

DEASE RIVER FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

DEASE RIVER FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS **MARCH 31, 2016**

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DEASE RIVER FIRST NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING MARCH 31, 2016

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

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of CPA Canada and as such include amounts that are the best estimates and judgments of management.

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

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

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

The external auditors, Reid Hurst Nagy Inc., conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Dease River First Nation and meet when required.

On behalf of Dease River First Nation:

Henry Johnny
Chief

Dec 15, 2016
Date

Crystal Carlick
Councillor

Dec 15 2016
Date

Tania Johnny
Councillor

Dec 15th 2016
Date

Independent Auditor's Report

To the Members of **Dease River First Nation**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Dease River First Nation**, which comprise the consolidated statement of financial position as at **March 31, 2016**, and the consolidated statements of remeasurement of gains and losses, change in net financial assets, revenue and expenses, accumulated surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the First Nation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for Qualified Opinion

Dease River First Nation holds investments in the Dease River Development Corporation, Yukon Indian Development Corporation Ltd., Kaska Energy Corp, Kaska Drilling LP and Kaska Oil and Gas Services LP. We were unable to satisfy ourselves as to the carrying value of these investments because the financial records were unavailable or not audited as of the date of this audit report. Accordingly, we were not able to determine whether any adjustment(s) might be necessary to the Investment in Government Business Enterprises (GBE) and Government Business Partnerships (GBP), the net income (loss) from these investments and the equity in Government Business Enterprises.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the **Dease River First Nation** as at **March 31, 2016** and the results of its operations, the changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of Matter

We draw attention to Note 15 in that a recipient audit was conducted by Indigenous and Northern Affairs Canada on the books and records of the First Nation for the 2011 and 2012 fiscal year. According to the recipient audit report, \$1,716,313 in funding for 2011 fiscal year were deemed noncompliant and potentially recoverable. The Yukon Division of INAC is currently assessing the timeline and the amount for the potential repayment process. Accordingly, we are still unable to determine the recovery by INAC for the noncompliant and potentially recoverable amount of \$1,716,313 in funding for the 2011 fiscal year.



CHARTERED PROFESSIONAL ACCOUNTANTS
Reid Hurst Nagy Inc.

Vancouver, B.C.
December 15, 2016

DEASE RIVER FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 613,980	\$ 1,100,915
Accounts receivable (Note 3)	213,141	256,257
Portfolio investments (Note 4)	-	1,348
Investment in GBE's (Note 5)	840,440	556,084
Investment in GBP's (Note 6)	(95,947)	(91,551)
Inventory	9,576	-
	1,581,190	1,823,053
Trust funds held by Federal Government (Note 7)	67,019	59,142
<u>Funds held in trust by GBE</u>	<u>80,000</u>	<u>80,000</u>
	147,019	139,142
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	600,909	959,176
Deferred revenue (Note 9)	653,977	648,559
Due to GBE's (Note 10)	60,904	215,792
Loan payable (Note 11)	7,947	17,876
	1,323,737	1,841,403
NET FINANCIAL ASSETS	404,472	120,792
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	4,033,950	3,904,653
<u>Prepaid expenses</u>	<u>15,424</u>	<u>14,370</u>
	4,049,374	3,919,023
ACCUMULATED SURPLUS	\$ 4,453,846	\$ 4,039,815
ACCUMULATED SURPLUS CONSISTS OF		
Accumulated operating surplus	\$ 4,773,004	\$ 4,357,625
<u>Accumulated remeasurement losses, end of year</u>	<u>(319,158)</u>	<u>(317,810)</u>
ACCUMULATED SURPLUS	\$ 4,453,846	\$ 4,039,815

Contingent Liabilities (Note 15)

APPROVED ON BEHALF OF THE DEASE RIVER FIRST NATION

Paula Johnay, Chief Tania Johnay, Councillor
Crystal Canlick, Councillor

The accompanying notes are an integral part of the financial statements

DEASE RIVER FIRST NATION

CONSOLIDATED CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
ACCUMULATED REMEASUREMENT LOSSES, BEGINNING OF YEAR	\$ (317,810)	\$ (341,264)
Unrealized loss attributable to:		
Portfolio investments	(1,348)	23,454
ACCUMULATED REMEASUREMENT LOSSES, END OF YEAR	\$ (319,158)	\$ (317,810)

DEASE RIVER FIRST NATION

CONSOLIDATED CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
ANNUAL SURPLUS (DEFICIT)	\$ 414,031	\$ (302,483)
Acquisition of tangible capital assets	(617,254)	(285,036)
Amortization of tangible capital assets	479,074	390,165
Disposition of tangible capital assets, at net book value	8,883	-
	(129,297)	105,129
Acquisition of prepaid assets	(15,424)	(14,370)
Use of prepaid assets	14,370	13,206
	(1,054)	(1,164)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	283,680	(198,518)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	120,792	319,310
NET FINANCIAL ASSETS, END OF YEAR	\$ 404,472	\$ 120,792

The accompanying notes are an integral part of the financial statements

DEASE RIVER FIRST NATION

CONSOLIDATED CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES FOR THE YEAR ENDED MARCH 31, 2016

	2016 Budget	2016 Actual	2015 Actual
REVENUE			
INAC	\$ 1,135,078	\$ 3,552,324	\$ 2,196,246
INAC recovery	-	(44,227)	(76,830)
First Nation Health Authority	271,150	249,100	234,373
Province of British Columbia	-	53,707	54,322
Funding from First Nation Organizations	-	208,688	264,342
Income (loss) from GBE's	-	284,356	69,836
Income (loss) from GBP's	-	(4,396)	-
Loss from portfolio investments	-	-	(87,550)
Other	-	305,734	158,525
Deferred revenue - prior year	-	648,559	551,414
Deferred revenue - current year	-	(653,977)	(648,559)
	1,406,228	4,599,868	2,716,119
EXPENSES			
Band Administration	-	804,833	790,114
Education	-	675	3,060
Health and Wellness	271,137	289,540	235,922
Social Development	34,944	53,247	68,119
Child and Family	-	217,361	118,268
Community Infrastructure	407,000	2,809,468	1,428,712
Capital Maintenance	208,260	249,561	311,295
Land and Resources	-	73,059	-
Economic Development	-	313,929	380,823
	921,341	4,811,673	3,336,313
ANNUAL DEFICIT BEFORE OTHER ITEMS	484,887	(211,805)	(620,194)
OTHER ITEMS			
Acquisition of tangible capital assets	-	617,254	285,036
Principal repayment of loan payable	-	9,930	9,221
Unrealized gain (losses)	-	(1,348)	23,454
	-	625,836	317,711
ANNUAL SURPLUS (DEFICIT)	484,887	414,031	(302,483)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	2,453,068	4,342,298
ACCUMULATED SURPLUS, END OF YEAR	\$ 484,887	\$ 4,453,846	\$ 4,039,815

The accompanying notes are an integral part of the financial statements

DEASE RIVER FIRST NATION

CONSOLIDATED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 414,031	\$ (302,483)
Items not affecting cash:		
Amortization	479,074	390,165
Loss on sale of tangible capital asset	1,883	-
(Income) loss from GBE's	(284,356)	(69,836)
(Income) loss from GBP's	4,396	-
Income from trust funds held by Federal Government	(7,877)	-
	607,151	17,846
Change in non-cash items on statement of financial position:		
Accounts receivable	43,116	263,417
Inventory	(9,576)	-
Prepaid expenses	(1,054)	(1,163)
Accounts payable and accrued liabilities	(358,266)	540,152
Deferred revenue	5,418	97,145
Portfolio investments	1,348	64,096
	288,137	981,493
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(617,254)	(285,036)
Sale of tangible capital assets	7,000	-
	(610,254)	(285,036)
FINANCING ACTIVITIES		
Advances from GBE's	(154,888)	11,863
Funds held in trust by GBE	-	(80,000)
Principal repayment on loan payable	(9,930)	(9,221)
	(164,818)	(77,358)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(486,935)	619,099
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,100,915	481,816
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 613,980	\$ 1,100,915

The accompanying notes are an integral part of the financial statements

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

1. NATURE OF OPERATIONS

Dease River First Nation (the "First Nation") is an Indian Band as defined by the Indian Act. The First Nation manages various programs offered by Indigenous and Northern Affairs Canada (INAC) and other funding agents to benefit its members. The First Nation also represents its members in the negotiation of treaty settlements and specific land claims.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of CPA Canada.

(a) Reporting Entity

The Dease River First Nation reporting entity includes the Dease River First Nation government and all related entities that are controlled by the First Nation.

(b) Principles of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of entities which are controlled by the First Nation. Controlled entities are consolidated, except for government business enterprises and government business partnerships, which are accounted for by the modified equity method. All inter-fund and inter-organization transactions and balances have been eliminated on consolidation.

The First Nation records its investments in government business enterprises (GBE) and government business partnerships (GBP) on a modified equity basis. Under the modified equity basis, the GBE's and GBP's accounting policies are not adjusted to conform with those of the First Nation and inter-entity transactions and balances are not eliminated. The First Nation recognizes its equity interest in the annual earnings or loss of the GBE's and GBP's in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends or other cash distributions that the First Nation may receive from the GBE's and GBP's will be reflected as deductions in the investment asset account.

Commercial enterprises accounted for on a modified equity basis include:

1. Dease River Development Corporation - 100% interest
2. Yukon Indian Development Corporation Ltd. - 6.25% interest
3. Kaska Energy Corp - 20% interest

Business partnerships accounted for on a modified equity basis include:

1. Kaska Drilling Limited Partnership - 20% interest
2. Kaska Oil and Gas Limited Partnership - 20% interest

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS **MARCH 31, 2016**

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

(d) Trust Funds

Trust funds held by Federal Government:

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

Funds held in trust by Government Business Enterprise:

The First Nation through a band council resolution approved the transfer of funds and all future joint venture revenue to Dease River Development Corporation (DRDC) to be held in trust for economic development. For all joint venture revenue transferred to DRDC, 2% of such revenue is to be held in the trust account.

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital assets and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Dease River First Nation's incremental cost of borrowing.

Amortization is recorded as a reduction to the Tangible Capital Asset Fund and is provided for using the following methods at rates designed to amortize over the estimated useful life of the assets as follows:

Buildings	20 years Straight line
Computer equipment	5 years Straight line
Equipment	10 years Straight line
	6-
Automotive	7 years Straight line
Infrastructure	20 years Straight line

No amortization will be taken for construction in progress until the project is completed and the tangible capital asset is in service.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Contributed tangible capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS **MARCH 31, 2016**

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue Recognition

Government Funding:

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 as 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.

First Nation Capital and Revenue Trust Funds:

The First Nation recognizes revenues of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

Own Source Revenue:

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for specific purposes.

Revenue related to fees or services received in advance of the fee being earned or the service performed is deferred and recognized when the fee is earned or the service is performed.

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments

Financial instruments are initially classified upon initial recognition as a fair value or an amortized cost instrument. The fair value category includes investments in equity instruments that are quoted in an active market, and any other items elected by the First Nation to be recorded at fair value. All other financial instruments, including financial instruments with related parties for which fair value cannot be estimated, are recorded at amortized cost. Transaction costs directly attributable to the acquisition or issue of a financial instrument are added to the amortized cost or expensed if related to instruments recorded on a fair value basis. The effective interest rate method is used to measure interest for financial instruments recorded at amortized cost.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss, calculated as the excess of the net recoverable amount of the asset and its carrying value, is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The First Nation's financial instruments consist of cash and cash equivalents, portfolio investments, accounts receivable, funds held in trust and amount due to government business enterprises, loan payable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, credit or currency risks arising from these financial instruments and the fair value of these financial instruments approximates their carry values.

(h) Measurement Uncertainty

In preparing the consolidated financial statements for the First Nation, management is required 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 period. Items requiring the use of significant estimates include allowance for doubtful accounts and amortization. Actual results could differ from these estimates.

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Segmented Information

The First Nation conducts its business through a number of operating segments as described in Note 18. 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.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements. The same methodologies are employed in the preparation of segmented financial information.

3. ACCOUNTS RECEIVABLE

	2016	2015
Due from members		
Member advances	\$ 108	\$ 8,331
Due from Government and other Government Organizations:		
Indigenous and Northern Affairs Canada	187,078	231,411
Public Service Bodies Rebate	3,475	16,174
	190,553	247,585
Due from others:		
Others	22,480	341
	\$ 213,141	\$ 256,257

4. PORTFOLIO INVESTMENTS

	2016	2015
Investment in publicly traded shares at cost	\$ 319,158	\$ 319,158
Unrealized loss	(319,158)	(317,810)
	\$ -	\$ 1,348

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

The First Nation holds the following investments in government business enterprises and these investments are recorded using the modified equity method.

	2016	2015
Dease River Development Corporation	\$ 742,121	\$ 433,710
Yukon Indian Development Corporation	107,335	122,274
Kaska Energy Corp.	(9,016)	100
	\$ 840,440	\$ 556,084

As of the date of this report, the 2016 fiscal year financial information for Yukon Indian Development Corporation and Kaska Energy Corp. are not available. The 2016 fiscal year financial information for Dease River Development Corporation has not been audited.

6. INVESTMENT IN GOVERNMENT BUSINESS PARTNERSHIPS

	2016	2015
Kaska Drilling Limited Partnership	\$ (47,746)	\$ (46,726)
Kaska Oil and Gas Limited Partnership	(48,201)	(44,825)
	\$ (95,947)	\$ (91,551)

As of the date of this report, the 2016 fiscal year financial information for these limited partnerships are not available.

7. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

	2016 Revenue	2016 Capital	2016 Total	2015 Total
Balance, beginning of year	\$ 23	\$ 59,119	\$ 59,142	\$ 59,142
Interest earnings	-	7,877	7,877	-
Balance, end of year	\$ 23	\$ 66,996	\$ 67,019	\$ 59,142

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Accounts payable and accrued liabilities	\$ 234,731	\$ 638,695
Due to INAC	247,816	236,192
Due to government agencies	6,536	26,528
Wages and benefits payable	24,133	17,489
Due to Health Canada	87,693	40,272
	\$ 600,909	\$ 959,176

9. DEFERRED REVENUE

	2016	2015
INAC	\$ 343,133	\$ 216,325
Others	310,844	432,234
	\$ 653,977	\$ 648,559

10. DUE TO GOVERNMENT BUSINESS ENTERPRISES

Advances due to/from government business enterprises are unsecured and without interest or any fixed terms of repayment.

	2016	2015
Dease River Development Corporation	\$ 60,904	\$ 215,792

During the year, the First Nation paid \$258,690 (2015: \$391,893) to DRDC for operational maintenance, water system and renovation projects funded by INAC.

During the year, the First Nation sold fuel to DRDC in the amount of \$38,162 (2015: \$3,267).

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

11. LOAN PAYABLE

	2016	2015
The loan is payable to Ally Credit Canada Limited with monthly payments of \$910 including interest at 7.44% per annum maturing in December 2016. The loan is secured by a vehicle.	<u>\$ 7,947</u>	<u>\$ 17,876</u>
	2016	2015
Interest expense for the year on the loan	<u>\$ 1,000</u>	<u>\$ 1,708</u>

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

12. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization				2016 net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Balance, on disposals end of year	
Buildings	\$ 4,639,065	\$ 234,325	\$ -	\$ 4,873,390	\$ 3,074,888	\$ 243,669	\$ -	\$ 3,318,557 \$ 1,554,833
Computer equipment	148,627	-	-	148,627	126,198	5,607	-	131,805 16,822
Equipment	440,832	106,624	(12,999)	534,457	423,463	11,904	(4,116)	431,251 103,206
Automotive	713,985	122,000	-	835,985	676,826	29,448	-	706,274 129,711
Infrastructure	2,027,853	1,741,053	-	3,768,906	1,351,082	188,446	-	1,539,528 2,229,378
Construction in progress	1,586,748	(1,586,748)	-	-	-	-	-	-
	\$ 9,557,110	\$ 617,254	\$ (12,999)	\$ 10,161,365	\$ 5,652,457	\$ 479,074	\$ (4,116)	\$ 6,127,415 \$ 4,033,950

	Cost			Accumulated amortization				2015 Net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Balance, on disposals end of year	
Buildings	\$ 4,639,065	\$ -	\$ -	\$ 4,639,065	\$ 2,842,935	\$ 231,953	\$ -	\$ 3,074,888 \$ 1,564,177
Computer equipment	120,591	28,036	-	148,627	120,591	5,607	-	126,198 22,429
Equipment	440,832	-	-	440,832	390,764	32,699	-	423,463 17,369
Automotive	713,985	-	-	713,985	658,313	18,513	-	676,826 37,159
Infrastructure	2,027,853	-	-	2,027,853	1,249,690	101,392	-	1,351,082 676,771
Construction in progress	1,329,748	257,000	-	1,586,748	-	-	-	1,586,748
	\$ 9,272,074	\$ 285,036	\$ -	\$ 9,557,110	\$ 5,262,293	\$ 390,164	\$ -	\$ 5,652,457 \$ 3,904,653

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

13. ACCUMULATED SURPLUS

	2016	2015
Restricted		
Trust Funds Held by Federal Government	\$ 67,019	\$ 59,142
Unrestricted		
Band Administration	(390,669)	(370,636)
Tangible Capital Asset Fund	4,033,003	3,886,776
Government Business Enterprise Fund	744,493	464,533
	<hr/> 4,386,827	<hr/> 3,980,673
	<hr/> \$ 4,453,846	<hr/> \$ 4,039,815

14. RESTATEMENT OF COMPARATIVE FIGURES

The beginning balance of accumulated surplus for 2015 fiscal year has been adjusted to capitalize the expenditure of the reservoir project incurred in 2013 and 2014 fiscal year. The total project expenditure of the reservoir project incurred in 2013 and 2014 fiscal year was \$1,329,748. As a result of the adjustment, the beginning balance of accumulated surplus for 2015 fiscal year has been increased by \$1,329,748 and the beginning balance of tangible capital assets has been increased by \$1,329,748.

The acquisition of tangible capital assets recorded in 2015 fiscal year has been adjusted to capitalize the expenditure of the reservoir project incurred in 2015 fiscal year. As a result of the adjustment, the acquisition of tangible capital assets has been increased by \$257,000, the annual surplus has been increased by \$257,000 and the tangible capital assets has been increased by \$257,000.

The cumulative effect of these adjustments to the beginning balance of accumulated surplus in 2016 fiscal year is \$1,586,748 and the beginning balance of tangible capital assets is \$1,586,748.

The above adjustments are summarized as follows:

	Originally Stated	Changes	Restated Amounts
Tangible capital assets	\$ 2,317,905	\$ 1,586,748	\$ 3,904,653
Accumulated surplus, beginning of year	3,012,550	1,329,748	4,342,298
Annual surplus	(559,483)	257,000	(302,483)
Accumulated surplus, end of year	\$ 2,453,067	\$ 1,586,748	\$ 4,039,815

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

15. CONTINGENT LIABILITIES

Dease River First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

A Recipient Audit to provide assurance on a recipient's compliance with the terms and conditions of the INAC Funding Agreement was conducted during the 2013 year for the period April 1, 2010 to March 31, 2012. In December 2013, a Recipient Audit Report identified a non-compliant amount of \$1,716,313 for all funds provided in the 2011 fiscal year as well as a series of Governance recommendations including a statement that the Recipient Auditor could not perform the audit for the 2011 fiscal year as the requested supporting information had not been retrieved by the recipient.

On July 8, 2015, a letter authorized by Chief and Council was submitted to INAC outlining the extenuating circumstances related to the Recipient Auditor's request for documents related to the 2011 fiscal period as well as a request for a breakdown of the "potentially recoverable" amounts by service code categories.

On July 10, 2015, the First Nation had retrieved the requested supporting information and provided INAC with copies of the said documents for the 2011 fiscal year.

On November 15, 2016, subsequent to a further request for information, the Chief & Council were advised that by the end of December 2016, the Recipient Audit would be finalized and an agreement would be in place for repayment. They also advised that recoveries would be adjusted to non-essential funding with the reassurance that hardship issues would be considered in the repayment process. Thus the audited consolidated financial statements for the period ended March 31, 2016 contain no provision or contingency for the "potentially recoverable" amount for the 2011 fiscal year.

16. ECONOMIC DEPENDENCE

Dease River First Nation receives a significant portion of its revenue from INAC and Health Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

17. EXPENSES BY OBJECT

	2016 Budget	2016 Actual	2015 Actual
Program expenses	\$ 57,756	\$ 1,671,990	\$ 135,813
Contractors	37,288	806,664	1,314,075
Acquisition of tangible capital assets	299,557	617,254	285,036
Wages and benefits	293,681	536,888	513,611
Amortization	-	479,074	390,166
Cost of sales	-	117,672	-
Travel	46,941	91,507	57,334
Repairs and maintenance	75,856	89,766	45,535
Professional fees	10,053	74,657	186,495
Utilities	27,800	69,335	24,687
Administration	24,748	57,497	54,130
Materials and supplies	21,898	49,563	76,522
Other expenses	5,563	40,844	116,312
Office expenses	-	29,041	39,170
Vehicle expenses	-	24,320	31,816
Insurance	9,500	22,233	21,190
Fuel and oil	10,700	18,429	15,106
Social Development	-	14,939	29,315
		\$ 4,811,673	\$ 3,336,313

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

18. SEGMENTED INFORMATION

	Band Administration			Education			Health and Wellness		
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual
Revenues									
INAC	\$ -	\$ 218,990	\$ 212,542	-	\$ 8,258	\$ 36,871	-	\$ 271,150	\$ 296,521
FNHA	-	-	-	-	-	-	-	-	274,645
Funding from First Nation Organizations	-	6,000	19,000	-	-	-	-	-	10,899
Other	-	100,673	97,425	-	-	-	-	-	-
Other revenue	-	(3,677)	11,654	-	(6,908)	(33,811)	-	(66,032)	(40,272)
Total revenue	-	321,986	340,621	-	1,350	3,060	271,150	230,489	245,272
Expenses									
Program expenses	-	6,090	5,784	-	-	1,360	45,289	64,662	57,003
Contractors	-	35,409	49,407	-	-	-	26,888	24,943	35,891
Acquisition of tangible capital assets	-	-	-	-	-	-	-	-	2,886
Wages and benefits	-	207,026	199,196	-	-	-	102,437	116,191	96,603
Amortization	-	479,074	390,166	-	-	-	-	-	-
Travel	-	-	14,673	-	-	-	46,661	35,436	30,215
Repairs and maintenance	-	-	-	-	-	-	-	3,877	1,317
Other expenses	-	77,234	130,888	-	675	1,700	49,862	44,431	12,007
Total expenses	-	804,833	790,114	-	675	3,060	271,137	289,540	235,922
Other	-	(482,847)	(449,493)	-	675	-	13	(59,051)	9,350
Annual surplus (deficit)	\$ -	\$ 144,337	\$ (155,236)	\$ -	\$ 675	\$ -	\$ 13	\$ (59,051)	\$ 9,350

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

18. SEGMENTED INFORMATION, continued

	Social Development		2015 Actual	2016 Budget	Child and Family		2015 Actual	Community Infrastructure		
	2016 Budget	2016 Actual			2016 Budget	2016 Actual		2016 Budget	2016 Actual	2015 Actual
Revenues										
INAC	\$ 35,764	\$ 61,564	\$ 69,308	-	\$ 102,125	\$ 158,880	\$ 917,563	\$ 2,864,610	\$ 1,474,605	
Funding from First Nation Organizations	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	7,500	-	-	-	-
Other revenue	-	(7,892)	(4,309)	-	115,389	(48,112)	-	(96,852)	(103,443)	
Total revenue	35,764	53,672	64,999	-	217,514	118,268	917,563	2,767,757	1,371,162	
Expenses										
Program expenses	-	-	-	-	99,081	43,759	6,600	1,416,312	4,286	
Contractors	-	-	-	-	54,803	32,258	10,400	645,225	940,904	
Acquisition of tangible capital assets	-	-	-	-	-	-	162,000	462,045	257,000	
Wages and benefits	34,944	34,530	34,791	-	-	603	93,300	95,859	105,311	
Travel	-	-	-	-	43,153	-	-	-	-	
Repairs and maintenance	-	-	-	-	-	-	74,300	56,647	44,218	
Other expenses	-	18,717	33,328	-	20,324	41,648	60,400	133,380	76,993	
Total expenses	34,944	53,247	68,119	-	217,361	118,268	407,000	2,809,468	1,428,712	
Other	820	425	(3,120)	-	153	-	510,563	(41,711)	(57,550)	
Annual surplus (deficit)	\$ 820	\$ 425	(\$ 3,120)	-	\$ 153	\$ -	\$ 510,563	(\$ 41,711)	(\$ 57,550)	

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

18. SEGMENTED INFORMATION, continued

	Capital Maintenance			Land and Resources			Economic Development		
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual
Revenues									
INAC	\$ 181,751	\$ 250,896	\$ 308,159	-	\$ 74,325	-	\$ 73,681	\$ 94,761	
Province of British Columbia	-	-	-	-	-	-	-	53,707	54,322
Funding from First Nation Organizations	-	-	-	-	-	-	-	100,563	75,563
Gain (loss) from portfolio investments	-	-	-	-	-	-	-	-	(87,550)
Other	-	13,074	-	-	-	-	-	184,108	53,601
Other revenue	-	(14,678)	(9,342)	-	(1,266)	(2,971)	-	(15,147)	16,358
Total revenue	181,751	249,292	298,817	-	73,059	(2,971)	-	396,912	207,055
Expenses									
Program expenses	5,867	-	-	-	26,925	-	-	58,920	23,623
Contractors	-	6,500	168,140	-	-	-	-	39,785	87,476
Acquisition of tangible capital assets	137,557	155,210	25,150	-	-	-	-	-	-
Wages and benefits	63,000	58,149	53,369	-	-	-	-	25,132	23,736
Cost of sales	-	-	-	-	-	-	-	117,672	-
Travel	280	104	-	-	10,215	-	-	2,600	12,447
Repairs and maintenance	1,556	29,242	-	-	-	-	-	-	-
Other expenses	-	356	64,636	-	35,919	-	-	69,820	233,541
Total expenses	208,260	249,561	311,295	-	73,059	-	-	313,929	380,823
Other	(26,509)	(269)	(12,478)	-	-	(2,971)	-	82,983	(173,768)
Annual surplus (deficit)	\$ (26,509)	\$ (269)	\$ (12,478)	-	\$ (2,971)	-	\$ 81,635	\$ (150,314)	

DEASE RIVER FIRST NATION

NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

18. SEGMENTED INFORMATION, continued

	Government Business Enterprise Fund			Trust Funds Held by Federal Government			Consolidated Totals		
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015	2016 Budget	2016 Actual	2015 Actual
Revenues									
INAC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,135,078	\$ 3,552,324	\$ 2,196,246
FNHA	-	-	-	-	-	-	271,150	296,521	274,645
Province of British Columbia	-	-	-	-	-	-	-	53,707	54,322
Funding from First Nation Organizations	-	-	-	-	-	-	-	208,688	264,342
Gain (loss) from portfolio investments	-	-	-	-	-	-	-	-	(87,550)
Other	-	7,877	-	-	-	-	-	305,732	158,526
Other revenue	-	272,083	69,836	-	7,877	-	-	182,897	(144,412)
Total revenue	-	279,960	69,836	-	7,877	-	1,406,228	4,599,868	2,716,119
Expenses									
Program expenses	-	-	-	-	-	-	57,756	1,671,990	135,815
Contractors	-	-	-	-	-	-	37,288	806,665	1,314,076
Acquisition of tangible capital assets	-	-	-	-	-	-	299,557	617,255	285,036
Wages and benefits	-	-	-	-	-	-	293,681	536,887	513,609
Amortization	-	-	-	-	-	-	-	479,074	390,166
Cost of sales	-	-	-	-	-	-	-	117,672	-
Travel	-	-	-	-	-	-	46,941	91,508	57,335
Repairs and maintenance	-	-	-	-	-	-	75,856	89,766	45,535
Other expenses	-	-	-	-	-	-	110,262	400,856	594,741
Total expenses	-	-	-	-	-	-	921,341	4,811,673	3,336,313
Other	-	279,960	69,836	-	7,877	-	484,887	(211,805)	(620,194)
Annual surplus (deficit)	\$ -	\$ 279,960	\$ 69,836	-	\$ 7,877	\$ -	\$ 484,887	\$ 414,031	\$ (302,483)