



**Lhoosk'uz Dene Nation  
Financial Statements**

**March 31, 2018**



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# **Lhoosk'uz Dene Nation**

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**For the year ended March 31, 2018**

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Lhoosk'uz Dene Nation  
MARCH 31, 2018

### **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying consolidated financial statements of Lhoosk'uz 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 prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Ribeyre Chang Haylock, 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 Lhoosk'uz Dene Nation and meet when required.

Lorraine Guinas

J. Beagleto

## INDEPENDENT AUDITORS' REPORT

To: The Members of Lhoosk'uz Dene Nation

**Lhoosk'uz Dene Nation  
Report on the Financial Statements**

We have audited the accompanying financial statements of Lhoosk'uz Dene Nation, which comprise the statement of financial position as at March 31, 2018, and the summary statement of operations, summary statement of change in net debt, summary statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Lhoosk'uz Dene Nation** as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board.

Port Coquitlam, B.C.  
July 16, 2018

*Rihya Chang Haylock*  
Chartered Professional Accountants

**Lhoosk'uz Dene Nation**  
**SUMMARY STATEMENT OF FINANCIAL POSITION**

As at March 31, 2018

Statement 1

	2018	2017
<b>Financial assets</b>		
Cash - Note 3	\$ 1,018,599	\$ 660,131
Accounts receivable - Note 4	953,462	934,081
Investments - Note 5	2,199,424	1,666,140
Trust moneys - Note 6	45,436	43,905
	<b>4,216,921</b>	3,304,257
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	225,968	323,404
Government balances payable	58,045	115,653
Deferred revenue - Note 7	132,228	97,939
	<b>416,241</b>	536,996
<b>Net financial assets</b>	<b>3,800,680</b>	2,767,261
<b>Non-financial assets</b>		
Tangible capital assets - Note 8	3,718,240	3,686,644
Prepaid expenses and deposits	17,730	7,861
	<b>3,735,970</b>	3,694,505
<b>Accumulated surplus - Note 9</b>	<b>\$ 7,536,650</b>	\$ 6,461,766

See accompanying notes

On behalf of Chief and Council:



# Lhoosk'uz Dene Nation

## SUMMARY STATEMENT OF OPERATIONS

**For the year ended March 31, 2018**

**Statement 2**

	2018 Budget	2018 Actual	2017 Actual
<b>Revenue</b>			
<b>Operating Fund</b>			
Indigenous Services Canada	\$ 1,128,538	\$ 1,160,314	\$ 1,326,102
First Nations Health Authority	482,641	566,041	490,153
Cariboo Chilcotin Aboriginal Training			
Education Centre	-	-	20,269
Contribution from New Gold Inc.	-	611,105	712,535
Province of British Columbia	-	129,572	98,264
First Nation Education Steering Committee	-	45,508	53,863
Miscellaneous income	-	286,092	(30,857)
<b>Trust Fund</b>	-	1,531	1,374
<b>Investment Fund</b>	-	858,059	649,710
	<b>1,611,179</b>	<b>3,684,742</b>	3,321,413
<b>Expenses</b>			
<b>Operating Fund</b>			
Local government services	171,545	430,721	368,474
Community infrastructure	235,818	399,792	266,563
Cultural services	-	-	10,697
Economic development	15,150	697,014	880,772
Education and training	522,370	298,331	392,822
Health	567,541	403,822	439,042
Social programs	358,936	249,553	387,930
Capital projects	31,776	165,600	154,145
	<b>1,903,136</b>	<b>2,644,833</b>	2,900,445
<b>Annual surplus</b>	<b>(291,957)</b>	<b>1,039,909</b>	420,968
<b>Accumulated surplus, beginning of year</b>		<b>6,461,766</b>	6,112,005
Reimbursements (recoveries)		<b>34,975</b>	(71,207)
<b>Accumulated surplus, end of year</b>		<b>\$ 7,536,650</b>	\$ 6,461,766

*See accompanying notes*

**Lhoosk'uz Dene Nation**  
**SUMMARY STATEMENT OF NET FINANCIAL ASSETS**

For the year ended March 31, 2018

Statement 3

	2018 Budget	2018 Actual	2017 Actual
<b>Annual surplus</b>	\$ (291,957)	\$ 1,039,909	\$ 420,968
<b>Reimbursements (recoveries) in the year</b>	<b>34,975</b>	<b>34,975</b>	(71,207)
	<b>(256,982)</b>	<b>1,074,884</b>	349,761
 <b>Changes in tangible capital assets</b>			
Acquisition of tangible capital assets	(31,776)	(197,196)	(301,581)
Amortization of tangible capital assets	-	165,600	157,379
Loss on disposition of tangible capital assets	-	-	145,746
	<b>(31,776)</b>	<b>(31,596)</b>	1,544
 <b>Changes in other non-financial assets</b>			
Prepaid expenses and deposits	-	(9,869)	(2,152)
	<b>-</b>	<b>(9,869)</b>	<b>(2,152)</b>
 <b>Increase in net financial assets</b>	<b>(288,758)</b>	<b>1,033,419</b>	349,153
Net financial assets at beginning of year	<b>2,767,261</b>	<b>2,767,261</b>	2,418,108
 <b>Net financial assets at end of year</b>	<b>\$ 2,478,503</b>	<b>\$ 3,800,680</b>	<b>\$ 2,767,261</b>

See accompanying notes

# **Lhoosk'uz Dene Nation**

## **SUMMARY STATEMENT OF CASH FLOWS**

**For the year ended March 31, 2018**

## Statement 4

2018

2017

## OPERATING ACTIVITIES

Revenue received	\$ 3,626,535	\$ 3,024,698
Expenses paid	(2,644,146)	(2,516,420)
<b>Cash provided by operating activities</b>	<b>982,389</b>	<b>508,278</b>

## INVESTING ACTIVITIES

Advances (to) from investments	(426,725)	(341,592)
Purchase and construction of capital assets	(197,196)	(155,835)
<b>Cash used in investing activities</b>	<b>(623,921)</b>	<b>(497,427)</b>

<b>Increase in cash during the year</b>	<b>358,468</b>	10,851
Cash, beginning of year	<b>660,131</b>	649,280
<b>Cash, end of year</b>	<b>\$ 1,018,599</b>	\$ 660,131

*See accompanying notes*

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# Lhoosk'uz Dene Nation

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2018

See Auditor's Report

### **1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The Lhoosk'uz Dene Nation (First Nation) is located in Kluskus, British Columbia, and provides various services to its members.

These Summary Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the CICPA Public Sector Accounting and Auditing Handbook, which encompasses the following principles.

#### **a) Fund accounting**

The Lhoosk'uz Dene Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the Summary Financial Statements. Details of the operations of each fund are set out in the supplementary schedules. The Lhoosk'uz Dene Nation maintains the following funds:

- The Operating Fund which reports the general activities of the First Nation administration,
- The Trust Fund which reports on trust funds owned by the First Nation and held by a third party,
- The Investment Fund which reports the Band's investments in related entities.

#### **b) Reporting entity and principles of financial reporting**

The Lhoosk'uz Dene Nation reporting entity includes the Lhoosk'uz Dene Nation and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

These financial statements consolidate the assets, liabilities and results of operation for the following entities which use accounting principles which lend themselves to consolidation:

- Lhoosk'uz Dene Nation Operating Fund,
- Lhoosk'uz Dene Nation Trust Fund,
- Lhoosk'uz Dene Nation Investment Fund.

All inter-fund balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

Castle Mountain Hydro Ltd., a company Lhoosk'uz Dene Nation holds a 2.5% interest in, is included in the summary financial statements using the cost method.

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# Lhoosk'uz Dene Nation

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2018

See Auditor's Report

### 1. Continued ...

#### b) Reporting entity and principles of financial reporting

Investments in incorporated business entities and unincorporated business partnerships where the Lhoosk'uz Dene Nation has significant influence or control are included in the summary financial statements using the modified equity method. These include:

- Dene Development Corp. (33.3% interest)
- Lhoosk'uz Ulkatcho Holdings Limited Partnership (50% interest)
- Lhoosk'uz Development Group Limited Partnership (100% interest)
- Lhoosk'uz Management Ltd. (100% interest)
- 0886366 B.C. Ltd. (100% interest)
- Kluskus Management Holdings Ltd. (100% interest)

#### c) Financial assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not consumption in the normal course of operations. The indicator of net debt is determined by deducting the financial assets of the Lhoosk'uz Dene Nation from its liabilities. Financial assets are primarily measured at historical cost.

#### d) Non-financial assets

Fixed assets and other non-financial assets are accounted for as assets by the Lhoosk'uz Dene Nation because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Lhoosk'uz Dene Nation unless they are sold.

#### e) Tangible capital assets

Tangible capital assets are valued at either cost or estimated cost and recorded in the Operating Fund.

The acquisition costs of tangible capital assets and payments on capital debt, which are not funded from capital financing sources, are charged to operations and matched with the applicable revenue source in the year of expenditure. These expenditures are also recorded as an addition to assets of the Operating Fund with a corresponding increase in Operating Fund - unrestricted equity.

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# Lhoosk'uz Dene Nation

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2018

See Auditor's Report

**1. Continued ...**

**f) Depreciation**

Tangible capital assets are recorded and depreciated with a corresponding reduction in Equity in Fixed Assets. Tangible capital assets are depreciated over their expected useful life using the declining balance method at the following rates:

Computer equipment	30%
Furniture and equipment	20%
Infrastructure	4%
Mobile equipment	30%
Signage	20%

**g) Revenue recognition**

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Statement of Financial Position.

**h) Cash equivalents**

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition.

**i) Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reported period. Actual results could differ from the estimates.

**j) Comparative figures**

Certain of the prior year's comparative amounts have been reclassified where necessary to conform to the current year's presentation.

**2. ECONOMIC DEPENDENCE**

The Lhoosk'uz Dene Nation receives a major portion of its revenue pursuant to a funding arrangement with Indigenous Services Canada.

**Lhoosk'uz Dene Nation**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2018**

**See Auditor's Report**

**3. CASH**

	<b>2018</b>	<b>2017</b>
Cash is comprised of the following:		
Cash and cash equivalents.	\$ 830,265	\$ 475,028
\$60,000 guaranteed investment certificate with annual interest rate of 2.35% and matures on December 23, 2018 with an annual anniversary distribution of \$60,000.	60,382	120,758
\$64,715 guaranteed investment certificate with annual interest rate of 0.50% (2017 - 0.70%) and matures on January 25, 2019.	64,774	64,345
\$62,820 guaranteed investment certificate with annual interest rate of 2.10% and matures on December 23, 2022.	63,178	-
Line of credit, authorized up to \$100,000, due on demand, with interest at the Bank's prime rate plus 1.5% and secured by a guaranteed investment certificate as described above.	-	-
	<b>\$ 1,018,599</b>	<b>\$ 660,131</b>

**4. ACCOUNTS RECEIVABLE**

	<b>2018</b>	<b>2017</b>
Accounts receivable is comprised of the following:		
Band members' loans	\$ 4,704	\$ 4,262
Band members' loans' allowances	(4,704)	(4,262)
Accrued receivable from wholly owned corporation	751,500	656,500
Other	213,470	282,670
Allowance for doubtful accounts	(11,508)	(5,089)
	<b>\$ 953,462</b>	<b>\$ 934,081</b>

**Lhoosk'uz Dene Nation**  
**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2018**

**See Auditor's Report**

**5. INVESTMENTS**

	<b>2018</b>	2017
Kluskus Management Holdings Ltd.		
Shares	200	200
Accumulated equity	(408)	(447)
Advances	<u>998,420</u>	<u>504,095</u>
	<u>998,212</u>	<u>503,848</u>
0886366 B.C. Ltd.		
Shares	100	100
Accumulated equity	(163,517)	(153,616)
Advances	<u>494,512</u>	<u>537,112</u>
	<u>331,095</u>	<u>383,596</u>
Lhoosk'uz Management Ltd.		
Shares	1	1
Accumulated equity	(6,964)	(5,656)
Advances	<u>61,045</u>	<u>61,045</u>
	<u>54,082</u>	<u>55,390</u>
Lhoosk'uz Development Group Limited Partnership		
Accumulated equity	<u>555,900</u>	440,663
Advances	<u>2,492</u>	-
	<u>558,392</u>	440,663
Dene Development Corp. (a 33.3% interest)		
Shares	1	1
Advances	<u>30,405</u>	<u>30,405</u>
	<u>30,406</u>	<u>30,406</u>
Lhoosk'uz Ulkatcho Holdings Limited Partnership (a 50% interest)		
Advances	<u>1,000</u>	1,000
Castle Mountain Hydro Ltd. (a 2.5% interest)		
Shares	<u>226,237</u>	251,237
	<u>\$ 2,199,424</u>	<u>\$ 1,413,903</u>

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# Lhoosk'uz Dene Nation

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2018

See Auditor's Report

### 5. Continued...

Shares are held in trust on behalf of the band membership by certain band members under trust agreements.

Financial information for the corporations for their respective year ends is as follows:

	Assets	Liabilities	Revenue	Net Income (Loss)
0886366 B.C. Ltd.				
March 31, 2018	\$ 335,900	\$ 499,317	\$ 28,500	\$ (9,901)
Kluskus Management Holdings Ltd.				
March 31, 2018	\$ 1,759,285	\$ 1,759,493	\$ 761,610	\$ 39
Lhoosk'uz Management Ltd.				
March 31, 2018	\$ 54,512	\$ 61,475	\$ 118	\$ (1,308)
Lhoosk'uz Development Group Limited Partnership				
March 31, 2018	\$ 599,735	\$ 43,197	\$ 135,824	\$ 117,847

### 6. TRUST MONEYS

The Ottawa Trust accounts arise from moneys derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

## Lhoosk'uz Dene Nation

## NOTES TO FINANCIAL STATEMENTS

March 31, 2018

## 7. DEFERRED REVENUE

### **See Auditor's Report**

2017 2018

<b>March 31, 2018</b>	<b>See Auditor's Report</b>
<b>7. DEFERRED REVENUE</b>	
	<b>2018</b>
	<b>2017</b>
Shelter deductions from next months Social Development recipients	
Province of British Columbia	\$ 2,135
Blackwater Permitting Collaboration	16,000
Wildfire Recovery Strategy	50,000
Indigenous Services Canada	
Deferred Capital Project revenues	<b>64,093</b>
ICMS # 9 - 00126073	69,475
ICMS #09 - 10 - 0012	- 26,394

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# Lhoosk'uz Dene Nation

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2018

See Auditor's Report

### 9. ACCUMULATED SURPLUS

	2018	2017
<b>RESTRICTED</b>		
Opening balance	\$ 50,808	\$ 49,434
Net changes		
Operating Fund	-	-
Trust Fund	1,531	1,374
Closing balance	<b>52,339</b>	50,808
<b>UNRESTRICTED</b>		
Opening balance	6,410,958	6,062,571
Net changes		
Operating Fund	966,794	355,177
Investment Fund	106,559	(6,790)
Closing balance	<b>7,484,311</b>	6,410,958
<b>TOTAL RESTRICTED AND UNRESTRICTED</b>	<b>\$ 7,536,650</b>	\$ 6,461,766

### 10. BUDGET INFORMATION

The budget information disclosed has been approved by the Lhoosk'uz Dene Nation Chief and Council. Individual program operations not showing budget information does not mean budgets were not prepared but rather that their amounts were not readily determined.

### 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### **Risk management policy**

The Lhoosk'uz Dene Nation is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at March 31, 2018.

#### ***Credit risk***

The carrying value of the Lhoosk'uz Dene Nation's main financial assets represents the maximum credit risk to which the band is exposed.

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# Lhoosk'uz Dene Nation

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2018

See Auditor's Report

### **11. Continued ...**

The Lhoosk'uz Dene Nation's credit risk is due mainly to its loans receivable. The balance sheet amounts are presented net of the allowance for impaired loans, which management estimates based on past experience and its assessment of current economic conditions. The Lhoosk'uz Dene Nation believes that its loans receivable credit risk is limited because the Lhoosk'uz Dene Nation recognizes a specific allowance for accounts receivable when the management considers the expected amount to be collected is lower than the actual amount receivable.

#### ***Liquidity risk***

The Lhoosk'uz Dene Nation considers that it has sufficient credit facilities to ensure that funds are available to meet its current and long-term financial needs, at a reasonable cost.

#### ***Market risk***

The Lhoosk'uz Dene Nation is exposed to interest rate risk on its fixed-interest and variable-interest financial instruments. Fixed-interest instruments subject the company to a fair value risk while the variable-interest instruments subject it to a cash flow risk.

The financial liabilities as at March 31, 2018 all have contractual maturities of one year or less.

#### ***Fair value***

The carrying value of the Lhoosk'uz Dene Nation's main financial assets represents the maximum credit risk to which the company is exposed.

The fair value of a financial instrument corresponds to the amount of the consideration agreed upon by two willing parties in a non-arm's length transaction. Lhoosk'uz Dene Nation uses the following methods and assumptions to estimate the fair value of each category of financial instruments, the carrying amounts of which are included in the consolidated balance sheet as follows:

*Cash, accounts receivables and trust moneys* – The carrying amounts included in the balance sheet approximate fair values.

*Accounts payable and accrued expenses* – The carrying amount included in the balance sheet approximates fair value, given the short-term maturity of the instrument.