

**FORT GOOD HOPE DENE  
COMMUNITY COUNCIL**  
Fort Good Hope, NT

**CONSOLIDATED  
FINANCIAL STATEMENTS**

For the Year ended March 31, 2017

# **FORT GOOD HOPE DENE COMMUNITY COUNCIL**

## **CONSOLIDATED FINANCIAL STATEMENTS**

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For the Year ended March 31, 2017

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### **INDEX**

	Page
✓ MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
✓ INDEPENDENT AUDITOR'S REPORT	2 - 3
✓ CONSOLIDATED FINANCIAL STATEMENTS	
✓ Consolidated Statement of Financial Position	4
✓ Consolidated Statement of Operations and Accumulated Surplus	5
✓ Consolidated Statement of Changes in Net Financial Debt	6
✓ Consolidated Statement of Cash Flows	7
✓ Notes to Consolidated Financial Statements	8 - 18
✓ Schedule 1 - Schedule of Program Revenue and Expenditure	19 - 24
✓ Schedule 2 - Schedule of Salary, Honoraria and Travel Expenses (Elected Officials)	25
✓ Schedule 3 - Schedule of Salary, Honoraria and Travel Expenses (Management)	26
✓ Schedule 4 - Schedule of Federal Government Funding	27
✓ Schedule 5 - Schedule of Federal Government Funding Reconciliation	28



## **INDEPENDENT AUDITOR'S REPORT**

To the members of Fort Good Hope Dene Community Council

I have audited the accompanying consolidated financial statements of Fort Good Hope Dene Community Council, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations and accumulated surplus, changes in net financial assets 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.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 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 entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **Basis for Modified Opinion**

The Fort Good Hope Dene Community Council derives significant amount of revenues from donations and fundraising, which are included in other revenues and recoveries. The completeness of which is not susceptible to satisfactory audit verification. Accordingly my verification of these revenues was limited to the amounts recorded in the records of the Fort Good Hope Dene Community Council and I was unable to determine if further adjustments might be necessary to other revenues and recoveries and annual surplus.

2.





On August 23, 2016, I expressed a disclaimer of opinion on the financial statements of the Fort Good Hope Dene Community Council for the year ended March 31, 2016, concerning donations and fundraising and I was unable to satisfy myself by alternative means concerning the opening balances at April 1, 2016. Since opening balances enter into the determination of the financial performance and cash flows, I was unable to determine whether adjustments might have been necessary in respect of annual surplus, accumulated surplus and changes in net financial assets.

Further, as disclosed in note 1 and 9 to the consolidated financial statements, public sector accounting standards require that Fort Good Hope Dene Community Council account for its investments in government business enterprises and partnerships using the modified equity method. The financial statements for the investee Sahtu Dene Inn Limited Partnership were not available. I was unable to determine whether any adjustments were required to Fort Good Hope Dene Community Council's investment in Sahtu Dene Inn Limited Partnership and its earnings from investments as at and for the year ended March 31, 2017.

**Modified Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Modified Opinion paragraph, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fort Good Hope Dene Community Council as at March 31, 2017, and the consolidated results of its operations, changes in net financial assets and cash flows of the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountant

Calgary, Alberta  
September 12, 2017

# FORT GOOD HOPE DENE COMMUNITY COUNCIL

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31,	2017	2016
<b>Financial Assets</b>		
Cash (note 2)	\$ 46,483	\$ 44,036
Accounts receivable (note 3)	24,498	16,593
Contributions receivable (note 4)	209,580	158,273
Receivable from related party (note 5)	192,069	267,222
<b>Total Financial Assets</b>	<b>472,630</b>	<b>486,124</b>
<b>Liabilities</b>		
Bank indebtedness (note 6)	118,172	38,994
Accounts payable and accrued liabilities	225,519	207,282
Contributions repayable (note 7)	-	29,833
Deferred contributions (note 8)	150,770	93,261
<b>Total Liabilities</b>	<b>494,461</b>	<b>369,370</b>
<b>Net Financial Assets (Debt)</b>	<b>( 21,831)</b>	<b>116,754</b>
<b>Non-Financial Assets</b>		
Long term Investments (note 9)	382,154	382,154
Tangible capital assets (note 10)	79,821	86,518
Prepaid expenses and deposits	-	6,044
<b>Total Non-Financial Assets</b>	<b>461,975</b>	<b>474,716</b>
<b>Accumulated Surplus (note 11)</b>	<b>\$ 440,144</b>	<b>\$ 591,470</b>

Contingent Liabilities (note 13)

Approved on behalf of the Council:

\_\_\_\_\_ Councillor

\_\_\_\_\_ Councillor

The accompanying notes and schedules are an integral part of these consolidated financial statements. 4.

# FORT GOOD HOPE DENE COMMUNITY COUNCIL

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31,	2017	2017	2016
	Budget	Actual	Actual
<b>Revenue</b>			
Contributions:			
- Indigenous and Northern Affairs Canada	\$ -	\$ 218,764	\$ 312,086
- Government of Canada	-	22,000	3,699
- Government of NWT	-	838,124	786,150
- Others	-	178,392	47,710
Other revenue and recoveries	-	287,520	276,910
Earnings from investments	-	-	51,905
Add opening deferred revenue	-	93,260	92,816
Less closing deferred revenue	-	( 150,770)	( 93,260)
	-	1,487,290	1,478,016
<b>Expenditure</b>			
Arts and crafts	-	-	2,343
Broadcasting	-	9,073	9,750
Community programs	-	99,812	15,504
Community wellness	-	243,559	149,905
Contract services	-	178,013	94,836
Council administration	-	402,177	159,890
Economic developments	-	137,707	120,155
Elder programs	-	22,062	1,000
Enterprise	-	628	30,673
Justice programs	-	219,215	191,756
Governance	-	56,891	110,000
Language programs	-	64,944	4,445
Health and nutrition	-	25,448	114,435
Social programs	-	-	11,816
Youth programs	-	179,087	170,730
	-	1,638,616	1,187,238
<b>Annual Surplus (Deficit)</b>	-	( 151,326)	290,778
<b>Accumulated Surplus, beginning of year</b>	591,470	591,470	300,692
<b>Accumulated Surplus, end of year</b>	\$ 591,470	\$ 440,144	\$ 591,470

The accompanying notes and schedules are an integral part of these consolidated financial statements. 5.

# FORT GOOD HOPE DENE COMMUNITY COUNCIL

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL DEBT

For the year ended March 31,	2017	2017	2016
	Budget	Actual	Actual
<b>Annual Surplus (Deficit)</b>	\$ -	\$( 151,326)	\$ 290,778
Amortization of tangible capital assets	-	6,697	8,218
Decrease (increase) in long term investments	-	-	( 51,905)
Decrease (increase) in prepaid expenses and deposits	-	6,044	4,836
<b>Increase (Decrease) in Net Financial Assets</b>	-	( 138,585)	251,927
<b>Net Financial Assets, beginning of year</b>	116,754	116,754	( 135,173)
<b>Net Financial Debt, end of year</b>	\$ 116,754	\$( 21,831)	\$ 116,754

The accompanying notes and schedules are an integral part of these consolidated financial statements. 6.



# FORT GOOD HOPE DENE COMMUNITY COUNCIL

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31,	2017	2016
<b>Operating Activities</b>		
Cash receipts from contributions	\$ 1,485,587	\$ 1,302,251
Cash payments to suppliers and employees	( 1,637,471)	( 1,231,567)
	( 151,884)	70,684
<b>Financing Activities</b>		
Decrease (increase) in receivable from related parties	75,153	( 249,306)
Increase (decrease) in payable to related parties	-	106,705
	75,153	( 142,601)
<b>Investing Activities</b>		
Decrease (increase) in long term investments	-	( 51,905)
	-	( 51,905)
<b>Net Increase (Decrease) in Cash</b>	( 76,731)	( 123,822)
<b>Cash, beginning of year</b>	5,042	128,864
<b>Cash, end of year</b>	\$( 71,689)	\$ 5,042
<b>Represented by:</b>		
Cash	\$ 46,483	\$ 44,036
Bank indebtedness	( 118,172)	( 38,994)
	\$( 71,689)	\$ 5,042

The accompanying notes and schedules are an integral part of these consolidated financial statements. 7.

# **FORT GOOD HOPE DENE COMMUNITY COUNCIL**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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March 31, 2017

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The Fort Good Hope Dene Community Council (the "Council") is an Indian band which represents the K'asho Got'ine First Nation people in Fort Good Hope, Northwest Territories. It is exempt for income tax purposes under Section 149(1)(c) of the *Income Tax Act*.

### **1. Significant Accounting Policies**

#### **(a) Basis of Accounting**

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

#### **(b) Reporting Entity**

Fort Good Hope Dene Community Council reporting entity includes the accounts of Fort Good Hope Dene Community Council and all related entities controlled by the Council.

#### **(c) Principles of Consolidation**

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only the Fort Good Hope Dene Community Council's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Fort Good Hope Dene Community Council.

Organizations consolidated in Fort Good Hope Dene Community Council's financial statements include:

- K'asho Got'ine Development Corporation - 100% interest

Organizations accounted for on a modified equity basis include:

- Sahtu Dene Inn Limited Partnership - 24.9% interest

#### **(d) Inventory**

Inventory comprised of office supplies, parts inventory for own use, are recorded at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

# FORT GOOD HOPE DENE COMMUNITY COUNCIL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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March 31, 2017

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### 1. Significant Accounting Policies (Continued)

#### (e) Cash and Cash Equivalents

Cash includes cash and demand deposits. Cash equivalents includes highly liquid investments that can be readily converted into cash for a fixed amount and that matures less than three months from the date of acquisition.

#### (f) Revenue Recognition

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.

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 that 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 are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

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

#### (g) 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. Amortization expense is recorded over the estimated useful lives of the assets, using the following method and annual rates:

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Buildings	3%	Straight Line
Vehicles	30%	Straight Line
Computer equipment	33%	Straight Line
Furniture and fixtures	10%	Straight Line
Office equipment	20%	Straight Line
Sawmill equipment	30%	Straight Line
Sound stage	10%	Straight Line
Language software	33%	Straight Line

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# **FORT GOOD HOPE DENE COMMUNITY COUNCIL**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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March 31, 2017

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### **1. Significant Accounting Policies (Continued)**

#### **(h) Allocation of Expenditure**

Certain common expenditure have been allocated to programs based on estimate of services provided.

#### **(i) Financial Instruments**

The Council has elected the following classifications with respect to its financial assets and financial liabilities:

- Cash is classified as assets held-for-trading and is subsequently measured at fair value with gains and losses arising from changes in the fair value recognized in net income in the period in which they arise. The estimated fair value of cash is assumed to approximate its carrying amount.
- Accounts receivable are classified as loans and receivables and are subsequently measured at amortized cost using the effective interest method. The amortized cost using the effective interest method approximates their fair values due to the short term nature.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are subsequently measured at amortized cost using the effective interest method. At inception, the estimated fair values of accounts payable and accrued liabilities are assumed to approximate their carrying amounts.

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.

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 cost 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.

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

# FORT GOOD HOPE DENE COMMUNITY COUNCIL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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March 31, 2017

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### 1. Significant Accounting Policies (Continued)

#### (j) Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

#### (k) Related Party Transactions

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount. All other related party transactions are measured at the carrying amount.

### 2 Cash

	2017	2016
Bank current account - K'asho Got'ine Development Corporation	\$ 46,483	\$ 44,036

### 3. Accounts Receivable

	2017	2016
Trades and others	\$ 20,046	\$ 13,179
GST refundable	4,452	3,414
	\$ 24,498	\$ 16,593

# FORT GOOD HOPE DENE COMMUNITY COUNCIL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017

### 4. Contributions Receivable

	2017	2016
Indigenous and Northern Affairs Canada:		
Consultation & Policy Development - 2014/15	\$ -	\$ 2,499
Consultation & Policy Development - 2015/16	11,000	11,000
Consultation & Policy Development - 2016/17	1,667	-
Sahtu Dene Council	53,150	70,222
Natural Resources Canada	-	10,500
Government of NWT:		
GNWT - ENR	11,218	11,218
GNWT - DOT	55,475	82,425
GNWT - ITI	5,279	5,279
GNWT - ECE	8,662	6,000
GNWT - HSS	157,685	35,163
	304,137	234,306
Less allowances for contributions	( 94,557)	( 76,033)
	\$ 209,580	\$ 158,273

### 5. Receivable from Related Party

	2017	2016
Charter Community of K'asho Got'ine - common control	\$ 192,069	\$ 267,222

Amount receivable from related party is unsecured, non-interest bearing and repayable on demand though there is no set term of repayment.

### 6. Bank Indebtedness

The Council has a revolving line of credit up to \$100,000 with the Canadian Imperial Bank of Commerce. It bears interest at prime plus 3.0%.

# FORT GOOD HOPE DENE COMMUNITY COUNCIL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017

### 7. Contributions Repayable

	2017	2016
Indigenous and Northern Affairs Canada:		
Consultation & Policy Development 2014/15	\$ -	\$ 21,418
Government of NWT:		
Justice - Justice Coordinator 2015/2016	-	7,919
ITI - Agriculture Strategy 2015/2016	-	496
	\$ -	\$ 29,833

### 8. Deferred Contributions

	2017	2016
Government of NWT:		
ECE - CBQE Radio	\$ -	\$ 2,183
HSS - Community Wellness	29,587	61,373
HSS - Journeying to Self	96,981	-
ITI - Arts & Crafts	-	588
Others:		
Akita Drilling - Wood Stoves for Elders	3,750	3,750
Yamoga - Ladies Spa/Vision Night	2,584	2,584
Xahweguweh - Safety Training	17,868	17,868
Cooking & Nutrition	-	4,915
	\$ 150,770	\$ 93,261

# FORT GOOD HOPE DENE COMMUNITY COUNCIL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017

### 9. Long Term Investments

#### K'asho Got'ine Development Corporation

The Council owns 100% of K'asho Got'ine Development Corporation. The Corporation was incorporated on July 4, 2011 under the Business Corporation Act of the Northwest Territories and commenced operations in September 2011. The Corporation is a government not-for-profit organization incorporated to pursue community economic development initiatives for the benefit of Fort Good Hope, Northwest Territories.

The Corporation is exempt from income tax under subsection 149(1) of the Income Tax Act. The Corporation is economically dependent on development projects with, and funding received from, the Government of Northwest Territories. The Corporation owns 24.9% of Sahtu Dene Inn Limited Partnership

The following summarizes the consolidated financial position and results of consolidated operations of the Partnership as at and for the year ended March 31, 2017.

	2017	2016
Consolidated Financial Position		
Total financial assets	\$ 90,571	\$ 88,124
Liabilities	11,003	10,262
Net financial assets	79,568	77,862
Total non-financial assets	382,156	382,156
Accumulated surplus	\$ 461,724	\$ 460,018
Consolidated Financial Performance		
Revenue	\$ 2,334	\$ 106,705
Expenses	628	30,673
Consolidated net earnings (loss)	\$ 1,706	\$ 76,032



# FORT GOOD HOPE DENE COMMUNITY COUNCIL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017

### 9. Long Term Investments (Continued)

#### Sahtu Dene Inn Limited Partnership

The Council's wholly owned subsidiary, K'asho Got'ine Development Corporation, owns 24.90% of Sahtu Dene Inn Limited Partnership (the "Partnership"). The Partnership was established in accordance with the partnership agreement dated February 13, 2013 pursuant the *Partnership Act* of Northwest Territories. The Partnership is located in Deline, Northwest Territories.

The Partnership's principal activities are to own and operate the Sahtu Dene Inn (formerly Mackenzie Valley Hotel Ltd.) in Norman Wells, Northwest Territories. The partners are:

(i)	Berah Gutone Tue" Enterprises Ltd. - Limited Partner	249 units
(ii)	K'asho Got'ine Development Corporation - Limited Partner	249 units
(iii)	Techi?q Ltd. - Limited Partner	249 units
(iv)	Tulita Developments Ltd. - Limited Partner	249 units
(v)	Sahtu Dene Inn Inc. - General Partner	4 units

The financial statements for the Sahtu Dene Inn Limited Partnership are not available.

	2017	2016
<b>Financial Position</b>		
Current assets	\$ -	\$ 936,185
Non-current assets	-	2,027,545
<b>Total assets</b>	-	2,963,730
Liabilities	-	( 1,637,428)
<b>Total partnership's equity</b>	\$ -	\$ 1,326,302
<b>Total partnership's equity attributable to the Council</b>	\$ -	\$ 330,249
<b>Financial Performance</b>		
Revenue	\$ -	\$ 1,399,535
Expenses	-	( 1,025,856)
<b>Net earnings (loss)</b>	\$ -	\$ 373,679
<b>Net earnings attributable to the Council</b>	\$ -	\$ 93,046
<b>Investment:</b>		
Limited Partnership units at cost	\$ 75,000	\$ 75,000
Accumulated earnings	307,154	307,154
<b>Total partnership's equity attributable to the Council</b>	\$ 382,154	\$ 382,154

# FORT GOOD HOPE DENE COMMUNITY COUNCIL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017

### 10. Tangible Capital Assets

	Balance, beginning of year	Disposals	Additions	Balance, end of year
Cost				
Buildings	\$ 97,922	\$ -	\$ -	\$ 97,922
Vehicles	2,223	-	-	2,223
Computers	142,396	-	-	142,396
Furniture and fixtures	34,280	-	-	34,280
Office equipment	65,542	-	-	65,542
Sawmill equipment	1	-	-	1
Sound stage	46,406	-	-	46,406
Language software	10,000	-	-	10,000
Total	\$ 398,770	\$ -	\$ -	\$ 398,770

	Balance, beginning of year	Disposals	Current Charge	Balance, end of year
Accumulated Amortization				
Buildings	\$ 39,794	\$ -	\$ 1,742	\$ 41,536
Vehicles	2,133	-	27	2,160
Computers	140,147	-	742	140,889
Furniture and fixtures	27,534	-	738	28,272
Office equipment	55,567	-	1,822	57,389
Sawmill equipment	-	-	-	-
Sound stage	40,085	-	633	40,718
Language software	6,992	-	993	7,985
Total	\$ 312,252	\$ -	\$ 6,697	\$ 318,949

	Balance, beginning of year	Balance, end of year
Net Book Value	\$ 86,518	\$ 79,821

# FORT GOOD HOPE DENE COMMUNITY COUNCIL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017

### 11. Accumulated Surplus

	2017	2016
Unrestricted		
General Operating Fund	\$( 21,831)	\$ 122,798
Investment Fund	382,154	382,154
Equity in Tangible Capital Assets	79,821	86,518
	<u>\$ 440,144</u>	<u>\$ 591,470</u>

### 12. Expenditure by Object

	2017	2016
Administration	52,172	61,915
Amortization	6,697	8,218
Band debts (recovered)	12,120	27,877
Bank charges and interest	7,459	3,449
Community events	36,464	2,100
Contracted services	67,110	7,449
Contributions repaid	32,232 (	57,983)
Donations	15,652	579
Equipment rental	25,560	12,150
Freight and postage	1,723	2,472
Honoraria	21,273	4,850
Materials and supplies	163,795	187,844
Meeting and workshop	57,018	50,040
Miscellaneous	20,043	13,340
Office	2,022	3,433
Professional fees	103,747	104,497
Rent	25,481	34,800
Repairs and maintenance	3,830	28,600
Telephone and Internet	19,380	25,562
Training and scholarships	3,627	25,287
Travel and accommodation	146,542	76,624
Utilities	54,598	29,786
Wages and benefits	760,071	534,349
	<u>1,638,616</u>	<u>1,187,238</u>

### 13. Contingent Liabilities

The Council has a guaranteed line of credit from the Canadian Imperial Bank of Commerce for the Charter Community of K'asho Got'ine in the amount of \$200,000. As at March 31, 2017, the amount extended was \$204,690 (2016: \$173,830).

# **FORT GOOD HOPE DENE COMMUNITY COUNCIL**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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March 31, 2017

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### **14. Economic Dependence**

The Council receives a major portion of its revenue from the Aboriginal Affairs and Northern Development Canada and the Government of NWT. The nature and extent of this revenue is of such significance that the Council is economically dependent on this source of revenue.

### **15. Comparative Figures**

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

The transactions are in the normal course of operations and are measured at the exchange amount, being the amount of considerations established and agreed to by both parties.

### **16. Financial Instruments and Risk Management**

The Council's financial instruments are exposed to certain risks, which include credit risk, market risk, interest rate risk and liquidity risk.

**Credit Risk** - Credit risk refers to the potential that the funding agencies or counter party to a financial instrument will fail to discharge its contractual obligations. The Council is exposed mainly to credit risk from funding agencies' refusal to contribute the full funding due to the Council's non-compliance to the contribution agreements. The Council manages credit risk by ensuring that it complies with the terms and conditions of the contribution agreements.

**Interest Rate Risk** - Interest rate risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Council is exposed from time to time to interest rate risk in respect of the bank indebtedness due to changes in interest rate.

**Liquidity Risk** - Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they fall due. The Council manages liquidity risk through the management of its capital structure.

Unless otherwise noted, it is management's opinion that the Council is not exposed to other significant interest, currency or credit risks arising from these financial instruments.