

**Dene Tha' First Nation  
Consolidated Financial Statements**  
*March 31, 2017*

# **Dene Tha' First Nation Contents**

*For the year ended March 31, 2017*

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	Page
<b>Management's Responsibility</b>	
<b>Independent Auditors' Report</b>	
<b>Consolidated Financial Statements</b>	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Changes in Net Financial Assets.....	4
Consolidated Statement of Cash Flows.....	5
<b>Notes to the Consolidated Financial Statements.....</b>	<b>6</b>
<b>Schedules</b>	
Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	18
Schedule 2 - Consolidated Schedule of Expenses by Object.....	20
Schedule 3 - Schedule of Revenue and Expenses - Administration .....	21
Schedule 4 - Schedule of Revenue and Expenses - Education .....	23
Schedule 5 - Schedule of Revenue and Expenses - Community Wellness.....	25
Schedule 6 - Schedule of Revenue and Expenses - Operations and Maintenance .....	26
Schedule 7 - Schedule of Revenue and Expenses - Housing .....	27
Schedule 8 - Schedule of Revenue and Expenses - Capital Projects .....	28
Schedule 9 - Schedule of Revenue and Expenses - Economic Development .....	29
Schedule 10 - Schedule of Revenue and Expenses - Lands .....	30
Schedule 11 - Schedule of Revenue and Expenses - Housing Rentals .....	31
Schedule 12 - Schedule of Revenue and Expenses - Social Development .....	32
Schedule 13 - Schedule of Revenue and Expenses - Band Designate .....	33
Schedule 14 - Schedule of Revenue and Expenses - Recreation .....	34
Schedule 15 - Schedule of Revenue and Expenses - Dene Tha Natural Gas Utility.....	35
Schedule 16 - Schedule of Revenue and Expenses - Funds .....	36

**DENE THA' FIRST NATION**  
P.O. BOX 120  
CHATEH, ALBERTA  
T0H 0SO



**TELEPHONE:** (780) 321-3774  
(780) 321-3775  
(780) 321-3842  
**FAX:** (780) 321-3886

## **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, 2017

**Original signed by:**

Executive Director  
of Operations

## Independent Auditors' Report

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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, 2017, 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, 2017 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, 2017

**MNP LLP**

Chartered Professional Accountants

**MNP**  
LLP

**Dene Tha' First Nation**  
**Consolidated Statement of Financial Position**  
*As at March 31, 2017*

	<b>2017</b>	<b>2016</b> (Restated)
<b>Financial assets</b>		
Cash and cash equivalents	3,660,193	4,342,158
Due from Government of Canada (Note 2)	381,824	341,555
Inventory for resale	16,005	9,266
Accounts receivable	1,857,865	1,727,083
Guaranteed investment certificates (Note 4)	690,699	190,699
Investment in First Nation partnerships and business entities (Note 5)	14,952,076	14,633,838
Funds held in trust (Note 6)	5,861,917	6,020,214
<b>Total financial assets</b>	<b>27,420,579</b>	27,264,813
<b>Liabilities</b>		
Accounts payable and accruals	2,372,049	2,120,737
Deferred revenue (Note 7)	1,802,428	1,941,700
Long-term debt (Note 8)	1,193,055	1,389,135
<b>Total liabilities</b>	<b>5,367,532</b>	5,451,572
<b>Net financial assets</b>	<b>22,053,047</b>	21,813,241
<b>Contingencies (Note 9)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Note 10) (Schedule 1)	55,394,883	59,819,638
Inventories held for use	76,398	76,398
Prepaid expenses and deposits	46,132	41,317
<b>Total non-financial assets</b>	<b>55,517,413</b>	59,937,353
<b>Accumulated surplus (Note 11)</b>	<b>77,570,460</b>	81,750,594

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, 2017*

	<i>Schedules</i>	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
<b>Revenue</b>				
Indigenous and Northern Affairs Canada	<b>18,554,302</b>	<b>20,787,489</b>	18,768,882	
Health Canada	1,926,579	1,873,450	2,007,839	
Employment and Social Development Canada	651,951	651,634	639,376	
	<b>21,132,832</b>	<b>23,312,573</b>	21,416,097	
Other revenue	665,371	955,205	643,051	
Industry consultation	801,148	875,799	982,252	
First Nations Development Fund	150,000	775,458	815,725	
Province of Alberta	582,792	693,311	661,451	
First Nation trust funds	372,000	672,000	600,000	
Gas sales	366,419	467,761	443,410	
Rent and CMHC subsidies	95,506	416,782	422,449	
Property taxes	457,867	406,726	395,106	
Reversal of decommitted funds	-	399,954	-	
Propane sales	170,053	222,284	253,399	
Cidel trust funds	160,000	200,000	-	
BC Hydro capacity funding	50,000	50,000	115,000	
Interest income	48,502	44,240	37,681	
Treaty 8 First Nations	67,718	34,030	94,933	
Province of British Columbia	-	-	620,000	
IRS personal credits	-	-	160,417	
User fees	250,000	-	-	
Repayment of funding	-	-	(4,779)	
Deferred revenue - prior year	915,727	1,632,983	1,534,926	
Deferred revenue - current year	-	(1,602,124)	(1,632,983)	
	<b>26,285,935</b>	<b>29,556,982</b>	27,558,135	

*Continued on next page*

**Dene Tha' First Nation**  
**Consolidated Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2017*

	<i>Schedules</i>	<i>2017 Budget</i>	<i>2017</i>	<i>2016 (Restated)</i>
<b>Total revenue</b> <i>(Continued from previous page)</i>		<b>26,285,935</b>	<b>29,556,982</b>	27,558,135
<b>Expenses</b>				
Administration	3	3,794,528	4,784,692	4,248,833
Education	4	7,195,241	7,428,783	6,818,887
Community Wellness	5	1,795,199	2,118,381	1,845,350
Operations and Maintenance	6	3,440,045	4,060,923	4,032,401
Housing	7	1,364,580	2,548,061	2,152,769
Capital Projects	8	606,564	3,339,921	3,127,100
Economic Development	9	1,026,630	1,179,148	1,095,293
Lands	10	1,299,369	1,306,461	1,066,010
Housing Rentals	11	173,236	455,965	483,266
Social Development	12	3,568,797	3,716,504	3,570,477
Band Designate	13	142,500	130,932	149,574
Recreation	14	325,846	201,751	-
Dene Tha' Natural Gas Utility	15	618,352	786,854	860,791
Funds	16	-	1,651,452	1,494,245
<b>Total expenses</b>		<b>25,350,887</b>	<b>33,709,828</b>	30,944,996
<b>Surplus (deficit) before other items</b>		<b>935,048</b>	<b>(4,152,846)</b>	(3,386,861)
<b>Other expense</b>				
Loss on disposal of tangible capital assets		-	(27,288)	-
<b>Surplus (deficit) before transfers</b>		<b>935,048</b>	<b>(4,180,134)</b>	(3,386,861)
<b>Transfers between programs</b>		<b>346,532</b>	<b>-</b>	-
<b>Surplus (deficit)</b>		<b>1,281,580</b>	<b>(4,180,134)</b>	(3,386,861)
<b>Accumulated surplus, beginning of year, as previously stated</b>		<b>76,940,594</b>	<b>76,940,594</b>	80,327,455
Prior period adjustment <i>(Note 17)</i>		-	4,810,000	4,810,000
<b>Accumulated surplus, beginning of year, as restated</b>		<b>76,940,594</b>	<b>81,750,594</b>	85,137,455
<b>Accumulated surplus, end of year</b>		<b>78,222,174</b>	<b>77,570,460</b>	81,750,594

**Dene Tha' First Nation**  
**Consolidated Statement of Changes in Net Financial Assets**  
*For the year ended March 31, 2017*

	<b>2017 Budget</b>	<b>2017</b>	<b>2016 (Restated)</b>
<b>Surplus (deficit)</b>			
Amortization of tangible capital assets	1,281,580	(4,180,134)	(3,386,861)
Purchase of tangible capital assets	-	4,184,581	4,332,559
Acquisition of inventories held for use	-	(1,598,504)	(798,864)
Acquisition of prepaid expenses	-	-	(6,562)
Transfer of tangible capital assets	-	(4,817)	(32,790)
Loss on sale of tangible capital assets	-	1,811,392	-
	-	27,288	-
<b>Increase in net financial assets</b>	<b>1,281,580</b>	<b>239,806</b>	<b>107,482</b>
<b>Net financial assets, beginning of year, as restated</b> <i>(Note 17)</i>	<b>17,003,241</b>	<b>21,813,241</b>	<b>21,705,759</b>
<b>Net financial assets, end of year</b>	<b>18,284,821</b>	<b>22,053,047</b>	<b>21,813,241</b>

**Dene Tha' First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2017*

	<b>2017</b>	<b>2016</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Cash receipts from contributors	28,844,737	27,569,219
Cash paid to suppliers	(16,325,644)	(15,402,030)
Cash paid to employees	(8,123,368)	(6,957,281)
Interest income	44,240	37,681
Interest paid	(58,277)	(69,846)
Social assistance paid	(2,760,772)	(2,667,906)
	<b>1,620,916</b>	2,509,837
<b>Financing activities</b>		
Advances of long-term debt	-	116,000
Repayment of long-term debt	(196,080)	(178,367)
	<b>(196,080)</b>	(62,367)
<b>Capital activities</b>		
Purchases of tangible capital assets	(1,606,801)	(718,271)
<b>Investing activities</b>		
Repayment of advances to related entities	-	4,115
Distribution of funds from related entities	-	250,000
Investment in guaranteed investment certificate	(500,000)	-
	<b>(500,000)</b>	254,115
<b>Increase (decrease) in cash resources</b>	<b>(681,965)</b>	1,983,314
<b>Cash resources, beginning of year</b>	<b>4,342,158</b>	2,358,844
<b>Cash resources, end of year</b>	<b>3,660,193</b>	4,342,158

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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## 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 upon consolidation; however, transactions between departments have not 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.

### ***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
Mobile homes	declining balance	4-10 %
	straight-line	20 years
Radio equipment	straight-line	20 years
Infrastructure	straight-line	25-50 years
	declining balance	3 %
Automotive equipment	straight-line	5-10 years
	declining balance	30 %
Computer equipment	straight-line	5 years
	declining balance	20 %

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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

ii) Prepaid expenses and deposits

Prepaid expenses included in non-financial assets include 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 consolidated financial statements are presented so as to highlight net financial assets as the measurement of consolidated 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.

***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 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 and disclosure of contingent assets and liabilities at the date of the consolidated 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 operations in the periods in which they become known.

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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

**Segments**

The First Nation conducts its business through 14 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, Recreation and Funds. 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, 2017.

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.

**Related party disclosures**

In March 2015, the PSAB issued a new standard, PS 2200 *Related Party Disclosures*. This new Section defines a related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the consolidated financial statements. This Section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted.

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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

**Assets, Contingent Assets and Contractual Rights**

In June 2015, new PS 3210 *Assets*, PS 3320 *Contingent Assets* and PS 3380 *Contractual Rights* were included in the CPA Canada Public Sector Accounting Handbook.

PS 3210 *Assets* provides additional guidance to clarify the definition of assets set out in PS 1000 *Financial Statement Concepts*.

PS 3320 *Contingent Assets* establishes disclosure standards on contingent assets. Under previous standards contingent assets could not be recognized.

PS 3380 *Contractual Rights* establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right. Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right. These standards are effective for fiscal years beginning on or after April 1, 2017.

The First Nation does not expect the adoption of these new standards to have a material impact on its consolidated financial statements.

**2. Due from Government of Canada**

Federal funding receivable consists of funds due from Indigenous and Northern Affairs Canada, Health Canada and Employment and Social Development Canada.

	<b>2017</b>	<b>2016</b>
<b>Department of Indigenous and Northern Affairs Canada</b>		
Administration - fire response 2013	87,475	70,792
Administration - fire response 2016	45,765	45,765
Administration - power outage response	10,000	4,613
Administration - special claim submission	-	2,084
Administration - response and recovery 2017	209,300	-
Education - education planning, design and construction	-	(8,000)
Operations and maintenance - water O&M	9,131	9,131
Capital - purchase storage tanks	-	31,500
Social Development - basic needs - learners benefit	(41,245)	(18,857)
Social Development - basic needs	86,899	180,668
<b>Health Canada</b>	<b>407,325</b>	317 696
<b>Employment and Social Development Canada</b>	<b>6,941</b>	6,941
	<b>(32,442)</b>	16 918
	<b>381,824</b>	<b>341,555</b>

Included in the above balance is \$167,677 (2016 - \$117,118) that has been outstanding for more than one year.

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**3. Related party transactions**

- a) The First Nation has, primarily in prior years, advanced funds to First Nation members and employees of \$643,336 (2016 - \$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 \$643,336 (2016 - \$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 \$nil from Ndeh Limited Partnership (2016 - \$250,000).

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.

**4. Guaranteed investment certificates**

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

The CIBC GIC's bear interest rates between at 0.50% and 0.95% and have maturity dates between September 2017 and September 2020.

The Peace Hills Trust GIC bears interest at 1.45% and matures in December 2017.

**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>2017 Total investment</i>
<b>Wholly-owned Business:</b>					
1584922 Alberta Ltd.	22	3,872,369	(3,872,369)	(2,931,741)	(2,931,719)
<b>First Nation Business Partnerships:</b>					
Ndeh Limited Partnership	-	651,969	17,231,826	-	17,883,795
	<b>22</b>	<b>4,524,338</b>	<b>13,359,457</b>	<b>(2,931,741)</b>	<b>14,952,076</b>

	<i>Investment cost</i>	<i>Advances to</i>	<i>Undistributed income (loss)</i>	<i>Other</i>	<i>2016 (Restated) Total investment</i>
<b>Wholly-owned Business:</b>					
1584922 Alberta Ltd.	22	3,872,369	(3,872,369)	(2,931,741)	(2,931,719)
<b>First Nation Business Partnerships:</b>					
Ndeh Limited Partnership	-	13,650,710	3,914,847	-	17,565,557
	<b>22</b>	<b>17,523,079</b>	<b>42,478</b>	<b>(2,931,741)</b>	<b>14,633,838</b>

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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

The First Nation's investment in Ndeh Limited Partnership was established for the purpose of creating economic development opportunities related to rental, contract work, hotel operations, firefighting and logging.

Summary financial information for each First Nation business and partnership, accounted for using the modified equity method, for their respective year-end is as follows:

<i><b>Ndeh Limited Partnership As at December 31, 2016</b></i>	
<b>Assets</b>	
Cash and cash equivalents	<b>3,474,784</b>
Accounts receivable	774,677
Prepaid expenses	23,665
Investments	2,851,205
Timber quota	610,931
Property and equipment	<b>10,553,334</b>
<b>Total assets</b>	<b>18,288,596</b>
<b>Liabilities</b>	
Accounts payable and accruals	198,490
Customer deposits and deferred revenue	206,965
Advances from related party	651,969
<b>Total liabilities</b>	<b>1,057,424</b>
	<b>17,231,172</b>
<b>Total revenue</b>	<b>2,721,288</b>
<b>Total expenses</b>	<b>3,827,553</b>
<b>Net income (loss)</b>	<b>(1,106,265)</b>
<b>Other revenue (expense)</b>	<b>(637,508)</b>
<b>Net loss, being comprehensive loss</b>	<b>(1,743,773)</b>
<i><b>1584922 Alberta Ltd. As at March 31, 2017</b></i>	
<b>Liabilities</b>	
Due to related parties	<b>3,872,369</b>
<b>Total liabilities</b>	<b>3,872,369</b>
<b>Accumulated deficit</b>	<b>(3,872,369)</b>
<b>Total revenue</b>	-
<b>Total expenses</b>	-

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**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.

	<b>2017</b>	<b>2016</b>
<b>Capital Trust</b>		
Balance, beginning of year	<b>2,571,356</b>	2,326,849
Gas royalties	<b>36,199</b>	244,507
	<b>2,607,555</b>	2,571,356
Less: Transfers to First Nation	<b>182,000</b>	-
Balance, end of year	<b>2,425,555</b>	2,571,356
<b>Revenue Trust</b>		
Balance, beginning of year	<b>627,390</b>	804,083
Interest and rentals	<b>478,251</b>	423,307
	<b>1,105,641</b>	1,227,390
Less: Transfers to First Nation	<b>490,000</b>	600,000
Balance, end of year	<b>615,641</b>	627,390
<b>Settlement Trust</b>		
Balance, beginning of year	<b>2,821,468</b>	2,953,470
Investment income	<b>70,601</b>	116,745
Change in promissory note to Dene Tha' First Nation	<b>176,697</b>	(195,350)
Authorized expenditures	<b>(48,045)</b>	(53,397)
	<b>3,020,721</b>	2,821,468
Less: Transfers to First Nation	<b>200,000</b>	-
Balance, end of year	<b>2,820,721</b>	2,821,468
	<b>5,861,917</b>	6,020,214

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

**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, 2017.

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	92,000	-	2,000	90,000
Alberta Government - Building Collaboration and Capacity	-	173,728	-	173,728
FNDF - Housing	354,222	625,458	979,680	-
FNDF - Band designate	9,217	150,000	87,199	72,018
Alberta healing our community	154,819	166,667	115,857	205,629
Youth programs	44,392	-	9,241	35,151
Family violence	16,151	21,299	20,803	16,647
Alberta AYCES	70,409	-	70,409	-
Alberta Government - Bistcho Lake	-	25,000	10,000	15,000
BC Hydro	24,718	-	24,718	-
TransCanada Pipeline	446,971	-	-	446,971
Husky MOU	60,000	-	60,000	-
Strategic Oil MOU	45,000	-	45,000	-
Adult education centre	329,939	140,000	-	469,939
Alberta flood readiness grant	14,043	-	1,313	12,730
Band designate off reserve caseload grant	36,269	-	4,339	31,930
Alberta Band designate salaries	39,833	47,391	54,844	32,380
Dene Tha' Natural Gas Utility	103,717	-	3,412	100,305
	<b>1,941,700</b>	<b>1,349,543</b>	<b>1,488,815</b>	<b>1,802,428</b>

The following table represents the deferred revenue by funding source:

	2017	2016
First Nations Development Fund	72,018	363,439
TransCanada Pipeline	446,971	446,971
Health Canada	-	70,409
Province of Alberta	439,469	208,695
Cidel Trust	329,939	329,939
CIBC	100,000	100,000
Savanna Energy Services Corp	90,000	92,000
BC Hydro	-	24,718
Various Dene Tha' Natural Gas Utility customers	100,303	103,717
North Peace Tribal Council	35,151	44,392
Treaty 8	31,930	36,269
3 Eagles Wellness	16,647	16,151
Husky	-	60,000
Strategic Oil	-	45,000
INAC	140,000	-
	<b>1,802,428</b>	<b>1,941,700</b>

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, 2017*

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**8. Long-term debt**

	<b>2017</b>	<b>2016</b>
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 \$313,009 (2016 - \$382,031).	<b>324,638</b>	403,482
Canadian Imperial Bank of Commerce mortgage for eight housing units, 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 \$525,138 (2016 - \$583,487).	<b>237,476</b>	263,894
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 \$107,848 (2016 - \$138,662).	<b>77,333</b>	100,533
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 \$159,475 (2016 - \$178,236).	<b>233,312</b>	255,371
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 \$100,180 (2016 - \$115,592).	<b>171,364</b>	192,492
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 housing units with a book value of \$85,903 (2016 - \$97,357).	<b>129,316</b>	143,360
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 \$23,974 (2016 - \$33,564).	<b>19,616</b>	30,003
	<b>1,193,055</b>	1,389,135

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:

2018	198,111
2019	200,867
2020	197,522
2021	164,152
2022	89,641

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**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.

Within Ndeh Limited Partnership there are a number of contingency disclosures including the following:

The Partnership has been named as the defendant in a lawsuit on behalf of a former employee, seeking to recover damages allegedly sustained by him as a result of improper termination. This lawsuit remains at an early stage and, as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this lawsuit or to estimate the loss, if any, which may result.

During the year a subcontractor of the Partnership had an accident on a work site. There have been no official claims to date but any potential future liability would be handled through insurance.

During the year the Partnership assessed its operations for potential environmental contamination and other liabilities. Through this process the following items were identified:

An old sawmill was determined not to be reclaimed properly and there could be costs associated with the cleanup of this site. The assessment remains at an early stage and there is no clear estimate of cost, if any, that would be incurred.

There are two gas stations which the Partnership leases to operators. During the year, the Partnership identified that there is potential contamination around the gas pumps and tanks. The assessment remains at an early stage and there is no clear estimate of cost, if any, that would be incurred.

During the year, the Partnership identified a potential liability related to an agreement with a fuel provider at the Chateh Store. The agreement indicates that should the annual fuel purchases fall below a certain level, that the fuel provider should be compensated for the shortfall. Since the Partnership leases the facility to a third party, they do not have records showing the annual fuel purchases. The fuel provider has not acted on this provision of the agreement in the past, but there is a potential that this could happen in the future. Due to the uncertainty of the likelihood or amount, no liability has been recorded.

During the year, the Partnership found potential contamination in the High Level Trailer Park. A third party assessment was made subsequent to yearend which determined that there could be a liability of between \$500,000 and \$1,000,000. This has decreased the value of the land as a permanent impairment. Since the Phase 2 assessment has not yet taken place, it is impossible to determine the exact amount of any future liability which may be in excess of the amount recorded in the year as an impairment of the land.

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**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 \$2,256,544 (2016 - \$1,522,967). No amortization of these assets has been recorded during the year because they are currently under construction.

Tangible capital asset additions with a cost of \$72,297 (2016 - \$80,594) are included in accounts payable and accruals at March 31, 2017, 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:

	<b>2017</b>	<b>2016</b> (Restated)
Unrestricted surplus	<b>3,614,791</b>	2,950,660
Restricted surplus - CMHC reserve	<b>877,510</b>	758,320
Restricted surplus - trusts	<b>5,861,917</b>	6,020,214
Restricted surplus - enterprise	<b>11,795,742</b>	13,538,897
Equity in tangible capital assets	<b>54,201,828</b>	58,430,503
Internally restricted - Renovations	<b>648,836</b>	-
Internally restricted - Energy systems	<b>150,500</b>	-
Internally restricted - Water <\$1.5M	<b>100,000</b>	-
Internally restricted - Energy systems	<b>99,500</b>	-
Internally restricted - Flood mitigation	<b>97,477</b>	-
Internally restricted - Skills Link program	<b>80,100</b>	-
Internally restricted - Planning and skills development	<b>42,259</b>	-
Internally restricted - Health	<b>-</b>	52,000
	<b>77,570,460</b>	81,750,594

Internally restricted funds 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.

**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 \$877,510 (2016 - \$758,320). The First Nation has only funded reserves in the amount of \$111,008 (2016 - \$109,778) for the replacement reserve. They currently have not funded the replacement or operating reserves in the amount of \$557,880 (2016 - \$517,472) and \$208,622 (2016 - \$131,070), 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.

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**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 \$313,738 (2016 - \$269,044).

**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.

**17. Prior period adjustment**

In 2007 the assets and liabilities of Zama Mills Ltd., Che KLi 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 had been reduced by that amount.

During the year, the First Nation determined that this should have been recorded as revenue when the accounting guidance for government transfers came into effect in 2010. This has been adjusted in that year. The impact on the 2016 consolidated financial statements is an increase in restricted surplus - enterprise and an increase in investment in First Nation partnerships and business entities of \$4,810,000.