

**Dene Tha' First Nation
Consolidated Financial Statements**
March 31, 2016

Dene Tha' First Nation Contents

For the year ended March 31, 2016

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Management's Responsibility

To the Members of Dene Tha' First Nation:

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

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Dene Tha' First Nation Chief and Council are responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Chief and Council fulfil these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Chief and Council are also responsible for recommending the appointment of the First Nation's external auditors.

MNP LLP is appointed by Chief and Council on behalf of the members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Chief and Council and management to discuss their audit findings.

July 26, 2016

Original signed by:

Executive Director
of Operations

Independent Auditors' Report

To the Members of Dene Tha' First Nation:

We have audited the accompanying consolidated financial statements of Dene Tha' First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, cash flows and related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Dene Tha' First Nation as at March 31, 2016 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Leduc, Alberta

July 26, 2016

MNP LLP

Chartered Professional Accountants

MNP
LLP

Dene Tha' First Nation
Consolidated Statement of Financial Position
As at March 31, 2016

	2016	2015 (Restated)
Financial assets		
Cash and cash equivalents	4,342,158	2,358,844
Due from Government of Canada (Note 2)	341,555	261,700
Inventory for resale	9,266	21,913
Accounts receivable	1,710,637	1,984,423
Guaranteed investment certificates (Note 4)	190,699	190,699
Investment in First Nation partnerships and business entities (Note 5)	9,840,284	11,524,455
Funds held in trust (Note 6)	6,020,214	6,084,402
Total financial assets	22,454,813	22,426,436
Liabilities		
Accounts payable and accruals	2,120,736	2,298,056
Deferred revenue (Note 7)	1,941,700	1,781,118
Long-term debt (Note 8)	1,389,135	1,451,504
Total liabilities	5,451,571	5,530,678
Net financial assets	17,003,242	16,895,758
Contingencies (Note 9)		
Non-financial assets		
Tangible capital assets (Note 10) (Schedule 1)	59,819,638	63,353,333
Inventories held for use	76,398	69,835
Prepaid expenses and deposits	41,317	8,527
Total non-financial assets	59,937,353	63,431,695
Accumulated surplus (Note 11)	76,940,595	80,327,453

Approved on behalf of the First Nation

Original signed by:

Chief

Original signed by:

Councillor

Dene Tha' First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2016

	2016 Budget	2016	2015 (Restated)
Revenue			
Indigenous and Northern Affairs Canada	17,420,782	18,768,882	17,886,501
Health Canada	1,886,812	2,007,839	1,888,047
Human Resources and Skills Development Canada	651,951	639,376	661,333
	19,959,545	21,416,097	20,435,881
Industry consultation	720,548	982,252	918,956
First Nations Development Fund	636,204	815,725	836,971
Province of Alberta	258,770	661,451	465,304
Other revenue	37,844	643,051	409,124
Province of British Columbia	150,000	620,000	320,000
First Nation trust funds	848,000	600,000	615,000
Gas Sales	-	443,410	436,916
Rent and CMHC subsidies	340,000	422,449	422,537
Property taxes	26,000	395,106	452,760
Propane Sales	-	253,399	244,792
IRS personal credits	-	160,417	-
BC Hydro capacity funding	-	115,000	102,000
Treaty 8 Tribal Association	102,718	94,933	71,010
Interest income	48,502	37,681	54,177
TransCanada pipeline funding	-	-	300,000
Repayment of funding	-	(4,779)	-
Deferred revenue - prior year	-	1,534,926	1,221,741
Deferred revenue - current year	-	(1,632,983)	(1,534,926)
	23,128,131	27,558,135	25,772,243

Continued on next page

Dene Tha' First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2016

	<i>Schedules</i>	<i>2016 Budget</i>	<i>2016</i>	<i>2015 (Restated)</i>
Total revenue <i>(Continued from previous page)</i>		23,128,131	27,558,135	25,772,243
Expenses				
Administration	3	3,616,506	4,248,829	3,962,591
Education	4	6,544,523	6,818,887	6,679,777
Community Wellness	5	1,572,838	1,845,349	2,036,989
Operations and Maintenance	6	3,619,141	4,032,402	3,674,360
Housing	7	1,364,581	2,152,770	2,488,096
Capital Projects	8	491,056	3,127,100	3,242,528
Economic Development	9	1,067,451	1,095,293	1,097,836
Lands	10	973,383	1,066,010	1,683,289
Housing Rentals	11	197,760	483,266	417,112
Social Development	12	3,244,780	3,570,477	3,437,027
Band Designate	13	-	149,574	108,722
Dene Tha' Natural Gas Utility	14	-	860,791	892,662
Fund Schedules	15	-	1,494,245	4,187,936
Total expenses		22,692,019	30,944,993	33,908,925
Surplus (deficit) before transfers		436,112	(3,386,858)	(8,136,682)
Transfers between programs		163,470	-	9,152
Surplus (deficit)		599,582	(3,386,858)	(8,127,530)
Accumulated surplus, beginning of year, as previously stated		80,327,453	80,327,453	88,391,929
Prior period adjustment <i>(Note 17)</i>		-	-	63,054
Accumulated surplus, beginning of year, as restated		80,327,453	80,327,453	88,454,983
Accumulated surplus, end of year		80,927,035	76,940,595	80,327,453

Dene Tha' First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2016

	2016 Budget	2016	2015 (Restated)
Surplus (deficit)	1,116,468	(3,386,858)	(8,127,530)
Purchases of tangible capital assets	-	(798,865)	(274,036)
Amortization of tangible capital assets	-	4,332,559	4,333,951
Acquisition of inventories held for use	-	(6,562)	-
Acquisition of prepaid expenses	-	(32,790)	-
Consumption of inventories held for use	-	-	6,424
Use of prepaid expenses	-	-	74,900
Increase (decrease) in net financial assets	1,116,468	107,484	(3,986,291)
Net financial assets, beginning of year, as restated (Note 17)	16,895,758	16,895,758	20,882,049
Net financial assets, end of year	18,012,226	17,003,242	16,895,758

The accompanying notes are an integral part of these financial statements

Dene Tha' First Nation

Consolidated Statement of Cash Flows

For the year ended March 31, 2016

	2016	2015 (Restated)
Cash provided by (used for) the following activities		
Operating activities		
Cash receipts from contributors	27,569,219	26,299,809
Cash paid to suppliers	(15,402,030)	(15,223,662)
Cash paid to employees	(6,957,281)	(7,131,393)
Interest income	37,681	54,177
Interest paid	(69,846)	(68,793)
Social assistance paid	(2,667,906)	(2,482,330)
	2,509,837	1,447,808
Financing activities		
Proceeds of long-term debt	116,000	42,198
Repayment of long-term debt	(178,367)	(154,495)
	(62,367)	(112,297)
Capital activities		
Purchases of tangible capital assets	(718,271)	(675,599)
Investing activities		
Repayment of advances to related entities	4,115	-
Distribution of funds from related entities	250,000	275,000
Change in guaranteed investment certificates	-	(77,260)
	254,115	197,740
Increase in cash resources	1,983,314	857,652
Cash resources, beginning of year	2,358,844	1,501,192
Cash resources, end of year	4,342,158	2,358,844

The accompanying notes are an integral part of these financial statements

Dene Tha' First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

1. Significant accounting policies

The consolidated financial statements of Dene Tha' First Nation (the "First Nation") are the representations of management, prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada and are consistent with accounting policies set out by the Department of Indigenous and Northern Affairs Canada ("INAC"). Significant aspects of the accounting policies adopted by the First Nation are as follows:

Reporting entity

The Dene Tha' First Nation reporting entity includes the First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation. All inter-entity balances have been eliminated in order to present the results of operations for each specific department.

Business entities, which are owned or controlled by Dene Tha' First Nation and which are not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method, as outlined in Note 5. Under the modified equity method, the equity method of accounting is modified only to the extent that the accounting principles of the business entity are not adjusted to conform with those of the First Nation. Thus, the First Nation's investment in these enterprises is recorded at cost and is increased for the proportionate share of post-acquisition earnings and decreased by post-acquisition losses and distributions received.

Basis of presentation

Sources of financing 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.

Dene Tha' First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

1. Significant accounting policies *(Continued from previous page)*

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 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.

i) 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. Infrastructure includes certain roads and bridges disclosed at a nominal amount. The First Nation holds works of art and historical treasures of a cultural value, which have not been included in tangible capital assets due to the inability of estimating future benefits associated with such property. The cost of the tangible capital assets are amortized over their expected useful life using the the following methods at the following rates:

	Method	Rate
Buildings and improvements	straight-line	14-50 years
	declining balance	4-10 %
Mobile homes	straight-line	20 years
	straight-line	20 years
Radio equipment	straight-line	25-50 years
	declining balance	3 %
Infrastructure	straight-line	5-10 years
	declining balance	30 %
Automotive equipment	straight-line	5 years
	declining balance	20 %
Computer equipment	straight-line	5 years
	declining balance	20 %

ii) Prepaid expenses and deposits

Prepaid expenses included in non-financial assets include deposits on tangible capital assets and payment for services that have not been provided as of year end.

iii) Inventories held for use

Inventories held for use are made up of parts and supplies held in stock by the First Nation for repairs and installations of natural gas and propane systems. This inventory is valued at lower of cost and net realizable value.

Net financial assets

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

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Dene Tha' First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

1. Significant accounting policies *(Continued from previous page)*

Revenue recognition

The First 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 at a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

The First Nation recognizes taxes as assets and revenue when they meet the definition of an asset, are authorized by Chief and Council, and the taxable event has occurred. Tax revenue is initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition. At each financial statement date, the First Nation evaluates the tax receivable for collectability and records a valuation allowance to reflect the tax receivable at its net recoverable amount if necessary.

Natural gas and propane revenue is recognized upon output or delivery, primarily on the basis of regular meter readings and estimates of customer usage since the last meter reading to the end of the reporting period. Service charges and penalty revenue are recognized in the month in which they are incurred.

Other revenue is recognized when services have been provided, all significant contractual obligations have been satisfied and collectability is reasonably assured.

Measurement uncertainty (use of estimates)

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Amounts due from First Nation members and investments in First Nation business enterprises are stated after evaluation as to their collectability and recoverability and an appropriate allowance for impairment is provided where considered necessary. Deferred revenue is based upon estimates of unexpended amounts and amounts required to complete specific projects. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the First Nation is responsible for. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in income in the periods in which they become known.

Dene Tha' First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

1. Significant accounting policies *(Continued from previous page)*

Segments

The First Nation conducts its business through 13 reportable segments: Administration, Education, Community Wellness, Operations and Maintenance, Housing, Capital Projects, Economic Development, Lands, Housing Rentals, Social Development, Band Designate, Dene Tha Natural Gas Utility and Fund Schedules. These operating segments are established by senior management to facilitate the achievement of the First 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. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Administration fees have been apportioned based on a percentage of budgeted revenue, where permitted by the funder.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed above. Inter-segment transfers are recorded at their exchange amount.

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 First 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, 2016.

At each financial reporting date, the First 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 First 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.

At year-end there was no liability for contaminated sites.

Recent accounting pronouncements

Financial instruments

In June 2011, the Public Sector Accounting Board ("PSAB") issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2019. Earlier adoption is permitted.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. The First Nation has not yet determined the effect of these new standards on its consolidated financial statements.

Dene Tha' First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

2. Due from Government of Canada

Federal funding receivable consists of funds due from Indigenous and Northern Affairs Canada, CMHC, Health Canada and Human Resources and Skills Development Canada.

	2016	2015
Department of Indigenous and Northern Affairs Canada		
Administration - Fire response 2013	70,792	70,792
Administration - Fire response 2016	45,765	-
Administration - Power outage response	4,613	4,613
Administration - Re-orientation of self-government	-	1,500
Administration - Special Claim submission	2,084	-
Education - Education planning, design and construction	(8,000)	-
Operations and Maintenance - Water O&M	9,131	-
Capital - Commercial leasing	-	(30,000)
Capital - Meander protect water source	-	44,853
Capital - Purchase storage tanks	31,500	-
Social Development - Basic needs - Learners benefit	(18,857)	(7,401)
Social Development - Basic needs	180,668	117,112
	317,696	201,470
CMHC	-	48,910
Health Canada	6,941	-
Human Resources and Skills Development Canada	16,918	11,320
	341,555	261,700

Included in the above balance is \$117,118 (2014 - \$95,817) that has been outstanding for more than one year.

3. Related party transactions

- a) The First Nation has, primarily in prior years, advanced funds to First Nation members and employees of \$644,446 (2015 - \$644,446) as special occasion benefits. These benefits are repayable based on terms set when the advances are made. As there is currently no process in place to collect amounts that have been advanced to non-staff First Nation members, amounts have been offset by an allowance for impaired accounts of \$644,446 (2015 - \$644,446).
- b) Advances to and from First Nation owned partnerships and business entities, as detailed in Note 5, have no specified interest terms, and therefore no interest revenue or expense has been recorded on the advances.
- c) During the year the First Nation received a cash distribution of \$250,000 from Ndeh Limited Partnership (2015 - \$275,000).

The transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Dene Tha' First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

4. Guaranteed investment certificates

Guaranteed investment certificates ("GIC's") consist of four GIC's held by the CIBC and one GIC held by Peace Hills Trust.

The CIBC GIC's bear interest rates between at 0.10% and 0.75% and have maturity dates between April 2016 and September 2020.

The Peace Hills Trust GIC bears interest at 1.45% and matures in December 2016.

5. Investments in First Nation partnerships and business entities

The First Nation has investments in the following entities:

	<i>Investment cost</i>	<i>Advances to</i>	<i>Undistributed income (loss)</i>	<i>Other</i>	<i>March 31, 2016 Total investment</i>
Wholly-owned Businesses:					
1584922 Alberta Ltd.	22	3,872,369	(3,872,369)	(2,931,741)	(2,931,719)
First Nation Business Partnerships – Modified Equity:					
Ndeh Limited Partnership	-	13,667,156	3,914,847	(4,810,000)	12,772,003
	22	17,539,525	42,478	(7,741,741)	9,840,284

	<i>Investment cost</i>	<i>Advances to</i>	<i>Undistributed income (loss)</i>	<i>Other</i>	<i>March 31, 2015 Total investment (Restated)</i>
Wholly-owned Businesses:					
1584922 Alberta Ltd.	22	3,872,369	(3,872,369)	(2,931,741)	(2,931,719)
First Nation Business Partnerships – Modified Equity:					
Ndeh Limited Partnership	-	13,671,271	5,594,903	(4,810,000)	14,456,174
	22	17,543,640	1,722,534	(7,741,741)	11,524,455

Dene Tha' First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

5. Investments in First Nation partnerships and business entities *(Continued from previous page)*

Summary financial information for the First Nation partnership accounted for using the modified equity method is as follows:

<i>Ndeh Limited Partnership As at December 31, 2015</i>	
Assets	
Cash and cash equivalents	4,417,587
Accounts receivable	221,943
Prepaid expenses	96,400
Investments	2,582,097
Timber quota	610,931
Property and equipment	10,168,130
Total assets	18,097,088
Liabilities	
Accounts payable and accruals	169,487
Customer deposits and deferred revenue	112,079
Advances from related party	13,650,711
Total liabilities	13,932,277
	4,164,811
Total revenue	3,006,012
Total expenses	2,988,740
Income from operations	17,272
Loss on investments	(1,447,835)
Net loss, being comprehensive income	(1,430,563)

Summary financial information for the First Nation business entity, accounted for using the modified equity method, is as follows:

<i>1584922 Alberta Ltd. As at March 31, 2016</i>	
Liabilities	
Due to related parties	3,872,369
Total liabilities	3,872,369
Accumulated deficit	(3,872,369)
Total revenue	-
Total expenses	-

Dene Tha' First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

5. Investments in First Nation partnerships and business entities *(Continued from previous page)*

In 2007 the assets and liabilities of Zama Mills Ltd., Che K'Li Enterprises Ltd., 854397 Alberta Ltd. and 628873 Alberta Ltd. were transferred to the Ndeh Limited Partnership. The First Nation's investment in Ndeh Limited Partnership is held by Ehda Cho Corporation (the general partner) and the Dene Tha' First Nation Business Trust (the limited partner). In 2009 the assets of 890394 Alberta Ltd. were transferred to Ndeh Limited Partnership. The investments previously held by 890394 Alberta Ltd. were financed by First Nation trust funds of \$2,850,000 and grants from Indigenous and Northern Affairs Canada of \$1,960,000 and the carrying value of the investment in Ndeh Limited Partnership has been reduced by that amount.

Effective February 1, 2011 Zama Mills Ltd., Che K'Li Enterprises Ltd., 854397 Alberta Ltd., 628873 Alberta Ltd., 890400 Alberta Ltd., and a number of inactive corporations owned by the Nation, were amalgamated into 1584922 Alberta Ltd. This company does not have any assets, liabilities (except amounts due to the Dene Tha' First Nation), revenue or expenses and is not expected to have in the future.

Dene Tha' First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

6. Funds held in trust

The Indigenous and Northern Affairs Canada Trust Funds arise from monies from capital and revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the Consolidated 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 Section 63 to 69 of the *Indian Act*.

Capital and revenue trust funds are transferred to the First Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada, based upon request from the First Nation Chief and Council.

The Settlement Trust was established in 2007 according to the Settlement Agreement between Canada and Dene Tha' First Nation related to the MacKenzie Valley Pipeline. The funds deposited are to be invested in specified investments, and distributions made according to specified conditions.

	2016	2015
Capital Trust		
Balance, beginning of year	2,326,849	2,176,333
Gas royalties	244,507	511,387
	2,571,356	2,687,720
Less: Transfers to First Nation	-	360,871
Balance, end of year	2,571,356	2,326,849
Revenue Trust		
Balance, beginning of year	804,083	496,544
Interest and rentals	423,307	561,668
	1,227,390	1,058,212
Less: Transfers to First Nation	600,000	254,129
Balance, end of year	627,390	804,083
Settlement Trust		
Balance, beginning of year	2,953,470	2,822,904
Investment income	116,745	231,110
Promissory note to Dene Tha' First Nation	(195,350)	(40,864)
Authorized expenditures	(53,397)	(59,680)
	2,821,468	2,953,470
Balance, end of year	6,020,214	6,084,402

Dene Tha' First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

7. Deferred revenue

Deferred revenue consists of revenue that has not yet been allocated to projects, revenue that has been allocated to projects to be carried out in future years, and the unexpended portion of revenue on projects in progress at March 31, 2016.

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year</i>	<i>Revenue received</i>	<i>Transferred to revenue</i>	<i>Balance, end of year</i>
CIBC mutual fund	100,000	-	-	100,000
Per capita distribution	97,000	-	5,000	92,000
FNDF - Chateh store	162,410	-	162,410	-
FNDF - Bushe walking trail lighting	19,565	-	19,565	-
FNDF - Housing	301,786	354,222	301,786	354,222
FNDF - Band designate	-	150,000	140,783	9,217
Alberta healing our community	-	166,667	11,848	154,819
Youth programs	-	53,591	9,199	44,392
Family violence	-	21,299	5,148	16,151
Alberta AYCES	53,641	81,000	64,232	70,409
BC oil and gas	25,000	-	25,000	-
BC Hydro	40,000	-	15,282	24,718
TransCanada Pipeline	451,086	-	4,115	446,971
Husky MOU	-	60,000	-	60,000
Strategic Oil MOU	-	45,000	-	45,000
Adult education centre	329,939	-	-	329,939
Alberta flood readiness grant	34,500	-	20,457	14,043
Band designate off reserve caseload grant	45,000	-	8,731	36,269
Alberta Band designate salaries	-	47,391	7,558	39,833
Dene Tha' Natural Gas Utility	121,191	-	17,474	103,717
	1,781,118	979,170	818,588	1,941,700

Dene Tha' First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

7. Deferred revenue *(Continued from previous page)*

The following table represents the deferred revenue by funding source:

	2015	2014
First Nations Development Fund	363,439	483,760
TransCanada Pipeline	446,971	451,086
Health Canada	70,409	53,641
Province of Alberta	208,695	79,500
Cidel Trust	329,939	329,939
CIBC	100,000	100,000
Savanna Energy Services Corp	92,000	97,000
BC Hydro	24,718	40,000
BC Oil and Gas	-	25,000
Various Dene Tha Natural Gas Utility customers	103,717	121,191
North Peace Tribal Council	44,392	-
Treaty 8	36,269	-
3 Eagles Wellness	16,151	-
Husky	60,000	-
Strategic Oil	45,000	-
	1,941,700	1,781,118

Deferred revenue represents the liability that the First Nation has to either perform additional work on a particular project or repay the funding to the funding body.

Dene Tha' First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

8. Long-term debt

	2016	2015
Canadian Imperial Bank of Commerce mortgage advance for 14 housing units, with a five year term ending in August 2018. Repayable in monthly payments of \$7,767 including interest at 3.94%. Secured by housing units with a book value of \$382,031 (2015 - \$426,973).	403,482	479,308
Canadian Imperial Bank of Commerce mortgage for eight Bushe teacherages, with a five year term ending in February 2020. Repayable in monthly payments of \$2,740 including interest at 3.92%. Secured by housing units with a book value of \$583,487 (2015 - \$641,835).	263,894	286,041
Canada Mortgage and Housing Corporation mortgage for seven housing units, with a twenty-five year amortization period and a five year term ending in April 2018. Repayable in monthly payments of \$2,177 including interest at 1.68%. Secured by housing units with a book value \$178,236 (2015 - \$196,998).	255,371	277,048
Canada Mortgage and Housing Corporation mortgage for a five-plex housing unit, with a twenty-five year amortization period and a five year term ending in December 2020. Repayable in monthly payments of \$1,985 including interest at 2.4%. Secured by housing units with a book value of \$115,592 (2015 - \$131,00).	192,492	212,117
Canada Mortgage and Housing Corporation mortgage for a four plex unit, with a twenty-five year amortization period and a five year term ending in April 2018. Repayable in monthly payments of \$1,359 including interest at 1.68%. Secured by a housing units with a book value of \$97,357 (2015 - \$108,810).	143,360	157,163
Ford Credit Canada Limited truck loan, with a four year term ending January 2019. Repayable in monthly instalments of \$983 including interest at 5.59%. Secured by automotive equipment with a book value of \$33,564 (2015 - \$43,153).	30,003	39,827
Canadian Imperial Bank of Commerce loan, with a five year term ending July 2020. Repayable in monthly instalments of \$1,933 plus interest at prime plus 1.50%. Secured by automotive equipment with a book value of \$138,662.	100,533	-
	1,389,135	1,451,504
<u>Less: current portion</u>	170,666	164,030
	1,218,469	1,287,474

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

2017	170,666
2018	176,214
2019	178,991
2020	175,666
2021	158,590

Dene Tha' First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

9. Contingencies

In the normal conduct of operations, there are pending claims by and against the First Nation and its related entities. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, final determination of these litigations will not materially affect the First Nation's financial position or results of operations.

The First Nation is working with representatives from INAC to identify and quantify the cost of remediation for certain sites that are potentially environmentally contaminated. At the year-end, the number of sites, estimated costs of remediation, and estimated recovery of the associated costs from INAC are unknown and cannot be reasonably estimated. As a result, no liability for the potential remediation of these sites has been recorded.

The First Nation has secured loans for various First Nation members. No provisions for any of these items, except as noted, have been included on the consolidated statement of financial position.

These consolidated financial statements are subject to review by the First Nation's funding agents. It is possible that adjustments, that may include repayment of amounts funded, could be made based on the results of their reviews.

10. Tangible capital assets

The tangible capital assets reconciliation is included in Schedule 1.

Buildings and improvements and infrastructure include the Bushe River Wastewater Treatment Facility, and the Meander River Water Upgrade, with a total carrying value of \$1,100,743 (2015 - \$1,266,743). No amortization of these assets has been recorded during the year because they are currently under construction.

Automotive equipment additions with a cost of \$80,594 (2015 - \$nil) are included in accounts payable and accruals at March 31, 2016, and are therefore not included on the consolidated statement of cash flows.

11. Accumulated surplus

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2016	2015 (Restated)
Unrestricted surplus	2,950,661	1,351,607
Restricted surplus - CMHC reserve	758,320	580,660
Restricted surplus - trusts	6,020,214	6,084,402
Restricted surplus - enterprise	8,728,897	10,408,953
Equity in tangible capital assets	58,430,503	61,901,831
Internally restricted - Health	52,000	-
	76,940,595	80,327,453

Internally restricted funds in the Health department relate to surplus funds for which the First Nation has submitted a surplus plan. These funds have been approved for carry over to the next fiscal year.

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Notes to the Consolidated Financial Statements
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12. CMHC reserves

Under conditions of agreements with CMHC, the First Nation is required to maintain certain reserves related to on-reserve housing projects in the amount of \$758,320 (2015 - \$580,660). The First Nation has only funded reserves in the amount of \$109,778 (2015 - \$109,778) for the replacement reserve. They currently have not funded the replacement or operating reserves in the amount of \$517,472 (2015 - \$470,882) and \$131,070 (2015 - \$nil), respectively. These funds are externally restricted. The First Nation is in violation of their agreements with CMHC. The possible effect of the violation has not yet been determined.

13. Economic dependence

Dene Tha' First Nation receives a significant portion of its revenue from Indigenous and Northern Affairs Canada as a result of treaties entered into with the Government of Canada which are administered under the terms and conditions of the *Indian Act*. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

14. Pension plan

The First Nation has established a defined contribution plan, in which all permanent full-time employees are required to participate. Pension contributions of either 3%, 5% or 8% are matched by the First Nation. No significant changes were made to the pension plan during the year. The pension expense for the year was \$269,044 (2015 - \$281,119).

15. Budget information

The disclosed budget information has been approved by the Chief and Council of Dene Tha' First Nation. Budgets for departments and projects not disclosed in the various schedules were not prepared by the First Nation's management.

16. Comparative figures

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