financial Statements For the Year Ended March 31, 2022

#### 13. ACCUMULATED SURPLUS

	2022	2021
Operating and capital surplus	\$ 12,974,259	\$ 10,316,845
Contributed surplus	245,410	245,410
Ottawa Trust Funds	1,100,439	1,054,482
Equity in Nation owned enterprises	(2,471,274)	(2,198,819)
Equity in CMHC Social Housing	(44,025)	(197,589)
Equity in Castle Mountain Hydro	-	55,609
Equity in Replacement Reserve	878	(3,458)
	<u>\$ 11,805,687</u>	<u>\$ 9,272,480</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, 2022 in the amount of \$12,154 (2021 - \$9,113) 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, 2022**

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#### **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, 2022

17. SEGMENT DISCLOSURES

Year Ended March 31, 2022

	Administration	Community Welfare	Operations and Maintenance	Education	Economic Development	Natural Resources	Capital	Asset Additions	Nation Owned Enterprises	Housing	Totals
<b>Revenue</b>											
ISC	\$ 648,637	\$ 399,896	\$ 219,203	\$ 129,946	\$ -	\$ -	\$ 774,054	\$ -	\$ -	\$ 597,205	\$ 2,768,941
Other	1,087,463	602,338	2,025	42,275	567,265	1,936,306	246,501			225,241	4,709,414
<b>Total</b>	<b>1,736,100</b>	<b>1,002,234</b>	<b>221,228</b>	<b>172,221</b>	<b>567,265</b>	<b>1,936,306</b>	<b>1,020,555</b>	<b>-</b>	<b>-</b>	<b>822,446</b>	<b>7,478,355</b>
<b>Expenses</b>											
Wages and benefits	506,978	529,008	80,057	-	331,263	75,175	-			-	1,522,481
Goods and services	1,780,394	618,141	159,887	151,750	300,543	918,270	4,685,633	(6,486,525)		686,277	2,814,370
Nation owned enterprises									272,455		272,455
Amortization							291,815			44,027	335,842
<b>Total</b>	<b>2,287,372</b>	<b>1,147,149</b>	<b>239,944</b>	<b>151,750</b>	<b>631,806</b>	<b>993,445</b>	<b>4,977,448</b>	<b>(6,486,525)</b>	<b>272,455</b>	<b>730,304</b>	<b>4,945,148</b>
<b>Net Revenue for the Year</b>	<b>\$ (551,272)</b>	<b>\$ (144,915)</b>	<b>\$ (18,716)</b>	<b>\$ 20,471</b>	<b>\$ (64,541)</b>	<b>\$ 942,861</b>	<b>\$ (3,956,893)</b>	<b>\$ 6,486,525</b>	<b>\$ (272,455)</b>	<b>\$ 92,142</b>	<b>\$ 2,533,207</b>

Year Ended March 31, 2021

	Administration	Community Welfare	Operations and Maintenance	Education	Economic Development	Natural Resources	Capital	Asset Additions	Nation Owned Enterprises	Housing	Totals
<b>Revenue</b>											
ISC	\$ 463,616	\$ 469,377	\$ 138,084	\$ 147,856	\$ -	\$ -	\$ 701,400	\$ -	\$ -	\$ -	\$ 1,920,333
Other	1,079,175	639,084		97,597	504,362	3,874,148	886,671			315,788	7,396,825
<b>Total</b>	<b>1,542,791</b>	<b>1,108,461</b>	<b>138,084</b>	<b>245,453</b>	<b>504,362</b>	<b>3,874,148</b>	<b>1,588,071</b>	<b>-</b>	<b>-</b>	<b>315,788</b>	<b>9,317,158</b>
<b>Expenses</b>											
Wages and benefits	410,170	205,275	48,222	-	197,470	60,192	-			31,674	953,003
Goods and services	1,035,391	570,341	92,867	145,193	359,993	478,771	3,494,532	(4,118,709)		231,086	2,289,465
Nation owned enterprises									324,339		324,339
Amortization							171,086			33,636	204,722
<b>Total</b>	<b>1,445,561</b>	<b>775,616</b>	<b>141,089</b>	<b>145,193</b>	<b>557,463</b>	<b>538,963</b>	<b>3,665,618</b>	<b>(4,118,709)</b>	<b>324,339</b>	<b>296,396</b>	<b>3,771,529</b>
<b>Net Revenue for the Year</b>	<b>\$ 97,230</b>	<b>\$ 332,845</b>	<b>\$ (3,005)</b>	<b>\$ 100,260</b>	<b>\$ (53,101)</b>	<b>\$ 3,335,185</b>	<b>\$ (2,077,547)</b>	<b>\$ 4,118,709</b>	<b>\$ (324,339)</b>	<b>\$ 19,392</b>	<b>\$ 5,545,629</b>

## Lhtako Dene Nation

### Notes to the Consolidated Financial Statements For the Year Ended March 31, 2022

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#### 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

	2022	2021
ISC revenue per confirmation	\$ 3,187,515	\$ 1,920,333
2021 CWJI revenues paid in 2022	(418,574)	-
	<u>\$ 2,768,941</u>	<u>\$ 1,920,333</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, 2022 was \$40,454 (2021 - \$40,454). 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, 2022

#### 22. EXPENSES BY OBJECT

	2022	2021
Amortization	\$ 335,842	\$ 204,722
Bad debts	29,183	44,928
Bank charges and interest	82,938	24,667
Honoraria	282,910	240,200
Insurance	73,715	54,191
Contracted services	4,891,788	3,127,861
Advertising	13,933	17,259
Materials and supplies	1,995,638	1,214,512
Professional services	950,239	868,055
Repairs and maintenance	414,568	213,868
Rental	3,390	8,040
Social assistance	192,310	299,474
Indigenous Services Canada Recoveries	- 24,053	20,625
Post secondary program services	116,700	121,360
Telephone	30,145	22,468
Travel	35,331	29,499
Wages and benefits	1,623,015	953,003
Training and workshops	4,632	1,756
Tangible capital asset acquisitions Included in expenses	(6,486,525)	(4,118,709)
Utilities	46,734	21,428
Replacement reserve	12,154	9,113
	<u>\$ 4,672,693</u>	<u>\$ 3,378,320</u>

## Lhtako Dene Nation

### Notes to the Consolidated Financial Statements For the Year Ended March 31, 2022

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#### 23. Restatement of Previous Years

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

	2022	2021
Impairment loss on Advances to Nation Business Enterprises	\$ -	\$ (899,000)
Restatement of Investment in Castle Mountain Hydro	(70,649)	(154,110)
Increase in Allowance for Doubtful Accounts	-	(53,560)
Adjustment of Equity in Replacement Reserve	-	53,560
Correction of Tangible Capital Assets	-	102,388
	<u>\$ (70,649)</u>	<u>\$ (950,722)</u>

#### 24. COMPARATIVE FIGURES

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