

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

**CONSOLIDATED
FINANCIAL STATEMENTS**

For the Year Ended March 31, 2019

FORT GOOD HOPE DENE COMMUNITY COUNCIL

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

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PAUL TEOH

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the members of Fort Good Hope Dene Community Council

Opinion

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, 2019, 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 (hereinafter referred to as the "financial statements").

In my opinion, these financial statements present fairly, in all material respects, the consolidated financial position of Fort Good Hope Dene Community Council (the "Council") as at March 31, 2019, and the consolidated results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

2.



I also:

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

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



Chartered Accountant

Calgary, Alberta
August 29, 2019

FORT GOOD HOPE DENE COMMUNITY COUNCIL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31,	2019	2018
Financial Assets		
Cash (note 2)	\$ 11,874	\$ 16,926
Accounts receivable (note 3)	51,526	70,224
Contributions receivable (note 4)	43,870	58,050
Receivable from related party (note 5)	109,448	257,533
Total Financial Assets	216,718	402,733
Liabilities		
Bank indebtedness (note 6)	86,749	132,822
Accounts payable and accrued liabilities	77,746	112,655
Contributions repayable (note 7)	241,634	-
Deferred contributions	-	166,828
Total Liabilities	406,129	412,305
Net Financial Debt	(189,411)	(9,572)
Non-Financial Assets		
Long term Investments (note 8)	386,414	382,154
Tangible capital assets (note 9)	69,540	74,256
Prepaid expenses and deposits	-	2,922
Total Non-Financial Assets	455,954	459,332
Accumulated Surplus (note 10)	\$ 266,543	\$ 449,760

Contingent Liabilities (note 12)

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,	2019	2019	2018
	Budget	Actual	Actual
Revenue			
Contributions:			
- Indigenous Services Canada	\$ 289,809	\$ 424,896	\$ 422,599
- Government of Canada	-	60,687	263,310
- Government of NWT	-	575,321	492,080
- Others	-	272,471	229,414
Other revenue and recoveries	73,500	144,766	404,343
Add opening deferred revenue	-	166,828	175,770
Less closing deferred revenue	-	-	(166,828)
	363,309	1,644,969	1,820,688
Expenditure			
Broadcasting	-	13,417	5,123
Community programs	-	10,230	254,919
Community wellness	-	275,170	259,643
Contract services	-	163,563	144,760
Council administration	253,309	417,908	323,209
Economic developments	-	204,899	270,680
Elder programs	-	53,620	93,934
Youth Employment Strategy	-	-	61,881
Justice programs	-	197,324	191,585
Governance	110,000	52,181	57,819
Land management	-	175,563	-
Language programs	-	117,779	50,896
Health and nutrition	-	-	16,302
Social programs	-	-	1,725
Youth programs	-	150,792	78,602
	363,309	1,832,446	1,811,078
Annual Surplus (Deficit)	-	(187,477)	9,610
Earnings (Loss) from Investments	-	4,260	-
	-	(183,217)	9,610
Accumulated Surplus, beginning of year	449,760	449,760	440,150
Accumulated Surplus, end of year	\$ 449,760	\$ 266,543	\$ 449,760

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,	2019	2019	2018
	Budget	Actual	Actual
Annual Surplus (Deficit)	\$ -	\$(183,217)	\$ 9,610
Amortization of tangible capital assets	-	4,716	5,567
Decrease (increase) in long term investments	-	(4,260)	-
Decrease (increase) in prepaid expenses and deposits	-	2,922	(2,922)
Increase (Decrease) in Net Financial Debt	-	(179,839)	12,255
Net Financial Debt, beginning of year	(9,572)	(9,572)	(21,827)
Net Financial Debt, end of year	\$(9,572)	\$(189,411)	\$(9,572)

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,	2019	2018
Operating Activities		
Cash receipts from contributions	\$ 1,515,279	\$ 1,942,552
Cash payments to suppliers and employees	(1,618,083)	(1,921,295)
	(102,804)	21,257
Investing Activities		
Decrease (increase) in long term investments	(4,260)	-
Decrease (increase) in receivable from related parties	148,085	(65,464)
	143,825	(65,464)
Net Increase (Decrease) in Cash	41,021	(44,207)
Cash, beginning of year	(115,896)	(71,689)
Cash, end of year	\$(74,875)	\$(115,896)
Represented by:		
Cash	\$ 11,874	\$ 16,926
Bank indebtedness	(86,749)	(132,822)
	\$(74,875)	\$(115,896)

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

March 31, 2019

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

March 31, 2019

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:

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

FORT GOOD HOPE DENE COMMUNITY COUNCIL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

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

March 31, 2019

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

	2019	2018
Bank current account - K'asho Got'ine Development Corporation	\$ 11,874	\$ 16,926

3. Accounts Receivable

	2019	2018
Trades and others	\$ 45,622	\$ 65,368
GST refundable	5,904	4,856
	\$ 51,526	\$ 70,224

FORT GOOD HOPE DENE COMMUNITY COUNCIL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

4. Contributions Receivable

	2019	2018
Indigenous Services Canada:		
Consultation & Policy Development - 2017/18	\$ 11,000	\$ 11,000
Intergovernmental Forums - 2017/18	5,000	5,000
First Nations and Inuit Skills Link Program - 2017/18	-	6,050
Community Involvement Government Capacity Development - 2018/19	15,500	-
First Nations and Inuit Skills Link Program - 2018/19	6,280	-
Sahtu Dene Council:		
Language (2014/15)	-	21,022
On the Land (2017/18)	-	7,421
Summer Student (2016/17)	-	18,050
Government of NWT:		
DOT - Airport Maintenance (2017/18)	-	22,425
DOT - Airport Maintenance (2017/18)	-	84,000
ENR - Regional Water Meeting (2013/14)	-	11,218
ECE - Employment Officer Outreach (2018/19)	4,749	-
Justice - Justice Co-ordinator (2017/18)	-	6,478
HSS - Nutrition North (2017/18)	-	2,207
HSS - Community Wellness (2018/19)	1,341	-
	43,870	194,871
Less allowances for contributions receivable	-	(136,821)
	\$ 43,870	\$ 58,050

5. Receivable from Related Party

	2019	2018
Charter Community of K'asho Got'ine - common control	\$ 109,448	\$ 257,533

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 \$200,000 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, 2019

7. Contributions Repayable

	2019	2018
Indigenous Services Canada:		
Community Development & Capacity (Consultation & Policy Development) (2017/18)	\$ 23,834	\$ -
First Nations and Inuit Skills Link Program (Youth Employment Strategy) (2018/19)	62,800	-
Community Involvement Government Capacity Development (2018/19)	155,000	-
	\$ 241,634	\$ -

8. 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 Saktu 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, 2019.

	2019	2018
Consolidated Financial Position		
Total financial assets	\$ 25,564	\$ 117,264
Liabilities	13,512	41,972
Net financial assets	12,052	75,292
Total non-financial assets	386,414	382,156
Accumulated surplus	\$ 398,466	\$ 457,448
Consolidated Financial Performance		
Revenue	\$ 145,919	\$ 252,338
Expenses	204,899	256,617
Consolidated net earnings (loss)	\$(58,980)	\$(4,279)

FORT GOOD HOPE DENE COMMUNITY COUNCIL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

8. 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 following summarizes the financial position and results of operations of the Partnership as at and for the year ended March 31, 2019.

	2019	2018
Financial Position		
Current assets	\$ 1,016,190	\$ 469,203
Non-current assets	1,723,926	2,219,030
Total assets	2,740,116	2,688,233
Liabilities	1,188,253	1,367,790
Total partnership's equity	\$ 1,551,863	\$ 1,320,443
Total partnership's equity attributable to the Council	\$ 386,414	\$ 328,790
Financial Performance		
Revenue	\$ 650,359	\$ 216,989
Expenses	418,939	326,336
Net earnings (loss)	\$ 231,420	\$ (109,347)
Net earnings attributable to the Council	\$ 57,624	\$ (27,227)
Investment:		
Limited Partnership units at cost	\$ 75,000	\$ 75,000
Accumulated earnings	311,414	307,154
Total partnership's equity attributable to the Council	\$ 386,414	\$ 382,154

FORT GOOD HOPE DENE COMMUNITY COUNCIL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

9. 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	\$ 43,227	\$ -	\$ 1,640	\$ 44,867
Vehicles	2,179	-	13	2,192
Computers	141,386	-	334	141,720
Furniture and fixtures	28,935	-	598	29,533
Office equipment	58,851	-	1,174	60,025
Sawmill equipment	-	-	-	-
Sound stage	41,286	-	512	41,798
Language software	8,650	-	445	9,095
Total	\$ 324,514	\$ -	\$ 4,716	\$ 329,230

	Balance, beginning of year	Balance, end of year
Net Book Value	\$ 74,256	\$ 69,540

FORT GOOD HOPE DENE COMMUNITY COUNCIL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

10. Accumulated Surplus

	2019	2018
Unrestricted		
General Operating Fund	\$(189,411)	\$(6,650)
Investment Fund	386,414	382,154
Equity in Tangible Capital Assets	69,540	74,256
	\$ 266,543	\$ 449,760

11. Expenditure by Object

	2019	2019	2018
	Budget	Actual	Actual
Administration	\$ -	\$ 52,758	\$ 38,654
Amortization	-	4,716	5,567
Band debts (recovered)	-	(42,377)	8,650
Bank charges and interest	6,900	12,343	14,232
Community events	300	14,150	14,172
Contracted services	-	269,454	138,923
Contributions repaid	-	289,194	13,982
Donations	2,500	8,041	2,587
Equipment rental	-	42,051	34,782
Freight and postage	500	3,398	3,138
Honoraria	31,600	16,225	41,750
Insurance	10,000	11,291	50,000
Materials and supplies	5,000	93,932	142,590
Meeting and workshop	750	40,825	87,725
Miscellaneous	500	9,819	28,702
Mobile equipment costs	-	4,793	-
Office	500	9,704	3,489
Professional fees	114,956	30,988	64,800
Rent	9,600	119,582	74,917
Repairs and maintenance	1,500	32,505	63,880
Telephone and Internet	3,000	24,684	4,271
Training and scholarships	1,698	1,750	58,351
Travel and accommodation	30,000	84,260	61,862
Utilities	9,500	67,888	56,946
Wages and benefits	134,505	630,472	797,108
	\$ 363,309	\$ 1,832,446	\$ 1,811,078

FORT GOOD HOPE DENE COMMUNITY COUNCIL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

12. 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 \$300,000. As at March 31, 2019, the amount extended was \$276,166 (2018: \$230,383).

13. Economic Dependence

The Council receives a major portion of its revenue from the Indigenous Services 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.

14. Comparative Figures

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

15. 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.