

Financial Statements of

AKLAVIK INDIAN BAND

Year ended March 31, 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Aklavik Indian Band are the responsibility of management.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Band maintains systems of internal accounting and administrative controls of high quality. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Band's assets are appropriately accounted for and adequately safeguarded.

The Band's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Council reviews and approves the Band's financial statements. The Council meets periodically with management, as well as with 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 their responsibilities, and to review financial statements and the external auditors' report.

The financial statements have been audited by the independent firm of KPMG LLP in accordance with Canadian generally accepted auditing standards. Their report to the members of the Band, stating the scope of their examination and opinion on the financial statements, follows.



Band Manager



Finance Officer

Aklavik, Canada
July 20, 2016



KPMG LLP
Chartered Professional Accountants
Commerce Place
10125-102 Street
Edmonton, Alberta T5J 3V8
Canada

Telephone (780) 429-7300
Fax (780) 429-7379
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Aklavik Indian Band

We have audited the accompanying financial statements of Aklavik Indian Band, which comprise the statement of financial position as at March 31, 2016, 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 Aklavik Indian Band as at March 31, 2016, 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

July 20, 2016
Edmonton, Canada

AKLAVIK INDIAN BAND

Financial Statements

Year ended March 31, 2016

Financial Statements

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AKLAVIK INDIAN BAND

Statement of Financial Position

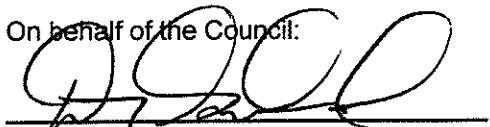
March 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Cash	\$ 217,276	\$ 357,522
Accounts receivable (note 12)	149,426	140,258
Due from Ehdiitat Gwich'in Council (note 2)	49,831	49,831
Due from Black Mountain Realty Incorporated (note 3)	106,104	106,104
Investment in Gwich'in Investments Limited		
Partnership (note 4)	257	298
Investment in Daazraii Investments Inc. (note 5)	1,367,981	1,378,953
	1,890,875	2,032,966
Liabilities:		
Accounts payable and accrued liabilities (note 12)	82,993	63,201
Deferred revenue (note 6)	136,644	113,943
Contributions repayable (note 7)	64,762	40,524
	284,399	217,668
Net financial assets	1,606,476	1,815,298
Non-financial assets:		
Tangible capital assets (note 8)	7,743	10,195
Prepaid expenses and deposits	2,628	-
Accumulated surplus (note 9)	\$ 1,616,847	\$ 1,825,493

Commitments (note 10)

See accompanying notes to financial statements.

On behalf of the Council:



President



Councilor

AKLAVIK INDIAN BAND

Statement of Operations and Accumulated Surplus

Year ended March 31, 2016, with comparative information for 2015

	Budget	2016	2015
Revenues:			
Government transfers:			
Government of Canada - AANDC	\$ 278,386	\$ 283,106	\$ 180,502
Government of the NWT	163,488	157,199	174,780
Gwich'in Tribal Council	27,360	50,449	45,384
Government of Canada - other	-	1,281	14,727
Inuvialuit Regional Corporation	-	-	12,373
Net amounts deferred	-	(22,701)	(66,773)
Transfer recoveries (repayments)	-	(29,550)	(24,248)
	469,234	439,784	336,745
Cost recoveries (note 12)	-	144,869	141,623
Bingo revenue	21,000	19,814	79,495
Other revenue	-	13,271	57,891
	490,234	617,738	615,754
Expenses:			
Wages and benefits (notes 12 and 13)	380,590	573,238	522,061
Rent (note 12)	33,020	55,770	53,300
Professional fees	45,300	50,139	43,667
Contracted services	46,200	49,686	44,443
Materials and supplies	19,012	33,115	45,857
Travel and accommodations	38,106	28,076	18,445
Office	5,300	19,891	17,939
Bingo expenses	-	18,720	63,687
Contributions to related entities (note 12)	-	12,500	12,500
Honoraria	21,000	11,725	11,625
Donations and contributions	2,976	11,268	17,164
Communications (note 12)	1,020	5,945	5,818
Bank charges, interest, and penalties	750	5,845	803
Bad debts	-	5,546	-
Conference registration	-	4,092	803
Equipment rental	1,000	4,087	1,349
Amortization of tangible capital assets	-	2,452	3,445
Community events	14,400	600	-
	608,674	892,695	862,906
Annual deficiency before the undernoted	(118,440)	(274,957)	(247,152)
Equity in earnings (loss) of Gwich'in Investments Limited Partnership (note 4)	-	(41)	20
Equity in earnings (loss) of Daazraii Investments Inc. (note 5)	-	(10,972)	44,358
Canada Post dealer fees (note 11)	-	77,324	75,257
Annual deficiency	(118,440)	(208,646)	(127,517)
Accumulated surplus, beginning of year	1,825,493	1,825,493	1,953,010
Accumulated surplus, end of year	\$ 1,707,053	\$ 1,616,847	\$ 1,825,493

See accompanying notes to financial statements.

AKLAVIK INDIAN BAND

Statement of Changes in Net Financial Assets

Year ended March 31, 2016, with comparative information for 2015

	Budget	2016	2015
Annual deficiency	\$ (118,440)	\$ (208,646)	\$ (127,517)
Amortization of tangible capital assets	-	2,452	3,445
<u>Increase in prepaid expenses and deposits</u>	<u>-</u>	<u>(2,628)</u>	<u>-</u>
Decrease in net financial assets	(118,440)	(208,822)	(124,072)
Net financial assets, beginning of year	1,815,298	1,815,298	1,939,370
<u>Net financial assets, end of year</u>	<u>\$ 1,696,858</u>	<u>\$ 1,606,476</u>	<u>\$ 1,815,298</u>

See accompanying notes to financial statements.

AKLAVIK INDIAN BAND

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Annual deficiency	\$ (208,646)	\$ (127,517)
Items not involving cash:		
Amortization of tangible capital assets	2,452	3,445
Equity in loss (earnings) of Daazraii Investments Inc.	10,972	(44,358)
Equity in loss (earnings) of Gwich'in Investments Limited Partnership	41	(20)
Change in non-cash operating working capital:		
Increase in accounts receivable	(9,168)	(28,341)
Increase (decrease) in accounts payable and accrued liabilities	19,792	(11,083)
Increase in deferred revenue	22,701	66,773
Increase in contributions repayable	24,238	26
Increase in prepaid expenses and deposits	(2,628)	-
	<u>(140,246)</u>	<u>(141,075)</u>
Decrease in cash	(140,246)	(141,075)
Cash, beginning of year	357,522	498,597
Cash, end of year	\$ 217,276	\$ 357,522
Supplemental cash flow information:		
Bank charges, interest and penalties paid	\$ 5,845	\$ 803

See accompanying notes to financial statements.

AKLAVIK INDIAN BAND

Notes to Financial Statements

Year ended March 31, 2016

Aklavik Indian Band (the "Band") is an aboriginal organization that represents the aboriginal people of the Hamlet of Aklavik, Northwest Territories. The Band 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.

1. Significant accounting policies:

The financial statements of the Band have been prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Band 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 are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Cost recoveries, bingo revenue and other revenue 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 the accruals cannot be determined with a reasonable degree of certainty or where their estimation is impracticable.

Investment income is recorded as revenue in the year earned.

(b) Investments in government business enterprises:

The Band's investments in Daazraii Investments Inc. and the Gwich'in Investments Limited Partnership 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 with those of the Band, and inter-organizational transactions and balances are not eliminated.

AKLAVIK INDIAN BAND

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(c) Tangible capital assets:

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

Asset	Basis	Rate
Equipment	Declining balance	20%
Computer hardware and software	Declining balance	30% - 55%
Leasehold improvements	Straight-line	Lease term

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

The Band 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.

(d) 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.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, and 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 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.

AKLAVIK INDIAN BAND

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

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 Band does not have any unrealized gains or losses, a statement of remeasurement gains and losses has not been prepared

Fair value measurements are classified 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.

(e) Allocation of expenses:

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

(f) 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.

AKLAVIK INDIAN BAND

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(g) Employee future benefits:

The Band sponsors a defined contribution plan providing pension benefits for its employees, where the employee and the Band each contribute a specified percentage of pensionable earnings. The Band also provides employees with basic life, accidental death and dismemberment, long-term disability and extended health and vision benefits through benefits carriers.

(h) Budget:

The budget information has been derived from the budget approved by the Band and amended to include contribution agreements from the Government of the NWT, Government of Canada, and Gwich'in Tribal Council.

(i) Change in accounting policies:

In March, 2015 the Public Sector Accounting Board issued PS2200 - Related Party Disclosures and PS3420 - Inter-entity Transactions. These accounting standards are effective for fiscal years starting on or after April 1, 2017. PS2200 - Related Party Disclosures, defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members. PS3420 - Inter-entity Transactions establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. In June 2015, the Public Sector Accounting Board issued PS 3210 - Assets, PS3320 - Contingent Assets, PS3380 - Contractual Rights and PS3430 - Restructuring Transactions. PS3210, PS3320 and PS3380 are effective for fiscal years starting on or after April 1, 2017 and PS3430 is effective for fiscal years starting on or after April 1, 2018. PS 3210 - Assets provides guidance for applying the definition of assets set out in PS1000 - Financial Statement Concepts and establishes general disclosure standards for assets. PS3320 - Contingent Assets defines and establishes disclosure standards on contingent assets. PS3380 - Contractual Rights defines and establishes disclosure standards on contractual rights. PS3430 - Restructuring Transactions provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related programs or operating responsibilities. The Band's management is currently assessing the impact of these new accounting standards on its financial statements.

On April 1, 2015, the Band adopted PS3260 - Liability for Contaminated sites. This standard was applied on a retroactive basis and did not result in any adjustments to the liabilities, tangible capital assets or accumulated surplus of the Band.

AKLAVIK INDIAN BAND

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Due from Ehdiitat Gwich'in Council:

The amount due from Ehdiitat Gwich'in Council, an entity under common management control, is unsecured, non-interest bearing and has no specified terms of repayment.

3. Due from Black Mountain Realty Incorporated:

The amount due from Black Mountain Realty Incorporated, an entity under common management control, is non-interest bearing, unsecured and has no specified terms of repayment.

4. Investment in Gwich'in Investments Limited Partnership:

The Band owns 1,035 of 4,004,150 (.026%) units in Gwich'in Investments Limited Partnership (GILP). GILP was formed on November 30, 2006 to carry an investment in Denendeh Investments Limited Partnership. On December 31, 2007, GILP acquired a 50% interest in Mackenzie Valley Construction Ltd. for \$4,000,000.

The following summarizes the financial position and results of operations of GILP as at and for the year ended December 31, 2015:

	2015	2014
Financial position:		
Current assets	\$ 2,639	\$ 2,436
Non-current assets	1,052,426	1,207,048
	1,055,065	1,209,484
 Current liabilities	 55,375	 50,377
Partners' equity	999,690	1,159,107
	\$ 1,055,065	\$ 1,209,484
 Band's share of partners' equity, net of provisions	 \$ 257	 \$ 298
 Financial performance:		
Revenues	\$ (154,622)	\$ 81,714
Expenses	(4,795)	(4,542)
 Earnings (loss) for the year	 \$ (159,417)	 \$ 77,172
 Band share of earnings (loss), net of provisions	 \$ (41)	 \$ 20

AKLAVIK INDIAN BAND

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Investment in Daazraii Investments Inc.:

The Band owns all of the outstanding shares of Daazraii Investments Inc. (the "Company"), a private company incorporated under the laws of the Northwest Territories. The Company owns 51% of a local charter company that flies into and out of the Gwich'in Settlement Area - Aklavik, Northwest Territories.

The following summarizes the consolidated financial position and results of operations of Daazraii Investments Inc. as at March 31, 2016:

	2016	2015
Financial position:		
Current assets	\$ 284,508	\$ 378,502
Non-current assets	1,130,390	1,045,450
	1,414,898	1,423,952
Current liabilities	46,917	44,999
Due to Aklavik Indian Band	423,938	423,938
	470,855	468,937
Total equity attributable to the Band	\$ 944,043	\$ 955,015
Financial performance:		
Revenues	\$ 160,040	\$ 210,180
Expenses	171,012	165,822
Earnings (loss) for the year	\$ (10,972)	\$ 44,358

The net investment in Daazraii Investments Inc. is comprised of equity of \$944,043 (2015 - \$955,015) and amounts due to Aklavik Indian Band of \$423,938 (2015 - \$423,938). The amount due from Daazraii Investments Inc., an entity under common management control, is non-interest bearing, unsecured and has no specified terms of repayment.

AKLAVIK INDIAN BAND

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Deferred revenue:

	2016	2015
Government of Canada - AANDC:		
Consultation and Policy Development	\$ 46,855	\$ -
Professional and Institutional Development Program	17,000	-
Government of Canada - other:		
New Horizons For Seniors	-	13,467
Government of the NWT:		
Community Wellness Initiatives	72,789	99,476
Honoring Our Elders	-	1,000
	<hr/> \$ 136,644	<hr/> \$ 113,943

7. Contributions repayable:

	2016	2015
Government of Canada - AANDC:		
Consultation and Policy Development	\$ 19,782	\$ 19,782
Band Employee Benefits Program	6,933	-
Basic Administration Governance		
Capacity Development	5,621	5,621
First Nations & Inuit Summer Work		
Experience Program	1,463	1,463
Political and Social Development	1,072	1,072
	<hr/> 34,871	<hr/> 27,938
Government of Canada - other:		
New Horizons for Seniors	13,467	-
Government of the NWT:		
Ice Road	12,000	6,000
Employment Officer	4,424	4,424
Inuvik Petroleum Show	-	2,162
	<hr/> 16,424	<hr/> 12,586
	<hr/> <hr/> \$ 64,762	<hr/> <hr/> \$ 40,524

AKLAVIK INDIAN BAND

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Tangible capital assets:

						2016		2015
				Cost	Accumulated amortization	Net book value		Net book value
Equipment	\$	47,555	\$	41,805	\$	5,750	\$	7,187
Computer hardware and software		27,093		25,100		1,993		3,008
Leasehold improvements		6,016		6,016		-		-
	\$	80,664	\$	72,921	\$	7,743	\$	10,195

9. Accumulated surplus:

		2016		2015
Investment fund		\$ 1,368,238	\$ 1,379,251	
Unrestricted net assets		240,866	436,047	
Invested in tangible capital assets		7,743	10,195	
		\$ 1,616,847	\$ 1,825,493	

10. Commitments:

The Band rents its premises from Black Mountain Realty Incorporated, an entity under common management control, which requires fixed monthly payments of \$2,585 for the Band Office and \$2,000 for the Post Office. The lease contract contains contributions towards estimated common costs including heating, fuel, and property taxes.

AKLAVIK INDIAN BAND

Notes to Financial Statements (continued)

Year ended March 31, 2016

11. Canada Post dealer fees:

Effective July 1, 2013, the Band entered into a new agency dealership agreement with Canada Post to operate a Canada Post outlet in the Hamlet of Aklavik, Northwest Territories. The agreement does not expire until terminated by the parties in accordance with the agreement. The Band is obligated to provide a suitable and accessible location for the postal outlet and to operate for a minimum number of days and hours in accordance with Canada Post's operating policies. Every item supplied by Canada Post under this agreement remains the property of Canada Post. All funds received from customers are held in trust on behalf of Canada Post and remitted periodically by way of pre-authorized debit. The Band is entitled to an annual fee of \$71,028 (2015 - \$71,028) plus a percentage of the gross annual sales. The previous agreement was effective June 21, 2008 and expired July 20, 2013. The transactions processed by the Band on behalf of Canada Post are as follows:

	2016	2015
Revenues	\$ 267,514	\$ 247,072
Expenses	(190,190)	(171,815)
	<hr/> \$ 77,324	<hr/> \$ 75,257

AKLAVIK INDIAN BAND

Notes to Financial Statements (continued)

Year ended March 31, 2016

12. Related party transactions:

The following table summarizes the Band's transactions with related parties during the year:

	2016	2015
Revenues:		
Cost recoveries:		
Ehdiitat Renewable Resource Council	\$ 28,466	\$ 24,854
Ehdiitat Gwich'in Council	28,167	26,406
Daazraii Investments Inc.	59,520	62,509
Black Mountain Realty Incorporated	28,716	27,854
	144,869	141,623
Expenses:		
Rent:		
Black Mountain Realty Incorporated	55,770	53,300
Communications:		
Ehdiitat Gwich'in Council	1,188	-
Ehdiitat Renewable Resource Council	273	-
	1,461	-
Contributions to related entities:		
Ehdiitat Gwich'in Council	12,500	12,500

The Band shares office infrastructure assets and financial management personnel with Ehdiitat Gwich'in Council, Ehdiitat Renewable Resource Council, Black Mountain Realty Incorporated and Daazraii Investments Inc. On April 30, 2014 an inter-organization cost share agreement was implemented to distribute the cost of communal resources amongst the group of related parties. Shared costs include wages of various employees that provide services to more than one entity, the costs of various office resources such as internet and telephone, office rents and other shared resources.

Accounts receivable includes \$8,308 (2015 - \$6,544) from Black Mountain Realty Incorporated, \$27,279 (2015 - \$26,290) from Daazraii Investments Inc., \$10,801 (2015 - \$9,463) from Ehdiitat Gwich'in Council, and \$15,838 (2015 - \$6,314) from Ehdiitat Gwich'in Renewable Resource Council and accounts payable and accrued liabilities includes \$2,620 (2015 - \$400) due to Black Mountain Realty Incorporated, \$72 (2015 - \$63) due to Ehdiitat Gwich'in Council, and \$317 (2015 - \$315) due to Ehdiitat Gwich'in Renewable Resource Council related to transactions with related parties.

AKLAVIK INDIAN BAND

Notes to Financial Statements (continued)

Year ended March 31, 2016

13. Employee future benefits:

During the year, the Band contributed \$17,496 (2015 - \$5,771), representing 5.5% of pensionable earnings, to a defined contribution plan.

14. Financial risks and concentration of credit risk:

It is management's opinion that the Band is not exposed to significant credit, interest or currency risks arising from its financial instruments.