

Financial Statements of

TEETL'IT GWICH'IN COUNCIL
(LEGALLY TETLIT GWICH'IN)

Year ended March 31, 2018





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INDEPENDENT AUDITORS' REPORT

To the Members of Teetl'it Gwich'in Council, (legally "Tetlit Gwich'in")

We have audited the accompanying financial statements of Teetl'it Gwich'in Council (legally "Tetlit Gwich'in"), which comprise the statement of financial position as at March 31, 2018, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Teetl'it Gwich'in Council (legally "Tetlit Gwich'in") as at March 31, 2018, and its results of operations, its changes in net financial assets, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 22, 2018
Edmonton, Canada

TEETL'IT GWICH'IN COUNCIL

(LEGALLY TETLIT GWICH'IN)

Financial Statements

Year ended March 31, 2018

Financial Statements

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TEETL'IT GWICH'IN COUNCIL

(LEGALLY TETLIT GWICH'IN)

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash and cash equivalents	\$ 242,982	\$ 149,672
Portfolio investments (note 2)	402,144	300,136
Accounts receivable	98,703	197,932
Due from Tetlit Gwich'in Council (note 3)	268,972	283,595
Investment in Gwich'in Investments Limited Partnership (note 4)	120	170
Investment in Tetlit Zheh Development Corporation (note 5)	276,448	306,695
	<u>1,289,369</u>	<u>1,238,200</u>
Liabilities:		
Accounts payable and accrued liabilities	95,651	75,236
Deferred revenue (note 6)	98,555	101,394
Government transfers and contributions repayable (note 7)	48,947	58,956
	<u>243,153</u>	<u>235,586</u>
Net financial assets	1,046,216	1,002,614
Non-financial assets:		
Prepaid expenses and deposits	5,828	6,679
Tangible capital assets (note 8)	47,663	46,449
	<u>53,491</u>	<u>53,128</u>
Accumulated surplus (note 9)	\$ 1,099,707	\$ 1,055,742

See accompanying notes to financial statements.

On behalf of the Council:



Councillor



Councillor

TEETL'IT GWICH'IN COUNCIL

(LEGALLY TETLIT GWICH'IN)

Statement of Operations and Accumulated Surplus

Year ended March 31, 2018, with comparative information for 2017

	Budget	2018	2017
Revenues:			
Government transfers and other contributions:			
Government of Canada	\$ 412,895	\$ 405,332	\$ 391,698
Government of the Northwest Territories	322,132	385,693	399,871
Gwich'in Tribal Council	-	-	1,300
Other contributions and transfers	47,000	66,974	28,144
Net amounts recognized (deferred)	-	2,839	(37,910)
Contribution and transfer repayments	-	(16,082)	(25,378)
	782,027	844,756	757,725
Interest income	-	2,131	357
(Loss) gain on disposal of tangible capital assets	-	(1,234)	2,090
	782,027	845,653	760,172
Expenses:			
Salaries and benefits	184,569	225,077	401,520
Contracted services	119,630	167,746	116,555
Materials and supplies	48,735	54,246	45,219
Rent and property taxes	12,600	15,843	38,125
Professional fees	21,000	21,000	30,162
Amortization of tangible capital assets	-	7,527	8,971
Honoraria	27,550	26,432	25,575
Travel and accommodation	13,958	31,279	60,980
Office	3,800	19,789	7,695
Telephone and internet	12,400	9,489	8,982
Meeting and workshop	10,934	15,844	13,687
Interest and bank charges	500	8,747	5,640
Donations	30,000	46,466	36,055
Training and scholarships	-	-	5,424
Repairs and maintenance	8,000	4,319	1,879
Contributions to other organizations	-	93,976	150,225
Utilities	10,000	12,154	18,314
Insurance	6,380	9,593	9,304
Bad debts (recovered)	-	(7,752)	16,289
	510,056	761,775	1,000,601
Annual surplus (deficiency) before the undernoted	271,971	83,878	(240,429)
Equity in loss of investments:			
Gwich'in Investments Limited Partnership (note 4)	-	(50)	(88)
Tetlit Zheh Development Corporation (note 5)	-	(39,863)	(37,744)
Annual surplus (deficiency)	271,971	43,965	(278,261)
Accumulated surplus, beginning of year	1,055,742	1,055,742	1,334,003
Accumulated surplus, end of year	\$ 1,327,713	\$ 1,099,707	\$ 1,055,742

See accompanying notes to financial statements.

TEETL'IT GWICH'IN COUNCIL

(LEGALLY TETLIT GWICH'IN)

Statement of Changes in Net Financial Assets

Year ended March 31, 2018, with comparative information for 2017

	Budget	2018	2017
Annual surplus (deficiency)	\$ 271,971	\$ 43,965	\$ (278,261)
Acquisition of tangible capital assets	-	(10,475)	(13,655)
Proceeds from disposal of tangible capital assets	-	500	25,284
Loss (gain) on disposal of tangible capital assets	-	1,234	(2,090)
Amortization of tangible capital assets	-	7,527	8,971
	271,971	(1,214)	18,510
Decrease (increase) in prepaid expenses and deposits	-	851	(615)
Increase (decrease) in net financial assets	271,971	43,602	(260,366)
Net financial assets, beginning of year	1,002,614	1,002,614	1,262,980
Net financial assets, end of year	\$ 1,274,585	\$ 1,046,216	\$ 1,002,614

See accompanying notes to financial statements.

TEETL'IT GWICH'IN COUNCIL

(LEGALLY TETLIT GWICH'IN)

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating transactions:		
Annual surplus (deficiency)	\$ 43,965	\$ (278,261)
Items not involving cash:		
Equity in loss of Gwich'in Investments Limited Partnership	50	88
Equity in loss of Tetlit Zheh Development Corporation	39,863	37,744
Loss (gain) on disposal of tangible capital assets	1,234	(2,090)
Amortization of tangible capital assets	7,527	8,971
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	99,229	(97,070)
Decrease (increase) in due from Tetlit Gwich'in Council	14,623	(4,817)
Increase (decrease) in accounts payable and accrued liabilities	20,415	(16,949)
(Decrease) increase in deferred revenue	(2,839)	24,770
Increase (decrease) in government transfers and contributions repayable	(10,009)	38,518
Decrease (increase) in prepaid expenses and deposits	851	(615)
	214,909	(289,711)
Investing and capital transactions:		
Purchase of portfolio investments, net of proceeds	(102,008)	(300,136)
Decrease in investment in Tetlit Zheh Development Corporation	(9,616)	(8,406)
Acquisition of tangible capital assets	(10,475)	(13,655)
Proceeds from disposal of tangible capital assets	500	25,284
	(121,599)	(296,913)
Increase (decrease) in cash and cash equivalents	93,310	(586,624)
Cash and cash equivalents, beginning of year	149,672	736,296
Cash and cash equivalents, end of year	\$ 242,982	\$ 149,672

See accompanying notes to financial statements.

TEETL'IT GWICH'IN COUNCIL

(LEGALLY TETLIT GWICH'IN)

Notes to Financial Statements

Year ended March 31, 2018

Tetl'it Gwich'in Council (legally "Tetlit Gwich'in") (the "Council") is an aboriginal organization that represents the aboriginal people of the Fort McPherson area of the Mackenzie Delta of the Northwest Territories. The Council is registered with the Government of Canada under the Indian Act and is not subject to any federal, territorial or local government taxes or similar charges. All funds are to develop, strengthen and promote traditional occupations of the Gwich'in people in Fort McPherson.

1. Significant accounting policies:

The financial statements of the Council have been prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Council are as follows:

(a) Revenue recognition:

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation which meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

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

Expense recoveries and other 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 where accruals cannot be determined with a reasonable degree of certainty or where their estimation is impracticable.

(b) Investments in government business enterprises:

The Council's investments in Gwich'in Investments Limited Partnership and Tetlit Zheh Development Corporation have been accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the Council, and inter-organizational transactions and balances are not eliminated.

TEETL'IT GWICH'IN COUNCIL

(LEGALLY TETLIT GWICH'IN)

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies, continued:

(c) Cash and cash equivalents:

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

(d) Tangible capital assets:

Tangible capital assets are recorded at cost and are amortized over their expected useful lives using the following method and annual rates:

Asset	Basis	Rate
Computer and other	Declining balance	30%
Office equipment and furniture	Declining balance	30%

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue.

The Council manages and controls various works of art and non-operational historical cultural assets. These assets are not recorded as tangible capital assets and are not amortized.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all portfolio investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations and accumulated surplus.

TEETL'IT GWICH'IN COUNCIL

(LEGALLY TETLIT GWICH'IN)

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight line method.

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 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.

As the Council does not have any unrealized gains or losses, a statement of remeasurement gains and losses has not been prepared.

The standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 – observable or corroborated inputs other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

(f) Allocation of expenses:

The Council records a number of its expenses by program. The cost of each program includes the personnel, premises and other expenses that are directly related to providing the program.

The Council allocates certain of its general support expenses by identifying the appropriate basis of allocating each expense.

TEETL'IT GWICH'IN COUNCIL

(LEGALLY TETLIT GWICH'IN)

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(g) Related party transactions:

The Council enters into transactions with related parties in the normal course of operations and on normal trade terms. These transactions are measured at the exchange amount which is the amount of consideration established and agreed by the related parties.

Unallocated costs, comprising materials and services contributed by related parties in support of the Council's operations, are not recognized in the financial statements.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(i) Budget:

The budget information has been derived from the budget approved by the Council.

(j) Change in accounting policies:

The Council has adopted the following accounting standards effective April 1, 2017: PS2200 *Related Party Disclosures*; PS3420 *Inter-entity Transactions*; PS3210 *Assets*; PS3320 *Contingent Assets*; and PS3380 *Contractual Rights*. The effect of adopting these standards has resulted in certain changes to disclosures in the financial statements.

(k) Future accounting changes:

The following summarizes upcoming changes to public sector accounting standards: PS3430 *Restructuring Transactions* - effective April 1, 2018; and PS3280 *Asset Retirement Obligations* - effective April 1, 2021. The Council's management is currently assessing the impact of the new accounting standards on its financial statements.

TEETL'IT GWICH'IN COUNCIL

(LEGALLY TETLIT GWICH'IN)

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Portfolio investments:

Portfolio investments are comprised of guaranteed investment certificates earning interest at rates ranging from 0.45% to 1.20% (2017 - 0.50%) and maturing on various dates from July 30, 2018 to March 26, 2019 (2017 - November 28, 2017).

3. Due from Tetlit Gwich'in Council:

The amount due from Tetlit Gwich'in Council is unsecured, non-interest bearing, and has no specified terms of repayment.

4. Investment in Gwich'in Investments Limited Partnership:

The Council owns 1,035 of 4,004,150 units in Gwich'in Investments Limited Partnership ("GILP"). The partnership's principal activity is to hold and investment in Denendeh Investments Limited Partnership. The following summarizes the financial position and results of operations of GILP as at and for the year ended December 31, 2017:

	2018	2017
Financial position:		
Current assets	\$ 3,554	\$ 2,916
Equity-accounted investees	528,315	713,574
Total assets	531,869	716,490
Current liabilities	65,975	60,475
Partners' equity	465,894	656,015
Total liabilities and partners' equity	531,869	716,490
Share of partners' equity attributable to the Council	\$ 120	\$ 170
Results of operations:		
Revenue	\$ -	\$ -
Expenses	(4,862)	(4,823)
Share of loss of equity-accounted investees	(185,260)	(338,851)
Total loss for the year	(190,122)	(343,674)
Loss for the year attributable to the Council	\$ (50)	\$ (88)

TEETL'IT GWICH'IN COUNCIL

(LEGALLY TETLIT GWICH'IN)

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Investment in Tetlit Zheh Development Corporation:

Tetlit Zheh Development Corporation (the "Corporation"), a wholly-owned subsidiary of the Council, is a private company incorporated under the Business Corporation Act of the Northwest Territories on October 28, 2014. The Corporation's principal activities are business management and investment activities. The following summarizes the financial position and results of operations of the Corporation:

	2018	2017
Financial position:		
Current assets	\$ 32,926	\$ 61,365
Non-current assets	266,553	275,289
Total assets	299,479	336,654
Current liabilities	23,031	29,959
Due to Teetl'it Gwich'in Council	358,819	349,202
Total liabilities	381,850	379,161
Total deficiency attributable to the Council	\$ (82,371)	\$ (42,507)
Results of operations:		
Revenue	\$ 89,345	\$ 217,743
Expenses	(129,208)	(255,487)
Loss for the year attributable to the Council	\$ (39,863)	\$ (37,744)

TEETL'IT GWICH'IN COUNCIL

(LEGALLY TETLIT GWICH'IN)

Notes to Financial Statements (continued)

Year ended March 31, 2018

6. Deferred revenue:

	2018	2017
Government of Canada:		
Band Manager and Finance Manager - wages	\$ -	\$ 46,924
Leadership and Financial Management	-	6,492
Information Management/IT	270	3,974
Treaty Allowance	1,512	1,131
Membership	-	1,125
Summer Students	17,455	-
Community Development	17,004	-
Government of the Northwest Territories	55,209	41,748
Other contributions	7,105	-
	\$ 98,555	\$ 101,394

7. Contributions and transfers repayable:

	2018	2017
Government of Canada:		
Employee Benefits Amend #2 - 2014/15	\$ -	\$ 5,947
Strategic Plan & Election Code Amend #4 - 2014/15	-	6,278
Employee Benefits Amend #2 - 2015/16	-	11,973
Band employee benefits - 2016/17	963	963
Youth Employment Strategy - 2016/17	15,530	15,530
Planning & Risk Mgmt - Chief & Council & HR Mgmt - 2016/17	5,530	6,500
Government of the Northwest Territories	24,327	9,168
Gwich'in Tribal Council	2,597	2,597
	\$ 48,947	\$ 58,956

TEETL'IT GWICH'IN COUNCIL

(LEGALLY TETLIT GWICH'IN)

Notes to Financial Statements (continued)

Year ended March 31, 2018

8. Tangible capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 25,000	\$ -	\$ 25,000	\$ 25,000
Computer and other	38,255	23,477	14,778	10,196
Office equipment and furniture	22,924	15,039	7,885	11,253
	\$ 86,179	\$ 38,516	\$ 47,663	\$ 46,449

During the year, the Council acquired computer and other office equipment and furniture in the amount of \$10,475 (2017 - \$13,655).

9. Accumulated surplus:

	2018	2017
General operating fund	\$ 775,476	\$ 702,428
Investment fund	276,568	306,865
Invested in tangible capital assets	47,663	46,449
	\$ 1,099,707	\$ 1,055,742

10. Related party transactions:

Related parties include key management personnel and members of the Council. Wages and benefits includes \$121,998 (2017 - \$146,184) and honoraria includes \$21,412 (2017 - \$23,203) paid to key management personnel.

During the year, the Council received revenue of \$7,300 (2017 - \$9,375) and paid expenses of \$nil (2017 - \$18,705) to Tetlit Zheh Development Corporation.

TEETL'IT GWICH'IN COUNCIL

(LEGALLY TETLIT GWICH'IN)

Notes to Financial Statements (continued)

Year ended March 31, 2018

11. Financial risks and concentration of risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Council is exposed to credit risk with respect to its accounts receivable. The Council assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Council at March 31, 2018 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. At March 31, 2018, the total allowance for doubtful accounts was \$23,706 (2017 - \$33,478).

The amount of any related impairment loss is recognized in the statement of operations and accumulated surplus. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations and accumulated surplus. There have been no significant changes to the credit risk exposure from 2017.

(b) Liquidity risk:

Liquidity risk is the risk that the Council will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Council manages its liquidity risk by monitoring its operating requirements on an overall basis. The Council prepares budget to ensure it has sufficient funds to fulfill its obligations. There have been no significant changes to the liquidity risk exposure from 2017.

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates will affect the Council's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment. Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. Financial assets and financial liabilities with variable interest rates expose the Council to cash flow interest rate risk. The Council is exposed to this risk through its investments bearing interest. The Council does not use derivative instruments to mitigate these risks. There has been no change to the interest rate risk exposure from 2017.

TEETL'IT GWICH'IN COUNCIL

(LEGALLY TETLIT GWICH'IN)

Notes to Financial Statements (continued)

Year ended March 31, 2018

12. Segment disclosures:

The Council provides a wide range of services to its members. Services are delivered through a number of different programs and departments. Identified segments are defined by the Council for which separate financial information is available and is evaluated regularly by the Council and management in allocating resources and assessing results.

For each reported segment, revenues and expenses represent amounts that are directly attributable to that segment. The accounting policies followed in the segments are consistent with the accounting policies followed in the preparation of these financial statements as disclosed in note 1.

The segment disclosures are provided in the Schedules included with the financial statements.

13. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.