

Lhtako Dene Nation

CONSOLIDATED FINANCIAL STATEMENTS

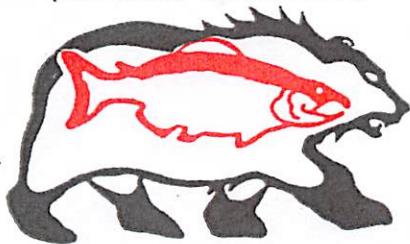
FOR THE YEAR ENDED MARCH 31, 2023

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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



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, 2023, and the consolidated statements of operations, changes in net 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, 2023, 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.

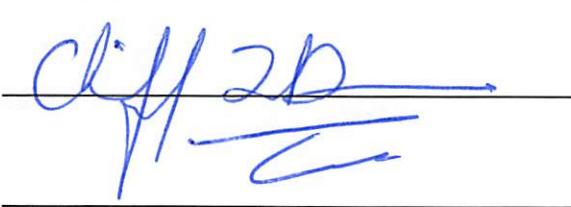
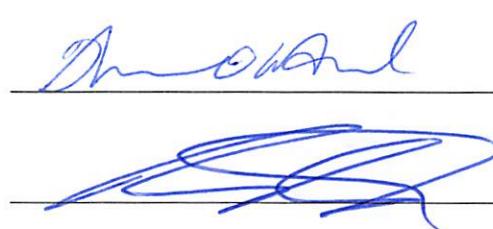
*FBB Chartered Professional
Accountants LLP*

October 25, 2023
Quesnel, British Columbia

FBB Chartered Professional
Accountants LLP

Lhtako Dene Nation**Consolidated Statement of Financial Position**
As at March 31, 2023

	2023	2022
Financial assets		
Cash (Note 2)	\$ 3,028,933	\$ 2,530,463
Restricted cash (Note 3)	1,203,348	1,257,923
Accounts receivable (Note 4)	1,031,484	745,929
Inventory of products for resale	56,456	128,835
Short-term investments (Note 5)	225,910	168,000
FNFA Debt Reserve	76,429	26,320
Investments (Note 6)	97,500	122,500
Investments in Nation business entities (Note 7)	(1,444,445)	(1,396,986)
Advances to related Nation entities and departments	2,752,206	947,273
	<hr/>	<hr/>
	7,027,821	4,530,257
Liabilities		
Bank advances (Note 2)	528,364	556,276
Accounts payable and accrued liabilities (Note 8)	1,396,994	963,791
Deferred revenue (Note 9)	142,080	142,080
Long-term debt (Note 10)	8,363,817	6,012,981
	<hr/>	<hr/>
	10,431,255	7,675,128
Net financial debt	<hr/>	<hr/>
	(3,403,434)	(3,144,871)
Non-financial assets		
Prepaid expenses	2,586	2,586
Tangible capital assets (Note 12)	19,196,948	14,947,972
	<hr/>	<hr/>
	19,199,534	14,950,558
Accumulated Surplus (Note 13)	<hr/>	<hr/>
Contingent Liabilities (Note 11)	<hr/>	<hr/>
Approved by Chief and Council:		

Lhtako Dene Nation
Consolidated Statement of Operations
For the Year Ended March 31, 2023

	Budget	2023	2022
Revenue			
Indigenous Services Canada	\$ 1,709,837	\$ 3,159,347	\$ 2,768,941
First Nations Health Authority	494,274	320,902	488,597
Government of Canada	105,000	290,318	74,570
Canada Mortgage and Housing Corporation	98,767	98,767	258,134
Province of British Columbia	1,982,166	2,772,435	1,042,721
BC First Nations Gaming Revenues	175,000	277,344	167,981
Canada Class Action Water Settlement	-	500,000	-
BC Aboriginal Child Care Society	-	253,728	-
Carrier Chilcotin Tribal Council	-	78,020	7,520
SDNA	-	70,000	-
West Fraser Timber Mills	500,000	1,193,949	679,348
BGM/Osisko	75,000	50,000	198,690
Spanish Mountain Gold Mines	-	50,000	50,000
CCATEC	40,000	24,987	32,320
First Nations Education Steering Committee	12,000	39,860	31,500
Rentals	116,342	118,857	108,260
Investment income	-	133,594	45,961
City of Quesnel	-	-	92,350
StarWest Petroleum	-	43,033	121,118
Other revenue	364,243	307,084	1,310,344
	5,672,629	9,782,225	7,478,355
Expenses (page 7)	7,872,642	5,628,529	4,672,693
Net Revenue before Other Items	(2,200,013)	4,153,696	2,805,662
Other Items:			
Results of Nation Owned Enterprises	-	(47,459)	(272,455)
Loss on disposal of tangible capital assets	-	(115,824)	-
Net Revenue for the Year	(2,200,013)	3,990,413	2,533,207
Accumulated Surplus - beginning of year	11,805,687	11,805,687	9,343,129
Restatement of previous years	-	-	(70,649)
Accumulated Surplus as restated - beginning of year	11,805,687	11,805,687	9,272,480
Accumulated Surplus - end of year to page 1	\$ 9,605,674	\$ 15,796,100	\$ 11,805,687

Lhtako Dene Nation
Consolidated Statement of Expenses
For the Year Ended March 31, 2023

	Budget	2023	2022
Administration	\$ 1,108,667	\$ 2,389,882	\$ 2,287,372
Amortization	-	533,969	335,842
Economic Development	89,489	113,987	631,806
Health and Well-Being	484,496	1,063,310	831,999
Social Assistance	309,887	300,148	291,097
Operations and Maintenance	153,963	125,177	239,944
Education	144,102	187,743	151,750
Lands and Natural Resources	772,679	841,408	993,445
Capital	4,626,983	4,515,741	4,685,633
Indigenous Services Canada Recoveries	-	-	24,053
TCA Acquisitions Included in Expenses	-	(5,023,182)	(6,486,525)
Housing	182,376	580,346	686,277
	\$ 7,872,642	\$ 5,628,529	\$ 4,672,693

Lhtako Dene Nation**Consolidated Statement of Changes in Net Financial Assets (Debt)****For the Year Ended March 31, 2023**

	Budget	2023	2022
Net Revenue for the Year	\$ (2,200,013)	\$ 3,990,413	\$ 2,533,207
Amortization	-	533,969	335,842
Loss on disposal of tangible capital assets	-	115,824	-
Proceeds on disposal of tangible capital assets	-	124,413	-
Acquisition of tangible capital assets	-	(5,023,182)	(6,486,525)
Decrease in net financial assets	(2,200,013)	(258,563)	(3,617,476)
Net financial assets, beginning of year	<u>(3,144,871)</u>	<u>(3,144,871)</u>	<u>472,605</u>
Net financial debt, end of year	<u>\$ (5,344,884)</u>	<u>\$ (3,403,434)</u>	<u>\$ (3,144,871)</u>

Lhtako Dene Nation
Consolidated Statement of Cash Flows
For the Year Ended March 31, 2023

	2023	2022
NET INFLOW (OUTFLOW) OF CASH:		
Operating activities		
Net revenue for the year	\$ 3,990,413	\$ 2,533,207
Non-cash charges to operations		
Amortization	533,969	335,842
Loss on investment in Nation business entities	47,459	272,455
Loss on disposal of tangible capital assets	115,824	-
Changes in non-cash operating balances:		
(A) Increase in accounts receivable	(285,555)	946
(A) Increase in inventory of products for resale	72,379	(21,560)
(A) Increase in short-term investments	(57,910)	83,830
Decrease in investments	25,000	-
Increase in accounts payable and accrued liabilities	433,203	273,625
	<hr/>	<hr/>
	4,874,782	3,478,345
Capital activities		
Proceeds on disposal of tangible capital assets	124,413	-
Acquisition of tangible capital assets	(5,023,182)	(6,486,525)
	<hr/>	<hr/>
	(4,898,769)	(6,486,525)
Financing activities		
FNFA Debt Reserve	(50,109)	(26,320)
Repayment of long-term debt	(216,792)	(171,750)
Proceeds of long-term debt	2,567,628	4,777,129
Advances to related parties	(1,804,933)	(368,563)
	<hr/>	<hr/>
	495,794	4,210,496
Increase in cash and investments	471,807	1,202,316
Cash and investments, beginning of year	<hr/>	<hr/>
Cash and investments, end of year	<hr/>	<hr/>
Cash consists of the following:		
Cash	\$ 3,028,933	\$ 2,530,463
Restricted cash	1,203,348	1,257,923
Bank overdraft	(528,364)	(556,276)
	<hr/>	<hr/>
	\$ 3,703,917	\$ 3,232,110

Lhtako Dene Nation

Notes to the Consolidated Financial Statements **For the Year Ended March 31, 2023**

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 (ISC).

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 Debt

The Nation's consolidated financial statements are presented so as to highlight net financial debt as the measurement of financial position. The net financial debt of the Nation is determined by its financial assets less its liabilities. Net financial debt 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, 2023

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 the 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, 2023**

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 Store Ltd.
- 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, 2023

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, 2023

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, 2023.

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, 2023, no liability for contaminated sites exists.

2. CASH

	2023	2022
Operations	<u>\$ 3,028,933</u>	<u>\$ 2,530,463</u>

Included in cash is \$718 (2022 - \$21,580) 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, 2023.

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2023

2. CASH (continued)

	2023	2022
Bank advances on housing construction	<u>\$ 528,364</u>	<u>\$ 556,276</u>

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

	2023	2022
Ottawa Trust Funds	\$ 1,160,276	\$ 1,100,439
Replacement Reserve - CMHC	43,072	42,381
Silviculture deposits	-	115,103
	<u>\$ 1,203,348</u>	<u>\$ 1,257,923</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, 2023

4. ACCOUNTS RECEIVABLE

	2023	2022
Trade accounts receivable	\$ 463,505	\$ 223,425
Indigenous Services Canada	237,898	185,929
Government of Canada	11,943	74,570
Province of British Columbia	252,859	-
CMHC subsidies receivable	8,231	8,231
CMHC grants	-	189,286
Rents receivable	193,586	192,806
Allowance for doubtful accounts	(136,538)	(128,318)
Due from Craig Buchan	159,658	167,878
Allowance for doubtful accounts	(159,658)	(167,878)
Due from Geronimo Squinas	64,186	64,186
Allowance for doubtful accounts	(64,186)	(64,186)
	\$ 1,031,484	\$ 745,929

5. SHORT-TERM INVESTMENTS

	2023	2022
Marketable Securities	\$ 225,910	\$ 168,000

Marketable securities are shares held in a public company. As at March 31, 2023 the shares have a fair market value of \$225,910 (2022 - \$188,353).

6. INVESTMENTS

	2023	2022
Castle Mountain Hydro - 2.5% interest	\$ 87,500	\$ 112,500
Dene Developments	10,000	10,000
	\$ 97,500	\$ 122,500

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2023

7. INVESTMENT IN NATION BUSINESS ENTITIES

	2023	2022
Red Bluff Development Corporation Ltd.	\$ (162,213)	\$ (165,359)
RBDC Trucking LLP	(1,139,773)	(1,138,812)
1305049 BC Ltd.	13,693	(17,783)
Lhtako Gas and Convenience Store Ltd.	(156,152)	(75,032)
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	\$ (1,444,445)	\$ (1,396,986)

A summary of the unaudited financial statements for the year ended March 31, 2023 follows:

Balance Sheet

Current assets	\$ 2,487,075	\$ 758,913
Capital assets	591,275	1,071,580
	<hr/>	<hr/>
	\$ 3,078,350	\$ 1,830,493
Current liabilities	\$ 1,152,441	\$ 852,453
Long term debt	590,941	637,893
Shareholder's loan	1,998,952	1,787,628
Share capital	1,002	1,003
Equity	(664,986)	(1,448,484)
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	\$ 3,078,350	\$ 1,830,493

Statement of Operations

Revenue	\$ 6,467,867	\$ 4,513,078
Cost of sales	5,559,640	3,997,293
Expenses	987,162	788,240
Net loss	(78,935)	(272,455)
Deficit, beginning of year	(1,448,484)	(1,176,029)
Forgiveness	862,433	-
	<hr/>	<hr/>
Deficit, end of year	\$ (664,986)	\$ (1,448,484)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Accounts payable and accrued liabilities	\$ 1,306,687	\$ 909,507
Government remittances	90,307	54,284
	<hr/>	<hr/>
	\$ 1,396,994	\$ 963,791

Lhtako Dene Nation

Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2023

9. DEFERRED REVENUE

	2023	2022
Indigenous Services Canada - capital surplus	\$ 130,619	\$ 130,619
First Nations Health Authority	<u>11,461</u>	<u>11,461</u>
	<u>\$ 142,080</u>	<u>\$ 142,080</u>

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2023

10. LONG-TERM DEBT

	2023	2022
Social Housing Mortgages		
Mortgage repayable in monthly instalments of \$3,966 including interest at 2.21%, secured by a ministerial guarantee.	\$ 797,192	\$ 826,891
Mortgage repayable in monthly instalments of \$5,935 including interest at 1.51%, secured by a ministerial guarantee	1,417,086	1,466,563
BC Housing Commission		
Interim financing	4,186,541	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	1,493,320	526,320
Operational borrowing		
Demand loan repayable in monthly instalments of \$1,719 including interest at 2.35% per annum	143,447	182,422
Demand loan repayable in monthly instalments of \$503 including interest at prime plus 0.5% per annum	5,811	12,388
Capital lease payable	-	31,310
Demand loan repayable in monthly instalments of \$494 including interest at prime plus 0.5% per annum	167,591	197,816
Daimler Truck Financial loan repayable in monthly instalments of \$2,140 including interest at 9.75%.	74,369	-
Daimler Truck Financial loan repayable in monthly instalments of \$3,142 with reduced payments 3 times annually, including interest at 9.986%.	78,460	-
	<u>\$ 8,363,817</u>	<u>\$ 6,012,981</u>

The lender's prime rate as at March 31, 2023 is 6.70% (2022 - 2.45%).

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2023

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, 2023 might be recovered.

Lhtako Dene Nation discovered an underground fuel leak at Lhtako Gas and Convenience Store. The leak occurred during installation of new aboveground fuel storage tanks in December 2020, but was not discovered until May, 2022. An estimated 105,000 litres of premium gasoline may have leaked from the underground fuel line over a period of approximately 17 months. The fuel line has been repaired. The Nation is undertaking further environmental investigations to assess the extent of the contamination in coordination with Indigenous Services Canada, the BC Ministry of Environment, First Nations Health Authority, Northern Health and the Cariboo Regional District. The Nation has retained a qualified environmental firm to complete environmental investigations at the gas station and on adjacent lands following identification of the leak. That firm has confirmed that gasoline related contamination is present in groundwater along Arbutus Road and also in several nearby residential water wells.

The extent of the potential costs associated with the remediation of the leak has not been fully determined. The Nation believes it is not liable for these costs and has engaged a litigation lawyer to commence a legal action against the installation contractor. Resolution of the litigation action will, if required, be reflected in the Nation's accounts upon completion of that action.

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2023

12. TANGIBLE CAPITAL ASSETS

			2023	2022
	Cost	Accumulated Amortization	Net Carrying Amount	
Lands	\$ 150,000	\$ -	150,000	\$ 150,000
Automotive	642,226	205,688	436,538	421,369
Buildings and infrastructure	12,633,104	3,315,286	9,317,818	11,051,378
Equipment	315,839	170,659	145,180	173,904
Computer equipment	128,920	97,709	31,211	54,620
Social Housing	<u>9,300,196</u>	<u>183,995</u>	<u>9,116,201</u>	<u>3,096,701</u>
	<u><u>\$ 23,170,285</u></u>	<u><u>\$ 3,973,337</u></u>	<u><u>\$ 19,196,948</u></u>	<u><u>\$ 14,947,972</u></u>

Tangible Capital Asset Additions for the year were:

Automotive	\$ 363,822
Buildings and infrastructure	2,494,490
Equipment	6,544
Social Housing	<u>2,158,326</u>
	<u><u>\$ 5,023,182</u></u>

Amortization for the year is as follows:

Automotive	\$ 108,416
Building and infrastructure	287,701
Equipment	35,268
Computer equipment	23,408
Social Housing	<u>79,176</u>
	<u><u>\$ 533,969</u></u>

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2023

13. ACCUMULATED SURPLUS

	2023	2022
Operating and capital surplus	\$ 16,934,466	\$ 12,974,259
Contributed surplus	245,410	245,410
Ottawa Trust Funds	1,160,276	1,100,439
Equity in Nation owned enterprises	(2,518,733)	(2,471,274)
Equity in CMHC Social Housing	(44,027)	(44,025)
Equity in Replacement Reserve	<u>18,708</u>	<u>878</u>
	<hr/> <u>\$ 15,796,100</u>	<hr/> <u>\$ 11,805,687</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, 2023 in the amount of \$17,830 (2022 - \$12,154) 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, 2023

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.

Lands and Natural Resources

This service area includes revenues from the Nation's natural resources and land management activities.

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2023

17. 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.

18. INDIGENOUS SERVICES CANADA (ISC) FUNDING RECONCILIATION

	2023	2022
ISC revenue per confirmation	\$ 3,214,861	\$ 3,187,515
Reimbursements reflected as a recovery	(28,732)	-
Funding received not shown on ISC confirmation	43,818	-
Revenues on confirmation shown as Lhtako Gaa and Convenience	(70,600)	-
2021 CWJI revenues paid in 2022	-	(418,574)
Per Consolidated Statement of Operations	<u>\$ 3,159,347</u>	<u>\$ 2,768,941</u>

19. 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, 2023 was \$98,767 (2022 - \$40,454). This assistance will continue, providing the Nation is not in default of the agreement.

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2023

20. EXPENSES BY OBJECT

	2023	2022
Amortization	\$ 533,969	\$ 335,842
Bad debts	44,749	29,183
Bank charges and interest	185,341	82,938
Honoraria	294,670	282,910
Distribution to Nation members	158,850	132,750
Insurance	108,065	73,715
Contracted services	4,476,872	4,891,788
Advertising	11,758	13,933
Materials and supplies	1,474,210	1,862,888
Professional services	567,719	950,239
Repairs and maintenance	322,085	360,158
Rental	-	3,390
Social assistance	180,323	192,310
Funding agencies recoveries	34,130	24,053
Post secondary program services	171,069	116,700
Telephone	53,333	30,145
Travel	176,093	35,331
Wages and benefits	1,682,024	1,623,015
Training and workshops	28,022	4,632
TCA acquisitions Included in expenses	(5,023,182)	(6,486,525)
Utilities	28,813	46,734
Vehicle	101,786	54,410
Replacement reserve	17,830	12,154
	<hr/>	<hr/>
	\$ 5,628,529	\$ 4,672,693

21. COMPARATIVE FIGURES

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

Lhtako Dene Nation
 Notes to Consolidated Financial Statements
 For the Year Ended March 31, 2023

	Administration	Community Welfare	Operations and Maintenance	Education	Economic Development	Natural Resources	Capital	Asset Additions	Nation Owned Enterprises	Social Housing	Totals
Revenue											
ISC	\$ 237,581	\$ 688,181	\$ 215,308	\$ 124,181	\$ -	\$ 1,617,287	\$ -	\$ -	\$ 276,809	\$ 3,159,347	
Other	1,535,143	911,710	10,500	40,757	24,987	3,361,580	738,998	-	-	218,805	6,842,480
Total	1,772,724	1,599,891	225,808	164,938	24,987	3,361,580	2,356,285	-	-	495,614	10,001,827
Expenses											
Wages and benefits	671,333	754,112	71,162	2,453	79,772	317,831	-	-	-	-	1,896,663
Goods and services	1,754,284	661,386	54,015	201,783	34,215	750,121	4,599,531	(5,023,182)	-	501,170	3,533,323
Nation owned enterprises	-	-	-	-	-	-	-	-	47,459	-	47,459
Amortization	-	-	-	-	-	454,793	-	-	-	79,176	533,969
Total	2,425,617	1,415,498	125,177	204,236	113,987	1,067,952	5,054,324	(5,023,182)	47,459	580,346	6,011,414
Net Revenue for the Year	\$ (652,893)	\$ 184,393	\$ 100,631	\$ (39,298)	\$ (89,000)	\$ 2,293,628	\$ (2,698,039)	\$ 5,023,182	\$ (47,459)	\$ (84,732)	\$ 3,990,413

For the Year Ended March 31, 2022

	Administration	Community Welfare	Operations and Maintenance	Education	Economic Development	Natural Resources	Capital	Asset Additions	Nation Owned Enterprises	Social Housing	Totals
Revenue											
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
Total	1,736,100	1,002,234	221,228	172,221	567,265	1,936,306	1,020,555	-	-	822,446	7,478,355
Expenses											
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
Total	2,287,372	1,147,149	239,944	151,750	631,806	993,445	4,977,448	(6,486,525)	272,455	730,304	4,945,148
Net Revenue for the Year	\$ (551,272)	\$ (144,915)	\$ (18,716)	\$ 20,471	\$ (64,541)	\$ 942,861	\$ (3,956,893)	\$ 6,486,525	\$ (272,455)	\$ 92,142	\$ 2,533,207