

Lhtako Dene Nation

CONSOLIDATED FINANCIAL STATEMENTS

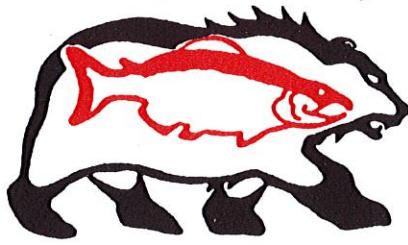
FOR THE YEAR ENDED MARCH 31, 2024

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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



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, 2024, 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, 2024, 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.

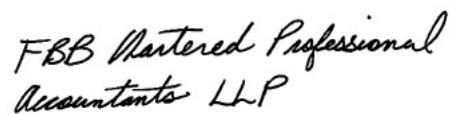
Those charged with governance are responsible for overseeing the Nation's financial reporting process.

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*

May 15, 2025
Quesnel, British Columbia

**FBB Chartered Professional
Accountants LLP**

Lhtako Dene Nation

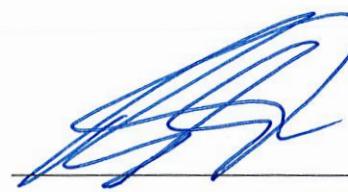
Consolidated Statement of Financial Position

As at March 31, 2024

	2024	2023
Financial assets		
Cash (Note 2)	\$ 16,258,230	\$ 3,028,933
Restricted cash (Note 3)	1,276,116	1,203,348
Accounts receivable (Note 4)	888,006	1,031,484
Inventory of products for resale	55,460	56,456
Short-term investments (Note 5)	245,643	225,910
FNFA Debt Reserve	928,616	76,429
Investments (Note 6)	72,500	97,500
Investments in Nation business entities (Note 7)	(2,265,870)	(1,444,445)
Advances to related Nation entities and departments	<u>4,453,386</u>	<u>2,752,206</u>
	<u>21,912,087</u>	<u>7,027,821</u>
Liabilities		
Bank advances (Note 2)	215,374	528,364
Accounts payable and accrued liabilities (Note 8)	981,542	1,396,994
Deferred revenue (Note 9)	142,080	142,080
Long-term debt (Note 10)	<u>25,655,737</u>	<u>8,363,817</u>
	<u>26,994,733</u>	<u>10,431,255</u>
Net financial debt	<u>(5,082,646)</u>	<u>(3,403,434)</u>
Non-financial assets		
Prepaid expenses	2,586	2,586
Tangible capital assets (Note 12)	<u>26,166,948</u>	<u>19,196,948</u>
	<u>26,169,534</u>	<u>19,199,534</u>
Accumulated Surplus (Note 13)	<u>\$ 21,086,888</u>	<u>\$ 15,796,100</u>
Contingent Liabilities (Note 11)		

Approved by Chief and Council:




Lhtako Dene Nation
Consolidated Statement of Operations
For the Year Ended March 31, 2024

	Budget	2024	2023
Revenue			
Indigenous Services Canada	\$ 1,212,213	\$ 1,932,186	\$ 3,159,347
First Nations Health Authority	568,313	354,652	320,902
First Nations Health Authority - Capital	-	2,500,000	-
Government of Canada	5,000	734,465	290,318
Canada Mortgage and Housing Corporation	98,767	277,002	98,767
Province of British Columbia	3,090,598	4,314,275	2,772,435
BC First Nations Gaming Revenues	280,000	472,235	277,344
Canada Class Action Water Settlement	50,000	-	500,000
BC Aboriginal Child Care Society	188,182	298,549	253,728
New Relationship Trust	-	240,000	-
Carrier Chilcotin Tribal Council	-	75,375	78,020
SDNA	-	-	70,000
West Fraser Timber Mills	800,000	1,160,047	1,193,949
BGM/Osisko	50,000	302,965	50,000
Spanish Mountain Gold Mines	-	-	50,000
CCATEC	50,000	53,811	24,987
First Nations Education Steering Committee	12,000	131,804	39,860
Rentals	110,534	225,367	118,857
Investment income	18,000	414,520	133,594
Other revenue	217,020	882,777	350,117
	6,750,627	14,370,030	9,782,225
Expenses (page 7)	5,461,174	8,253,794	5,628,529
Net Revenue before Other Items	1,289,453	6,116,236	4,153,696
Other Items:			
Results of Nation Owned Enterprises	-	(821,425)	(47,459)
Loss on disposal of tangible capital assets	-	(4,023)	(115,824)
Net Revenue for the Year	1,289,453	5,290,788	3,990,413
Accumulated Surplus - beginning of year	15,796,100	15,796,100	11,805,687
Accumulated Surplus - end of year to page 1	\$ 17,085,553	\$ 21,086,888	\$ 15,796,100

Lhtako Dene Nation
Consolidated Statement of Expenses
For the Year Ended March 31, 2024

	Budget	2024	2023
Administration	\$ 1,711,632	\$ 4,009,827	\$ 2,389,882
Amortization	-	688,737	533,969
Lhtako Quesnel Winter Games	-	129,861	-
Economic Development	87,134	77,810	113,987
Health and Well-Being	1,027,361	1,853,889	1,063,310
Social Assistance	361,899	451,734	300,148
Operations and Maintenance	153,963	277,388	125,177
Education	196,181	275,868	187,743
Lands and Natural Resources	487,186	4,200,973	841,408
Capital	1,103,061	3,754,798	4,515,741
Indigenous Services Canada Recoveries	-	16,293	-
TCA Acquisitions Included in Expenses	-	(7,816,734)	(5,023,182)
Housing	332,757	333,350	580,346
	<hr/>	<hr/>	<hr/>
	\$ 5,461,174	\$ 8,253,794	\$ 5,628,529

Lhtako Dene Nation

Consolidated Statement of Changes in Net Financial Assets (Debt)

For the Year Ended March 31, 2024

	Budget	2024	2023
Net Revenue for the Year	\$ 1,289,453	\$ 5,290,788	\$ 3,990,413
Amortization	-	764,708	533,969
Loss on disposal of tangible capital assets	-	4,023	115,824
Proceeds on disposal of tangible capital assets	-	78,000	124,413
Acquisition of tangible capital assets	-	(7,816,731)	(5,023,182)
Change in net financial debt	1,289,453	(1,679,212)	(258,563)
Net financial debt, beginning of year	(3,403,434)	(3,403,434)	(3,144,871)
Net financial debt, end of year	\$ (2,113,981)	\$ (5,082,646)	\$ (3,403,434)

Lhtako Dene Nation
Consolidated Statement of Cash Flows
For the Year Ended March 31, 2024

	2024	2023
NET INFLOW (OUTFLOW) OF CASH:		
Operating activities		
Net revenue for the year	\$ 5,290,788	\$ 3,990,413
Non-cash charges to operations		
Amortization	764,708	533,969
Loss on investment in Nation business entities	821,425	47,459
Loss on disposal of tangible capital assets	4,023	115,824
Changes in non-cash operating balances:		
Decrease (increase) in accounts receivable	143,478	(285,555)
Decrease in inventory of products for resale	996	72,379
Increase in short-term investments	(19,733)	(57,910)
Decrease in investments	25,000	25,000
(Decrease) increase in accounts payable and accrued liabilities	(415,452)	433,203
	<hr/>	<hr/>
	6,615,233	4,874,782
Capital activities		
Proceeds on disposal of tangible capital assets	78,000	124,413
Acquisition of tangible capital assets	(7,816,731)	(5,023,182)
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	(7,738,731)	(4,898,769)
Financing activities		
FNFA Debt Reserve	(852,187)	(50,109)
Repayment of long-term debt	(245,625)	(216,792)
Proceeds of long-term debt	17,537,545	2,567,628
Advances to related parties	(1,701,180)	(1,804,933)
	<hr/>	<hr/>
	14,738,553	495,794
Increase in cash and investments	13,615,055	471,807
Cash and investments, beginning of year	<hr/>	<hr/>
	3,703,917	3,232,110
Cash and investments, end of year	<hr/>	<hr/>
	\$ 17,318,972	\$ 3,703,917
Cash consists of the following:		
Cash	\$ 16,258,230	\$ 3,028,933
Restricted cash	1,276,116	1,203,348
Bank overdraft	(215,374)	(528,364)
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	\$ 17,318,972	\$ 3,703,917

Lhtako Dene Nation

Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2024

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, 2024**

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, 2024

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
- 1305049 B.C. Ltd.

Sus Yaz Early Learning and After School Center 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, 2024**

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 methods 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, 2024**

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, 2024.

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, 2024, no liability for contaminated sites exists.

2. CASH

	2024	2023
Operations	\$ 16,258,230	<u>\$ 3,028,933</u>

Included in cash is \$818 (2023 - \$718) 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, 2024.

Lhtako Dene Nation

Notes to the Consolidated Financial Statements **For the Year Ended March 31, 2024**

2. CASH (continued)

	2024	2023
Bank advances on housing construction	\$ 215,374	<u>\$ 528,364</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

	2024	2023
Ottawa Trust Funds	\$ 1,223,582	\$ 1,160,276
Replacement Reserve - CMHC	52,534	43,072
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	\$ 1,276,116	<u>\$ 1,203,348</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, 2024

4. ACCOUNTS RECEIVABLE

	2024	2023
Trade accounts receivable	\$ 412,114	\$ 463,505
Indigenous Services Canada	72,705	237,898
Government of Canada	-	11,943
Province of British Columbia	142,732	252,859
CMHC subsidies receivable	8,827	8,231
BC Housing Commission	95,305	-
First Nation Finance Authority	52,611	-
Rents receivable	302,653	193,586
Allowance for doubtful accounts	(198,941)	(136,538)
Due from Craig Buchan	158,158	159,658
Allowance for doubtful accounts	(158,158)	(159,658)
Due from Geronimo Squinas	64,186	64,186
Allowance for doubtful accounts	(64,186)	(64,186)
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	\$ 888,006	\$ 1,031,484

5. SHORT-TERM INVESTMENTS

	2024	2023
Marketable Securities	\$ 245,643	\$ 225,910

Marketable securities are shares held in a public company. As at March 31, 2024 the shares have a fair market value of \$245,643 (2023 - \$225,910).

6. INVESTMENTS

	2024	2023
Castle Mountain Hydro - 2.5% interest	\$ 62,500	\$ 87,500
Dene Developments	10,000	10,000
	<hr/>	<hr/>
	\$ 72,500	\$ 97,500

Lhtako Dene Nation

Notes to the Consolidated Financial Statements For the Year Ended March 31, 2024

7. INVESTMENT IN NATION BUSINESS ENTITIES

	2024	2023
Red Bluff Development Corporation Ltd.	\$ 291,183	\$ (162,213)
RBDC Trucking LLP	(1,139,773)	(1,139,773)
1305049 BC Ltd.	(20,816)	13,693
Sus Yaz Early Learning and After School Center Ltd.	6,601	-
Lhtako Gas and Convenience Store Ltd.	<u>(1,403,065)</u>	<u>(156,152)</u>
	 <u>\$ (2,265,870)</u>	 <u>\$ (1,444,445)</u>

A summary of the unaudited financial statements for the year ended March 31, 2024 follows:

Balance Sheet

Current assets	\$ 3,304,625	\$ 2,487,075
Capital assets	985,565	591,275
	<u>\$ 4,290,190</u>	<u>\$ 3,078,350</u>
Current liabilities	\$ 700,944	\$ 1,152,441
Long term debt	535,367	590,941
Shareholder's loan	4,453,386	1,998,952
Share capital	1,003	1,002
Equity	<u>(1,400,510)</u>	<u>(664,986)</u>
	<u>\$ 4,290,190</u>	<u>\$ 3,078,350</u>

Statement of Operations

Revenue	\$ 6,343,191	\$ 6,467,867
Cost of sales	4,764,963	5,559,640
Expenses	<u>1,198,414</u>	<u>987,162</u>
Net income (loss)	379,814	(78,935)
Deficit, beginning of year	(578,125)	(1,448,484)
Indigenous Services Canada contribution	2,379,425	-
Cost of leak remediation	<u>(3,581,624)</u>	<u>-</u>
Restatement of previous year	-	86,861
Forgiveness	<u>-</u>	<u>862,433</u>
Deficit, end of year	<u>\$ (1,400,510)</u>	<u>\$ (578,125)</u>

Lhtako Dene Nation

Notes to the Consolidated Financial Statements **For the Year Ended March 31, 2024**

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	2023
Accounts payable and accrued liabilities	\$ 928,653	\$ 1,306,687
Government remittances	<u>52,889</u>	<u>90,307</u>
	<u>\$ 981,542</u>	<u>\$ 1,396,994</u>

9. DEFERRED REVENUE

	2024	2023
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, 2024

10. LONG-TERM DEBT

	2024	2023
Social Housing Mortgages		
Mortgage repayable in monthly instalments of \$3,966 including interest at 2.21%, secured by a ministerial guarantee.	\$ 769,659	\$ 797,192
Mortgage repayable in monthly instalments of \$5,935 including interest at 1.51%, secured by a ministerial guarantee	1,368,648	1,417,086
BC Housing Commission		
Interim financing	4,645,086	4,186,541
First Nation Finance Authority		
Loan repayable in varying semi annual instalments of not less than \$397,448 including interest at 4.28% secured by assignment of certain cash flows.	18,510,833	1,493,320
Operational borrowing		
Demand loan repayable in monthly instalments of \$1,719 including interest at 2.35% per annum	97,959	143,447
Demand loan repayable in monthly instalments of \$503 including interest at prime plus 0.5% per annum	-	5,811
Demand loan repayable in monthly instalments of \$494 including interest at prime plus 0.5% per annum	152,662	167,591
Daimler Truck Financial loan repayable in monthly instalments of \$2,140 including interest at 9.75%.	55,798	74,369
Daimler Truck Financial loan repayable in monthly instalments of \$3,142 with reduced payments 3 times annually, including interest at 9.986%.	55,092	78,460
	<hr/> <u>\$ 25,655,737</u>	<hr/> <u>\$ 8,363,817</u>

The lender's prime rate as at March 31, 2024 is 5.0% (2023 - 6.70%).

Lhtako Dene Nation

Notes to the Consolidated Financial Statements **For the Year Ended March 31, 2024**

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, 2024 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, 2024

12. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	2024		2023	
			Net Carrying Amount			
Lands	\$ 150,000	\$ -	\$ 150,000	\$ 150,000	\$ 150,000	
Automotive	2,143,080	525,381	1,617,699		436,538	
Buildings and infrastructure	23,049,582	3,570,483	19,479,099		9,314,818	
Equipment	666,680	244,532	422,148		145,180	
Computer equipment	141,005	123,208	17,797		31,211	
Social Housing	3,201,520	259,966	2,941,554		9,119,201	
Construction in progress	769,152	-	769,152		-	
DL 8007	769,499	-	769,499		-	
	<u>\$ 30,890,518</u>	<u>\$ 4,723,570</u>	<u>\$ 26,166,948</u>		<u>\$ 19,196,948</u>	

Tangible Capital Asset additions for the year were:

Automotive	\$ 1,597,355
Buildings and infrastructure	4,317,804
Rita Road Marriott Hotel	769,152
DL 8007	769,499
Equipment	224,001
Computer equipment	<u>12,085</u>
	<u>\$ 7,689,896</u>

Amortization for the year is as follows:

Automotive	\$ 334,168
Building and infrastructure	255,198
Equipment	73,872
Computer equipment	25,499
Social Housing	<u>75,971</u>
	<u>\$ 764,708</u>

Lhtako Dene Nation

Notes to the Consolidated Financial Statements **For the Year Ended March 31, 2024**

13. ACCUMULATED SURPLUS

	2024	2023
Operating and capital surplus	\$ 22,965,543	\$ 16,934,466
Contributed surplus	245,410	245,410
Ottawa Trust Funds	1,223,582	1,160,276
Equity in Nation owned enterprises	(3,340,158)	(2,518,733)
Equity in CMHC Social Housing	(44,027)	(44,027)
Equity in Replacement Reserve	36,538	18,708
	<hr/>	<hr/>
	\$ 21,086,888	\$ 15,796,100

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 that 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, 2024 in the amount of \$17,830 (2023 - \$17,830) 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, 2024

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

This service area includes revenues 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 Consolidated Financial Statements
Year Ended March 31, 2024

Note 16. Segment Reporting

	Administration	BC Winter Games	Community Welfare	Operations and Maintenance	Education	Economic Development	Natural Resources	Capital	Asset Additions	Nation Owned Enterprises	Social Housing	Totals
Revenue												
ISC	\$ 172,618	\$ -	\$ 985,123	\$ 605,740	\$ 117,311	\$ -	\$ 49,381	\$ -	\$ -	\$ 2,013	\$ 1,932,186	
Other	1,628,508	10,000	849,664	-	133,973	199,202	6,387,823	3,073,061	-	-	436,369	12,718,600
Total	1,801,126	10,000	1,834,787	605,740	251,284	199,202	6,387,823	3,122,442	-	-	438,382	14,650,786
Expenses												
Wages and benefits	555,243	-	694,917	69,438	-	94,875	847,043	-	-	-	3,339	2,264,855
Goods and services	3,501,807	129,861	1,650,311	207,950	292,072	(7,065)	3,691,657	3,754,798	(7,990,079)	-	257,379	5,488,691
ISC recoveries	6,587	-	9,706	-	-	-	-	-	-	-	-	16,293
Nation owned enterprises	-	-	-	-	-	-	-	-	-	821,425	-	821,425
Amortization	-	-	-	-	-	-	-	692,763	-	-	75,971	768,734
Total	4,063,637	129,861	2,354,934	277,388	292,072	87,810	4,538,700	4,447,561	(7,990,079)	821,425	336,689	9,359,998
Net Revenue for the Year	\$ (2,262,511)	\$ (119,861)	\$ (520,147)	\$ 328,352	\$ (40,788)	\$ 111,392	\$ 1,849,123	\$ (1,325,119)	\$ 7,990,079	\$ (821,425)	\$ 101,693	\$ 5,290,788

Year Ended March 31, 2023

	Administration	BC Winter Games	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

Lhtako Dene Nation

Notes to the Consolidated Financial Statements **For the Year Ended March 31, 2024**

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

	2024	2023
ISC revenue per confirmation	\$ 4,306,186	\$ 3,214,861
Reimbursements reflected as a recovery	-	(28,732)
Funding received not shown on ISC confirmation	-	43,818
Revenues on confirmation shown as Lhtako Gas and Convenience	2,374,000	(70,600)
Per Consolidated Statement of Operations	<u>\$ 1,932,186</u>	<u>\$ 3,159,347</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, 2024 was \$99,960 (2023 - \$98,767). 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, 2024

20. EXPENSES BY OBJECT

	2024	2023
Amortization	\$ 764,678	\$ 533,969
Bad debts	100,041	44,749
Bank charges and interest	346,816	185,341
BC Winter Games	112,000	-
Honoraria	484,859	294,670
Distribution to Nation members	164,000	158,850
Insurance	153,305	108,065
Contracted services	3,016,413	4,476,872
Advertising	58,951	11,758
Materials and supplies	5,139,153	1,474,210
Professional services	1,924,515	567,719
Repairs and maintenance	320,745	322,085
Social assistance	277,618	180,323
Funding agencies recoveries	16,293	34,130
Post secondary program services	204,134	171,069
Telephone	164,907	53,333
Travel	200,299	176,093
Wages and benefits	2,264,855	1,682,024
Training and workshops	32,800	28,022
TCA acquisitions Included in expenses	(7,816,734)	(5,023,182)
Utilities	52,004	28,813
Vehicle	254,312	101,786
Replacement reserve	17,830	17,830
	<hr/> \$ 8,253,794	<hr/> \$ 5,628,529

21. COMPARATIVE FIGURES

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