Dene Tha' First Nation
Consolidated Financial Statements
March 31, 2019

Contents

For the year ended March 31, 2019

DENE THA' FIRST NATION
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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.

August 29, 2019

Original Signed By:

Executive Director
of Operations

Independent Auditor's Report

To the Members of Dene Tha' First Nation:

Opinion

We have audited the consolidated financial statements of Dene Tha' First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Leduc, Alberta

MNP LLP

August 29, 2019

Chartered Professional Accountants

Dene Tha' First Nation
Consolidated Statement of Financial Position
As at March 31, 2019

	2019	*2018*
Financial assets		
Cash and cash equivalents	**10,361,506**	8,018,963
Guaranteed investment certificates *(Note 3)*	**690,699**	690,699
Accounts receivable	**1,380,600**	2,027,865
Due from Government of Canada *(Note 5)*	**1,678,244**	2,010,291
Inventory for resale	**21,744**	21,744
Investment in First Nation partnership *(Note 6)*	**16,073,057**	18,003,111
Funds held in trust *(Note 7)*	**5,488,362**	5,531,622
Total financial assets	**35,694,212**	36,304,295
Liabilities		
Accounts payable and accruals	**4,088,272**	3,280,509
Deferred revenue *(Note 8)*	**7,245,028**	7,457,855
Long-term debt *(Note 9)*	**793,297**	993,372
Total liabilities	**12,126,597**	11,731,736
Net financial assets	**23,567,615**	24,572,559
Contingencies *(Note 10)*		
Non-financial assets		
Tangible capital assets *(Note 11) (Schedule 1)*	**60,176,537**	52,695,904
Inventories held for use	**76,398**	76,398
Prepaid expenses and deposits	**155,764**	64,655
Total non-financial assets	**60,408,699**	52,836,957
Accumulated surplus *(Note 12)*	**83,976,314**	77,409,516

Approved on behalf of the First Nation

Original Signed By: ________________ **Chief**

Original Signed by: ________________ **Councilor**

The accompanying notes are an integral part of these financial statements

Dene Tha' First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2019

	Schedules	*2019 Budget*	*2019*	*2018*
Revenue				
Indigenous Services Canada		**19,163,961**	**30,916,078**	26,453,140
First Nations and Inuit Health Branch		**2,187,295**	**2,740,098**	3,289,430
Employment and Social Development Canada		**696,429**	**816,593**	740,169
CMHC subsidies		**-**	**76,891**	75,862
		22,047,685	**34,549,660**	30,558,601
Other revenue		**937,094**	**1,458,822**	921,986
Industry consultation		**1,367,600**	**859,194**	1,065,221
Province of Alberta		**1,180,579**	**793,789**	590,213
First Nations Development Fund		**-**	**756,575**	764,555
Cidel trust funds		**250,000**	**687,500**	187,500
Gas sales		**455,585**	**683,174**	462,926
First Nation trust funds		**830,000**	**430,000**	612,000
Rent		**-**	**340,920**	334,320
Propane sales		**237,842**	**260,012**	284,195
Interest income		**60,000**	**232,886**	65,049
Property taxes		**232,038**	**230,488**	232,814
TransCanada pipeline funding		**-**	**-**	100,000
BC Hydro capacity funding		**-**	**-**	58,154
Deferred revenue - prior year		**150,000**	**7,255,567**	1,602,124
Deferred revenue - current year		**-**	**(7,049,460)**	(7,255,567)
Total revenue		**27,748,423**	**41,489,127**	30,584,091

Continued on next page

	Schedules	2019 Budget	2019	2018
Total revenue *(Continued from previous page)*		**27,748,423**	**41,489,127**	30,584,091
Expenses				
Administration	3	**3,514,263**	**4,500,648**	4,844,442
Education	4	**8,486,954**	**8,045,807**	7,964,580
Community Wellness	5	**1,983,458**	**2,112,841**	2,179,483
Operations and Maintenance	6	**3,276,084**	**3,761,643**	3,854,644
Housing	7	**1,494,438**	**2,534,540**	2,763,642
Capital Projects	8	**576,597**	**4,023,347**	3,542,374
Economic Development	9	**1,426,181**	**1,085,501**	1,418,715
Lands	10	**1,382,470**	**1,333,749**	1,418,185
Housing Rentals	11	**-**	**431,533**	449,473
Social Development	12	**4,219,110**	**4,164,599**	3,872,343
Band Designate	13	**142,500**	**131,343**	114,259
Recreation	14	**171,145**	**104,761**	216,495
Dene Tha' Natural Gas Utility	15	**748,925**	**926,108**	965,811
Funds	16	**-**	**1,973,243**	310,978
Total expenses		**27,422,125**	**35,129,663**	33,915,424
Surplus (deficit) before other items		**326,298**	**6,359,464**	(3,331,333)
Other income				
Write off of old accounts payable		**-**	**99,136**	238,670
Surplus (deficit) before transfers		**326,298**	**6,458,600**	(3,092,663)
Transfers between programs				
Administration fees		**248,542**	**108,198**	-
Transfers between programs		**(569,358)**	**-**	-
		(320,816)	**108,198**	-
Surplus (deficit)		**5,482**	**6,566,798**	(3,092,663)
Accumulated surplus, beginning of year		**77,409,516**	**77,409,516**	80,502,179
Accumulated surplus, end of year		**77,414,998**	**83,976,314**	77,409,516

Dene Tha' First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2019

	2019 Budget	***2019***	*2018*
Surplus (deficit)	**5,482**	**6,566,798**	(3,092,663)
Amortization of tangible capital assets	**1,500**	**4,016,298**	4,055,820
Purchase of tangible capital assets	**-**	**(11,496,931)**	(1,395,444)
Acquisition of prepaid expenses	**-**	**(91,109)**	(18,523)
Adjustment to tangible capital assets	**-**	**-**	38,603
Increase (decrease) in net financial assets	**6,982**	**(1,004,944)**	(412,207)
Net financial assets, beginning of year	**24,572,559**	**24,572,559**	24,984,766
Net financial assets, end of year	**24,579,541**	**23,567,615**	24,572,559

Dene Tha' First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2019

	2019	*2018*
Cash provided by (used for) the following activities		
Operating activities		
Cash receipts from contributors	**41,765,144**	33,414,353
Cash paid to suppliers	**(16,819,511)**	(15,589,112)
Cash paid to employees	**(8,494,747)**	(9,126,733)
Interest income	**232,886**	65,049
Interest paid	**(55,890)**	(60,470)
Social assistance paid	**(3,161,999)**	(2,869,452)
	13,465,883	5,833,635
Financing activities		
Repayment of long-term debt	**(200,075)**	(199,684)
Capital activities		
Purchases of tangible capital assets	**(10,923,265)**	(1,275,181)
Increase in cash resources	**2,342,543**	4,358,770
Cash resources, beginning of year	**8,018,963**	3,660,193
Cash resources, end of year	**10,361,506**	8,018,963

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 Services Canada ("ISC"). 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 6. 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
	declining balance	4-10 %
Mobile homes	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 %
Computers and equipment	straight-line	5 years
	declining balance	20 %

1. Significant acounting 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 managements'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.

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in surplus for the year; impairment of tangible capital assets is reflected in the equity in tangible capital assets when impairment occurs.

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

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 partnerships 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. Inventory is based on the lower of cost and net realizable value. 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.

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, 2019.

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.

2. Change in accounting policy

Effective April 1, 2018, the First Nation adopted the recommendations relating to PS 3430 *Restructuring Transactions* as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements of adopting the new Section.

3. 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 0.60% and 1.10% and have maturity dates between September 2019 and September 2020.

4. Related party transactions

a) The First Nation has, primarily in prior years, advanced funds to First Nation members and employees of $643,336 (2018 - $643,336) 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 (2018 - $643,336).

b) Advances to and from First Nation owned partnership, as detailed in Note 6, have no specified interest terms, and therefore no interest revenue or expense has been recorded on the advances.

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.

5. Due from Government of Canada

Federal funding receivable consists of funds due from Indigenous Services Canada, First Nations and Inuit Health Branch, and Employment and Social Development Canada.

	2019	*2018*
Department of Indigenous Services Canada		
Administration - fire response 2013	**19,643**	87,475
Administration - fire response 2016	**45,765**	45,765
Administration - power outage response	**10,000**	10,000
Administration - response and recovery 2017	**131,879**	131,879
Social Development - basic needs - learners benefit	**(59,434)**	(22,350)
Social Development - basic needs	**3,183**	51,254
Operations and maintenance - water O&M 2014	-	413,000
Capital - STEPS 1-4	**9,216**	158,643
Education - Provincial school direct services	-	11,396
ISC funding flowed before yearend but not received by the First Nation	-	522,739
ISC funding in PAYE	**527,943**	-
	688,195	1,410,071
First Nations and Inuit Health Branch	**892,348**	589,070
Employment and Social Development Canada	**97,701**	11,150
	1,678,244	2,010,291

Included in the above balance is $808,755 (2018 - $275,120) that has been outstanding for more than one year.

6. Investment in First Nation partnership

The First Nation has an investment in the following entity:

	Investment cost	***Advances to***	***Undistributed income***	***Other***	***2019 Total investment***
First Nation Business Partnership:					
Ndeh Limited Partnership	**-**	**751,969**	**15,321,088**	**-**	**16,073,057**

	Investment cost	*Advances to*	*Undistributed income*	*Other*	*2018 Total investment*
First Nation Business Partnership:					
Ndeh Limited Partnership	-	751,969	17,251,142	-	18,003,111

6. Investment in First Nation Partnership *(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 of the business partnership, accounted for using the modified equity method, for their year-end is as follows:

	Ndeh Limited Partnership As at December 31, 2018
Assets	
Cash and cash equivalents	**5,841,711**
Accounts receivable	**1,013,263**
Prepaid expenses	**28,151**
Inventory	**80,101**
Timber quota	**610,931**
Property and equipment	**9,635,673**
Investments	**763,830**
Total assets	**17,973,660**
Liabilities	
Accounts payable and accruals	**941,331**
Customer deposits and deferred revenue	**70,286**
Advances from related party	**751,969**
Reforestation liability	**888,985**
Total liabilities	**2,652,571**
Net assets	**15,321,089**
Total revenue	**9,729,230**
Total expenses	**10,299,441**
Net loss	**(570,211)**
Other expense	**(1,359,190)**
Comprehensive loss	**(1,929,401)**

7. Funds held in trust

The Indigenous Services 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 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 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 Services 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.

	2019	*2018*
Capital Trust		
Balance, beginning of year	**1,967,361**	2,425,555
Gas royalties	**709,298**	73,806
Transfer between capital and revenue trust	**532,000**	-
	3,208,659	2,499,361
Less: Transfers to First Nation	**-**	532,000
Balance, end of year	**3,208,659**	1,967,361
Revenue Trust		
Balance, beginning of year	**893,781**	615,641
Interest and rentals	**393,112**	358,140
Transfer between capital and revenue trust	**(532,000)**	-
	754,893	973,781
Less: Transfers to First Nation	**430,000**	80,000
Balance, end of year	**324,893**	893,781
Settlement Trust		
Balance, beginning of year	**2,670,480**	2,820,721
Investment income (loss)	**(10,635)**	88,920
Change in promissory note to Dene Tha' First Nation	**18,239**	(4,044)
Authorized expenditures	**(35,774)**	(47,617)
	2,642,310	2,857,980
Less: Transfers to First Nation	**687,500**	187,500
Balance, end of year	**1,954,810**	2,670,480
	5,488,362	5,531,622

8. 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, 2019.

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

	Balance, beginning of year	*Revenue received*	*Transferred to revenue*	*Balance, end of year*
CIBC mutual fund	**100,000**	**-**	**-**	**100,000**
Per capita distribution	**72,000**	**-**	**10,000**	**62,000**
Alberta Government - Building Collaboration and Capacity	**244,007**	**-**	**100,989**	**143,018**
FNDF - Band designate	**122,305**	**342,627**	**81,405**	**383,527**
Alberta healing our community	**97,903**	**-**	**97,903**	**-**
Youth programs	**15,983**	**-**	**11,298**	**4,685**
Family violence	**21,606**	**18,104**	**145**	**39,565**
Community based initiatives	**-**	**197,137**	**-**	**197,137**
TransCanada Pipeline	**546,971**	**-**	**-**	**546,971**
Adult education centre	**469,939**	**-**	**10,802**	**459,137**
Contaminated sites funding	**-**	**606,730**	**475,842**	**130,888**
Band designate off reserve caseload grant	**28,974**	**-**	**28,974**	**-**
Alberta Band designate salaries	**18,055**	**47,391**	**57,439**	**8,007**
Dene Tha' Natural Gas Utility	**102,289**	**15,598**	**22,319**	**95,568**
Water treatment plant	**4,400,000**	**6,180,078**	**6,639,891**	**3,940,187**
Admin and support	**40,094**	**-**	**40,094**	**-**
First Nations and Inuit Health Branch - Headstart building	**1,082,000**	**-**	**1,015,376**	**66,624**
Home and community care	**95,729**	**116,625**	**80,427**	**131,927**
Construction funding	**-**	**1,708,020**	**1,441,292**	**266,728**
ASETS funding	**-**	**108,134**	**-**	**108,134**
FNDF 8 unit housing	**-**	**413,949**	**264,023**	**149,926**
Traditional healer	**-**	**19,467**	**-**	**19,467**
IFNE funding	**-**	**144,978**	**-**	**144,978**
Projects and capacity funding	**-**	**149,800**	**121,400**	**28,400**
FNIHB funding surpluses	**-**	**869,201**	**651,047**	**218,154**
	7,457,855	**10,937,839**	**11,150,666**	**7,245,028**

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

The following table represents the deferred revenue by funding source:

	2019	2018
First Nations Development Fund	**533,453**	122,304
TransCanada Pipeline	**546,971**	546,974
First Nations and Inuit Health Branch	**436,172**	1,177,729
Province of Alberta	**296,003**	359,966
Cidel Trust	**319,138**	329,939
CIBC	**100,000**	100,000
Savanna Energy Services Corp	**62,000**	72,000
Various Dene Tha' Natural Gas Utility customers	**95,568**	102,289
North Peace Tribal Council	**112,819**	15,983
Treaty 8 First Nation of Alberta	**-**	28,974
3 Eagles Wellness	**39,564**	21,606
ISC	**4,703,340**	4,580,094
	7,245,028	7,457,855

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.

9. Long-term debt

	2019	*2018*
Canada Mortgage and Housing Corporation mortgage for seven housing units, with a twenty-five year amortization period and a five year term ending in November 2026. Repayable in monthly payments of $2,251 including interest at 2.5%. Secured by housing units with a book value $121,951 (2018 - $140,713).	**188,689**	210,921
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 $408,441 (2018 - $466,789).	**185,634**	211,978
Canadian Imperial Bank of Commerce mortgage for 14 housing units, with a five year term ending in August 2019. Repayable in monthly payments of $8,069 including interest at 7.25%. Secured by housing units with a book value of $229,540 (2018 - $271,274).	**158,845**	242,658
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 November 2024. Repayable in monthly payments of $1,956 including interest at 1.30%. Secured by housing units with a book value of $69,355 (2018 - $84,768).	**128,342**	149,989
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 August 2025. Repayable in monthly payments of $1,399 including interest at 2.50%. Secured by housing units with a book value of $62,995 (2018 - $74,449).	**100,853**	115,060
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 $46,221 (2018 - $77,034).	**30,933**	54,133
Ford Credit Canada Limited truck loan, repaid in the year.	**-**	8,633
	793,296	993,372

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:

2020	196,407
2021	166,967
2022	89,803
2023	91,883
2024	94,023

10. 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 this litigation will not materially affect the First Nation's financial position or results of operations.

The First Nation is working with representatives from ISC 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 ISC 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.

In 2016 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.

In 2016 the Partnership assessed its operations for potential environmental contamination and other liabilities. Through this process the following items were identified without further resolution:

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.

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.

11. 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, the Meander River water upgrade, Chateh school betterment, new housing and flood mitigation, with a total carrying value of $9,522,498 (2018 - $1,797,928). 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 $766,226 (2018 - $192,560) are included in accounts payable and accruals at March 31, 2019, and are therefore not included on the consolidated statement of cash flows.

12. Accumulated surplus

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

	2019	*2018*
Unrestricted surplus	**4,206,938**	2,913,660
Restricted surplus - CMHC reserve	**1,119,900**	979,500
Restricted surplus - trusts	**5,488,362**	5,531,622
Restricted surplus - enterprise	**12,817,398**	14,746,799
Equity in tangible capital assets	**59,383,241**	51,702,532
Internally restricted - Renovations	**-**	277,701
Internally restricted - Energy systems	**54,571**	31,120
Internally restricted - Water <$1.5M #1	**100,000**	53,994
Internally restricted - Flood mitigation	**135,510**	4,310
Internally restricted - Stimulus contaminates sites	**-**	144,981
Internally restricted - Capacity development	**-**	24,282
Internally restricted - Innovation	**-**	80,000
Internally restricted - Community building	**-**	3,500
Internally restricted - Planning and feasibility studies	**250,000**	250,000
Internally restricted - New Paths - education management and governance	**33,553**	11,252
Internally restricted - New Paths - parent and community engagement	**-**	6,308
Internally restricted - New Paths - language and culture	**-**	55,171
Internally restricted - Water < $1.5M #2	**-**	222,000
Internally restricted - Renovations	**30,081**	10,000
Internally restricted - Fire Protection #1	**-**	91,583
Internally restricted - Fire Protection #2	**-**	67,883
Internally restricted - Flood mitigation	**-**	75,000
Internally restricted - ESA Steps 1-4	**-**	92,989
Internally restricted - Remediation	**-**	33,329
Internally restricted - Planning and risk management	**85,000**	-
Internally restricted - Special claims	**14,990**	-
Internally restricted - Skills link program	**26,398**	-
Internally restricted - Local roads and bridges	**126,000**	-
Internally restricted - Structural mitigation	**67,215**	-
Internally restricted - Planning MTSA	**37,157**	-
	83,976,314	77,409,516

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.

13. 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 $1,119,900 (2018 - $979,500). The First Nation has only funded reserves in the amount of $111,962 (2018 - $111,488) for the replacement reserve. They currently have not funded the replacement or operating reserves in the amount of $640,202 (2018 - $599,038) and $367,736 (2018 - $268,974), 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.

14. Economic dependence

Dene Tha' First Nation receives a significant portion of its revenue from Indigenous Services 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.

15. 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 $313,715 (2018 - $301,127).

16. 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.

17. Comparative figures

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

18. Compliance with laws and regulations

The First Nation is required by the *First Nations Financial Transparency Act* to submit its consolidated financial statements in ISC, and post its consolidated financial statements on a website, within 120 days of the year-end. As the First Nation had not done this, it is not in compliance with this law. The potential effect of the non-compliance is unknown. The reason for the late submission is the wildfires in the region. ISC granted an extension to August 31, 2019 and the First Nation will submit by this time.