

**Dene Tha' First Nation**  
**Consolidated Financial Statements**  
*March 31, 2023*

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## **Management's Responsibility**

To the Members of the Dene Tha' First Nation:

Management is responsible for the preparation and presentation of the accompanying schedule of remuneration and expenses, including responsibility for significant accounting judgments and estimates in accordance with the *First Nations Financial Transparency Act*. 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 schedule of remuneration and expenses, 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 financial information.

Chief and Council is composed entirely of individuals who are neither management nor employees of the First Nation. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external accountants. The Council is also responsible for recommending the appointment of the First Nation's external accountants.

MNP LLP is appointed by Council on behalf of the members to review the schedule of remuneration and expenses and report directly to them; their report follows. The external accountants have full and free access to, and meet periodically and separately with, both the Council and management to discuss their review engagement results.

February 7, 2024

A handwritten signature in blue ink, appearing to read 'Opelo', is written over a horizontal line.

Executive Director of Operations

**To the Members of Dene Tha' First Nation:**

### Qualified 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, 2023, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2023, and the results of its consolidated operations, changes in its net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Qualified Opinion

Canadian Public Sector Accounting Standards ("PSAS") Section PS 3280 Asset Retirements Obligations ("ARO") which was adopted by the First Nation as of April 1, 2022 requires the recognition of an ARO liability when there is a legal obligation that establishes a clear responsibility to incur retirement costs in relation to a tangible capital asset. The First Nation has not identified ARO liabilities as of March 31, 2023 and we were unable to satisfy ourselves concerning those liabilities by alternative means. Consequently, we were not able to determine whether any adjustments would be necessary to liabilities, net financial assets, tangible capital assets, accumulated surplus, expenses, annual surplus, or changes in net financial assets for the years ended March 31, 2023 and 2022, and accumulated surplus as of April 1, 2021, March 31, 2022 and 2023.

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 qualified 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.

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

February 7, 2024

*MNP LLP*

Chartered Professional Accountants

# Dene Tha' First Nation

## Consolidated Statement of Financial Position

As at March 31, 2023

	2023	2022
<b>Financial assets</b>		
Cash and cash equivalents	38,391,580	38,135,678
Guaranteed investment certificates (Note 3)	690,699	690,699
Accounts receivable	1,939,392	2,671,536
Due from Government of Canada (Note 5)	5,755,105	2,764,987
Inventory for resale	21,744	21,744
Investment in First Nation partnership (Note 6)	16,783,150	14,782,252
Funds held in trust (Note 7)	7,013,583	7,367,672
<b>Total financial assets</b>	<b>70,595,253</b>	<b>66,434,568</b>
<b>Liabilities</b>		
Accounts payable and accruals	4,047,777	5,931,304
Deferred revenue (Note 8)	10,963,947	9,031,981
Long-term debt (Note 9)	391,656	483,618
<b>Total liabilities</b>	<b>15,403,380</b>	<b>15,446,903</b>
<b>Net financial assets</b>	<b>55,191,873</b>	<b>50,987,665</b>
<b>Contingencies (Note 10)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Note 11) (Schedule 1)	81,179,095	72,890,514
Inventories held for use	76,398	76,398
Prepaid expenses and deposits	272,359	157,395
<b>Total non-financial assets</b>	<b>81,527,852</b>	<b>73,124,307</b>
<b>Accumulated surplus (Note 12)</b>	<b>136,719,725</b>	<b>124,111,972</b>

Approved on behalf of the First Nation



Chief



Councilor

**Dene Tha' First Nation**  
**Consolidated Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2023*

	<i>2023 Budget</i>	<i>2023</i>	<i>2022</i>
<b>Revenue</b>			
Indigenous Services Canada	21,397,356	97,118,363	51,960,231
First Nations and Inuit Health Branch	2,665,439	4,067,212	6,229,479
Employment and Social Development Canada	-	1,119,674	1,133,714
CMHC subsidies	-	526,995	396,957
	<b>24,062,795</b>	<b>102,832,244</b>	59,720,381
Capital trust funds	-	2,786,985	-
Other revenue	1,587,946	2,566,684	1,073,424
First Nations Development Fund	-	1,395,522	95,371
Interest income	487,749	1,209,127	166,257
Gas sales	923,346	931,551	702,954
Province of Alberta	110,000	874,444	4,437,539
First Nation trust funds	-	594,793	-
Propane sales	571,672	552,556	412,605
Industry consultation	1,394,965	464,671	772,553
Rent	-	346,320	346,320
Fireguard	1,055,314	221,815	894,767
Property taxes	-	183,113	202,509
BC Hydro capacity funding	-	60,160	-
Deferred revenue - prior year	429,000	9,019,278	8,000,098
Deferred revenue - current year	-	(10,722,801)	(9,019,278)
<b>Total revenue</b>	<b>30,622,787</b>	<b>113,316,462</b>	67,805,500

*Continued on next page*

**Dene Tha' First Nation**  
**Consolidated Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2023*

	<b>2023 Budget</b>	<b>2023</b>	<b>2022</b>
<b>Total revenue</b> <i>(Continued from previous page)</i>	<b>30,622,787</b>	<b>113,316,462</b>	<b>67,805,500</b>
<b>Expenses</b>			
Administration	4,871,773	61,690,367	12,287,480
Education	7,129,592	8,770,841	8,366,755
Community Wellness	2,506,637	5,523,316	4,735,819
Operations and Maintenance	4,201,022	5,350,202	4,987,290
Housing	1,590,770	2,714,580	2,179,344
Capital Projects	646,043	5,026,717	11,029,471
Economic Development	-	1,954,267	1,119,160
Lands	2,435,535	2,254,125	3,470,082
Housing Rentals	-	521,671	477,519
Social Development	5,232,195	6,289,091	3,786,264
Band Designate	263,150	102,029	108,887
Dene Tha Natural Gas Utility	1,497,418	1,694,719	1,148,357
Fund schedules	-	(1,896,806)	(1,133,227)
<b>Total expenses</b>	<b>30,374,135</b>	<b>99,995,119</b>	<b>52,563,201</b>
<b>Surplus before other items</b>	<b>248,652</b>	<b>13,321,343</b>	<b>15,242,299</b>
<b>Other income</b>			
Write off of old accounts payable <i>(Note 20)</i>	-	5,877	(87,612)
<b>Surplus before transfers</b>	<b>248,652</b>	<b>13,327,220</b>	<b>15,154,687</b>
<b>Transfers between programs</b>			
Administration fees	232,781	-	-
Transfers between programs	(113,800)	(719,467)	(649,216)
	<b>118,981</b>	<b>(719,467)</b>	<b>(649,216)</b>
<b>Surplus</b>	<b>367,633</b>	<b>12,607,753</b>	<b>14,505,471</b>
<b>Accumulated surplus, beginning of year</b>	<b>124,111,972</b>	<b>124,111,972</b>	<b>109,606,501</b>
<b>Accumulated surplus, end of year</b>	<b>124,479,605</b>	<b>136,719,725</b>	<b>124,111,972</b>

**Dene Tha' First Nation**  
**Consolidated Statement of Changes in Net Financial Assets**  
*For the year ended March 31, 2023*

	<b>2023 Budget</b>	<b>2023</b>	<b>2022</b>
<b>Surplus</b>	<b>367,633</b>	<b>12,607,753</b>	14,505,471
Amortization of tangible capital assets	-	<b>4,930,345</b>	4,695,816
Purchase of tangible capital assets	-	<b>(13,218,926)</b>	(10,585,686)
Use (acquisition) of prepaid expenses	-	<b>(114,964)</b>	5,772
<b>Increase in net financial assets</b>	<b>367,633</b>	<b>4,204,208</b>	8,621,373
<b>Net financial assets, beginning of year</b>	<b>50,987,665</b>	<b>50,987,665</b>	42,366,292
<b>Net financial assets, end of year</b>	<b>51,355,298</b>	<b>55,191,873</b>	50,987,665

*The accompanying notes are an integral part of these financial statements*

**Dene Tha' First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2023*

	<b>2023</b>	<b>2022</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Cash receipts from contributors	111,206,377	70,673,773
Cash paid to suppliers	(78,491,123)	(37,213,736)
Cash paid to employees	(14,631,366)	(10,649,641)
Interest income	1,209,127	166,257
Interest paid	(44,446)	(42,563)
Social assistance paid	(4,520,916)	(2,586,398)
	<b>14,727,653</b>	<b>20,347,692</b>
<b>Financing activities</b>		
Repayment of long-term debt	(91,962)	(89,313)
<b>Capital activities</b>		
Purchases of tangible capital assets	(14,629,789)	(8,071,876)
<b>Investing activities</b>		
Distribution of funds from related entities	250,000	-
<b>Increase in cash resources</b>	<b>255,902</b>	<b>12,186,503</b>
<b>Cash resources, beginning of year</b>	<b>38,135,678</b>	<b>25,949,175</b>
<b>Cash resources, end of year</b>	<b>38,391,580</b>	<b>38,135,678</b>

The accompanying notes are an integral part of these financial statements

**1. Change in accounting policies**

***Financial instruments***

Effective April 1, 2022, the First Nation adopted the Public Sector Accounting Board's (PSAB) new recommendations for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities and derivatives under Section PS 3450 *Financial Instruments*. The new Section is applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements from the prospective application of the new accounting recommendations.

***Asset retirement obligations***

Effective April 1, 2022, the First Nation adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of a liability for asset retirement obligations under PS 3280 *Asset Retirement Obligations*. The new standard establishes when to recognize and how to measure a liability for an asset retirement obligation, and provides the related financial statement presentation and disclosure requirements. Pursuant to these recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, the First Nation recorded the provision for site rehabilitation in accordance with PS 3270 *Solid Waste Landfill Closure and Post-Closure Liability*, which requires recognition of a liability for closure and post-closure care as the site capacity is used and is equal to the proportion of the estimated total expenditure required for closure and post-closure care. Under the new standard, a liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset when certain criteria are met, as described in Note 2.

**2. 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, inventory held for use and prepaid expenses.

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

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
Computers and equipment	declining balance	20 %

The half year rule for amortization is recorded on all tangible capital asset additions in the year the asset is acquired.

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 consolidated 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.

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

***Revenue recognition***

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized at a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

The First Nation recognizes taxes as assets and revenue when they meet the definition of an asset, are authorized by Chief and Council, and the taxable event has occurred. Tax revenue is initially measured at 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 consolidated 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.

Revenue from timber sales is recognized when the logs have been delivered to and received by the sawmill, when the risks and rewards of ownership are transferred to the customer.

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.

***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. 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 13 reportable segments: Administration, Education, Community Wellness, Operations and Maintenance, Housing, Capital Projects, Economic Development, Lands, Housing Rentals, Social Development, Band Designate, Dene Tha' Natural Gas Utility and 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.

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

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, 2023.

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.

***Funds held in Ottawa Trust Fund***

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

***Asset retirement obligation***

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the First Nation to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at March 31, 2023. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. The First Nation recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

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.

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

***Financial instruments***

The First Nation recognizes its financial instruments when the First Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the First Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The First Nation has not made such an election during the year.

The First Nation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the consolidated statement of remeasurement gains and losses. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years, recent collection experience for the loan, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the consolidated statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the consolidated statement of remeasurement gains and losses.

***Future accounting standards***

PS 3400 Revenue establishes standards on how to account for and report on revenue by distinguishing between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.

The extent of the impact on adoption of these future standards is not known at this time.

**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 0.20% and 0.50% and have maturity dates up to September 2025.

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2023*

**4. Related party transactions**

a) The First Nation has, primarily in prior years, advanced funds to First Nation members and employees of \$641,324 (2022 - \$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 \$641,324 (2022 - \$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.

	<b>2023</b>	2022
Department of Indigenous Services Canada		
Capital - STEPS 1-4	-	12,176
ISC March payment	<b>5,111,158</b>	-
ISC Funding in PAYE	<b><u>286,587</u></b>	<u>1,235,835</u>
	<b><u>797,745</u></b>	<u>1,248,011</u>
 First Nations and Intuit Health Branch (recoverable)	 <b>(122,941)</b>	 514,407
Employment and Social Development	<b><u>480,301</u></b>	<u>1,002,569</u>
	<b><u>5,755,105</u></b>	<u>2,764,987</u>

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
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**6. Investment in First Nation partnership**

The First Nation has an investment in the following entity:

	<i>Investment cost</i>	<i>Advances to</i>	<i>Undistributed income</i>	<i>Other</i>	<i>2023 Total investment</i>
<b>First Nation Business Partnership:</b>					
Ndeh Limited Partnership	-	401,968	16,381,182	-	16,783,150

	<i>Investment cost</i>	<i>Advances to</i>	<i>Undistributed income</i>	<i>Other</i>	<i>2022 Total investment</i>
<b>First Nation Business Partnership:</b>					
Ndeh Limited Partnership	-	651,969	14,130,283	-	14,782,252

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:

	<i>Ndeh Limited Partnership As at December 31, 2022</i>
<b>Assets</b>	
Cash and cash equivalents	5,459,473
Accounts receivable	2,880,031
Prepaid expenses	147,690
Inventory	56,262
Timber quota	610,931
Property and equipment	13,193,608
Investments	1,857,206
<b>Total assets</b>	<b>24,205,201</b>
<b>Liabilities</b>	
Accounts payable and accruals	2,564,723
Customer deposits and deferred revenue	2,699,005
Advances from related party	401,969
Reforestation liability	707,994
Long-term debt	1,825,328
<b>Total liabilities</b>	<b>8,199,019</b>
<b>Net assets</b>	<b>16,006,182</b>
<b>Total revenue</b>	<b>19,292,904</b>
<b>Total expenses</b>	<b>16,166,212</b>
<b>Net loss</b>	<b>3,126,692</b>
<b>Other expense</b>	<b>(946,192)</b>
<b>Comprehensive income</b>	<b>2,180,500</b>

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2023*

**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.

	2023	2022
<b>Capital Trust</b>		
Balance, beginning of year	3,206,689	3,199,989
Gas royalties	45,420	6,700
Balance, end of year	3,252,109	3,206,689
<b>Revenue Trust</b>		
Balance, beginning of year	2,390,744	1,086,303
Interest and rentals	417,696	1,304,441
Balance, end of year	2,808,440	2,390,744
<b>Settlement Trust</b>		
Balance, beginning of year	1,770,239	1,748,904
Investment income	(99,894)	61,776
Change in promissory note to Dene Tha' First Nation	(90,203)	(20,312)
Authorized expenditures	(19,343)	(20,129)
Capital draw	(607,765)	-
Balance, end of year	953,034	1,770,239
	<b>7,013,583</b>	<b>7,367,672</b>

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
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**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, 2023.

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>Funding received</i>	<i>Recognized as revenue</i>	<i>Balance, end of year</i>
CIBC mutual fund	100,000	-	-	100,000
Per capita distribution	53,000	-	-	53,000
FNDF - Band designate	311,864	-	-	311,864
CFS Prevention	-	1,656,316	262,258	1,394,058
TransCanada Pipeline	646,971	-	250,000	396,971
Adult education centre	410,600	-	-	410,600
Dene Tha' Natural Gas Utility	147,526	-	6,379	141,147
Water treatment plant	151,109	-	17,790	133,319
NPTC - CFS program	-	250,000	-	250,000
IFNE funding	60,637	-	19,974	40,663
Aboriginal Headstart	-	498,904	138,810	360,094
FNDF - Lot Servicing Project	-	300,000	-	300,000
FNDF - Reno project	-	270,000	-	270,000
FNDF - O&M Equipment	-	625,554	567,480	58,074
FNDF - Community Improvement Project	-	119,968	-	119,968
FNDF - Election code	-	80,000	-	80,000
FNDF - Election code review	40,000	-	15,228	24,772
NPTC - Legal fees funding	50,000	-	796	49,204
ISETS - EI	24,503	-	24,503	-
ISETS - CRF	283,486	241,375	283,486	241,375
ISETS - Childcare IELCC	77,094	283,388	77,094	283,388
ISETS - IELCC FES	-	24,430	-	24,430
Preparedness and mitigation	252,895	-	217,007	35,888
ISETS - Childcare COVID	76,783	-	76,783	-
Capital Investment	31,981	-	31,981	-
Operational and Mental Wellness - COVID	744,283	-	744,283	-
Capital - COVID	62,761	-	62,761	-
Safe Restart - COVID	11,917	-	11,917	-
COVID Funding	613,394	-	-	613,394
FN Representative Service	-	612,129	-	612,129
Basic needs - Inflation top up	-	1,266,180	1,065,350	200,830
Preparedness mitigation	79,038	-	-	79,038
Recovery	2,805,517	7,639,443	7,103,025	3,341,935
ICSF - Direct Allocation & Needs Based	1,343,716	671,858	977,768	1,037,806
ICSF - Food Security	41,632	-	41,632	-
Mental Health	25,728	-	25,728	-
IRS Surge	156,237	-	156,237	-
Nursing	58,125	-	58,125	-
Home and Community Care	21,556	-	21,556	-
MWCRT & Life Promo	146,744	-	146,744	-
HIV	83,039	-	83,039	-
Communicable Disease	29,845	-	29,845	-
Child Oral Health	90,000	-	90,000	-
	<b>9,031,981</b>	<b>14,539,545</b>	<b>12,607,579</b>	<b>10,963,947</b>

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2023*

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

The following table represents the deferred revenue by funding source:

	<b>2023</b>	<b>2022</b>
First Nations Development Fund	<b>1,164,678</b>	351,864
TransCanada Pipeline	<b>396,971</b>	646,971
Province of Alberta	<b>40,664</b>	60,637
Cidel Trust	<b>410,600</b>	410,600
CIBC	<b>100,000</b>	100,000
Savanna Energy Services Corp	<b>53,000</b>	53,000
Various Dene Tha' Natural Gas Utility customers	<b>141,146</b>	147,526
North Peace Tribal Council	<b>848,398</b>	511,866
ISC	<b>7,808,490</b>	6,749,517
	<b>10,963,947</b>	9,031,981

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**  
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**9. Long-term debt**

	<b>2023</b>	2022
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 \$46,904 (2022 - \$65,666).	<b>94,894</b>	119,227
Canadian Imperial Bank of Commerce mortgage for eight housing units, with a five year term ending in August 2023. Repayable in monthly payments of \$3,027 including interest at 7.25%. Secured by housing units with a book value of \$175,046 (2022 - \$233,395).	<b>75,829</b>	105,083
Indigenous claims loan payable on the earlier of March 31, 2024 or the date on which the claim is settled. If the settlement is still ongoing at this date it may be extended an additional five years or for a period deemed appropriate. There are no principal or interest payments required during the term of the loan. The loan is secured by a promissory note payable to the Receiver General of Canada.	<b>141,463</b>	141,463
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 \$1,936 including interest at 0.83%. Secured by housing units with a book value of \$7,706 (2022 - \$23,118).	<b>38,631</b>	61,438
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 \$17,181 (2022 - \$28,634).	<b>40,839</b>	56,407
	<b>391,656</b>	483,618

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

2024	235,486
2025	88,352
2026	48,423
2027	19,395

**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 was a contingency disclosure as follows:

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 found potential contamination in the High Level Trailer Park. A third party assessment was made subsequent to year-end 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 Meander River Water Upgrade, Bushe River Wastewater Treatment Facility, Bushe Water Feasibility, Meander River Water Feasibility, Community Wellness Building, Adult Education Centre, Chateh Solid Waste Facility, Chateh liftstation and CMHC housing with a total carrying value of \$22,909,412 (2022 - \$13,894,968). 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 \$1,658,371 (2022 - \$3,069,234) are included in accounts payable and accruals at March 31, 2023, and are therefore not included on the consolidated statement of cash flows.

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2023*

**12. Accumulated surplus**

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

	<b>2023</b>	<b>2022</b>
Unrestricted surplus	<b>16,694,024</b>	17,541,111
Restricted surplus - CMHC reserve	<b>1,976,018</b>	1,152,385
Restricted surplus - trusts	<b>7,013,583</b>	7,367,672
Restricted surplus - enterprise	<b>13,877,491</b>	11,322,863
Equity in tangible capital assets	<b>80,928,902</b>	72,548,359
Internally restricted - FN school second level	-	168,571
Internally restricted - Energy systems	<b>192,784</b>	192,784
Internally restricted - Water <\$1.5M	<b>2,458,080</b>	-
Internally restricted - Water <\$1.5M	<b>250,000</b>	250,000
Internally restricted - Water <\$1.5M	<b>262,193</b>	-
Internally restricted - Water <\$1.5M	<b>200,000</b>	200,000
Internally restricted - Structural readiness	<b>144,640</b>	-
Internally restricted - Flood mitigation	<b>151,600</b>	196,931
Internally restricted - Infrastructure construction transfer station	<b>30,000</b>	30,000
Internally restricted - Infrastructure plan	<b>17,044</b>	-
Internally restricted - North participant funding	<b>22,118</b>	102,155
Internally restricted - Electrical systems	<b>6,817</b>	6,817
Internally restricted - ESA steps 5-6	<b>5,500</b>	-
Internally restricted - Summer work experience	<b>24,948</b>	28,600
Internally restricted - Summer work experience	<b>8,630</b>	-
Internally restricted - Education agreements	<b>133,430</b>	133,430
Internally restricted - Post secondary support	<b>92,062</b>	-
Internally restricted - IMT capacity development	<b>3,728</b>	-
Internally restricted - Planning and risk management	<b>75,000</b>	75,000
Internally restricted - Capacity innovation	<b>62,737</b>	62,737
Internally restricted - Energy systems	<b>149,515</b>	149,515
Internally restricted - Water < \$1.5M	<b>398,581</b>	398,581
Internally restricted - Remediation step 7-9	<b>750,977</b>	986,880
Internally restricted - HR government capacity	<b>2,179</b>	2,179
Internally restricted - Skills link program	<b>91,738</b>	85,328
Internally restricted - Comm op readiness	<b>15,356</b>	43,000
Internally restricted - Comm op readiness	<b>13,997</b>	-
Internally restricted - Projects and capacity	<b>175,825</b>	55,053
Internally restricted - Daycares	<b>18,277</b>	18,277
Internally restricted - Fire halls	<b>36,555</b>	36,555
Internally restricted - Fire protection	<b>119,586</b>	-
Internally restricted - Fire protection	<b>107,785</b>	-
Internally restricted - Fire protection	<b>80,919</b>	80,919
Internally restricted - Band office and buildings	<b>72,997</b>	72,997
Internally restricted - COVID 19 school reopening	<b>43,371</b>	43,371
Internally restricted - COVID LEDSP	<b>65,616</b>	65,616
Internally restricted - COVID 19 Safe restart	<b>109,291</b>	121,670
Internally restricted - COVID corp	-	433,731
Internally restricted - Roads and bridges	<b>921,089</b>	921,089
Internally restricted - Transfer station	<b>50,000</b>	-
Internally restricted - Emergency shelters	<b>550,000</b>	-
Internally restricted - Connectivity	<b>25,000</b>	105,000
Internally restricted - Cultural spaces	<b>141,500</b>	-
Internally restricted - Planning skills and development	<b>135,000</b>	150,000
Internally restricted - Energy systems	<b>44,552</b>	44,552
Internally restricted - Community opportunity readiness	<b>48,000</b>	48,000
Internally restricted - Other protection	<b>179,432</b>	179,432

**Dene Tha' First Nation**  
**Notes to the Consolidated Financial Statements**  
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**12. Accumulated surplus** *(Continued from previous page)*

	2023	2022
Internally restricted - Capacity innovation	50,000	50,000
Internally restricted - Capacity innovation	30,000	30,000
Internally restricted - Capacity innovation	100,000	-
Internally restricted - Capacity enhancement	45,000	-
Internally restricted - Capacity enhancement	21,742	-
Internally restricted - Consulting and policy development	100,000	100,000
Internally restricted - Cost capacity building	519,842	-
Internally restricted - Risk management government capacity	50,000	50,000
Internally restricted - Finance government capacity	192	7,075
Internally restricted - Renovations	5,145	-
Internally restricted - Community building	495,284	495,284
Internally restricted - Wastewater <\$1.5	432,473	722,566
Internally restricted - Wastewater >\$1.5	2,611,412	3,218,676
Internally restricted - Wastewater >\$1.5	117,563	-
Internally restricted - Water systems	-	143,902
Internally restricted - Water systems	-	455,175
Internally restricted - Wastewater <\$1.5	291,495	419,481
Internally restricted - Wastewater <\$1.5	-	250,000
Internally restricted - Wastewater >\$1.5	2,055,658	1,807,141
Internally restricted - Law-making	30,000	30,000
Internally restricted - Regional implementation	73,506	-
Internally restricted - LEDSP targeted funding	66,420	-
Internally restricted - Community based initiatives	212,317	85,017
Internally restricted - Service delivery	82,681	81,958
Internally restricted - Service delivery	42,905	-
Internally restricted - Basic needs	17,888	-
Internally restricted - Post secondary support - COVID	-	316,831
Internally restricted - Structural readiness	105,086	105,086
Internally restricted - Partnership establishment	41,744	49,744
Internally restricted - Discussion tables	62,939	68,172
Internally restricted - Leadership capacity development	41,526	-
Internally restricted - LTDWA acceleration	38,440	194,578
Internally restricted - Health - Medical transportation	-	10,126
	<b>136,719,725</b>	<b>124,111,972</b>

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 \$1,976,018 (2022 - \$1,472,651). The First Nation has only funded reserves in the amount of \$1,170,112 (2022 - \$434,289) for the replacement reserve. They currently have not funded the replacement or operating reserves in the amount of \$563,758 (2022 - \$671,331) and \$242,148 (2022 - \$367,031), 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 \$346,548 (2022 - \$321,036).

**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. Certain budget amounts in Lands, Social Development, Dene Tha Natural Gas, and Band Designate programs include capital purchases.

**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 to 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 delays due to environmental disasters.

**19. Subsequent event**

Subsequent to year-end, the community of Chateh was evacuated twice due to a forest wildfire growing in the surrounding area. The extent of the costs associated with the evacuation of members, support and housing to members during the evacuation, re-entry of members to the community, development of fire prevention barriers and its associated clean-up, and professional and administrative costs for administering cost recovery is currently unknown. The costs incurred are expected to be substantially recovered through Government assistance from Indigenous Services Canada.

**20. Write off of old accounts payable**

This account is used to clear out incorrect voids and double recorded accounts payable balances from the prior year.