

Pehdzeh Ki First Nation

Consolidated Financial Statements

March 31, 2016



Crowe MacKay LLP
Member Crowe Horwath International
PO Box 727, 5103-51st Street
Yellowknife, NT X1A 2N5
+1.867.920.4404 Tel
+1.867.920.4135 Fax
+1.866.920.4404 Toll Free
www.crowemackay.ca

Independent Auditors' Report

To the Members of Pehdzeh Ki First Nation

We have audited the accompanying consolidated financial statements of Pehdzeh Ki First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, accumulated surplus, change in net debt, cash flows and the related schedules 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

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

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

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

Basis for Qualified Opinion

Pehdzeh Ki First Nation owns a 100% interest in Pehdzeh Ki Contractors Ltd, Petanea Corporation and Pehdzeh Ki Development Corporation. We were unable to obtain sufficient appropriate audit evidence about equity adjustments recorded in the current year because the financial statements of these companies are not available as they are either inactive or the financial statements are not yet completed. As such, we are unable to determine if further adjustments were necessary to the investments in subsidiary and investee companies, equity in subsidiary and investee earnings, deficiency of revenues over expenditures and changes in net debt.

Pehdzeh Ki First Nation derives a material amount of revenue from donations and fundraising activities. We were not able to obtain sufficient appropriate audit evidence about the completeness of the reported amounts for accounts receivable, donation and fundraising revenue, revenue in excess of expenditure and changes to net assets because there is no direct relationship between assets or services given up in exchange for amounts received or receivable. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

The First Nation operates a landfill. Under Canadian public sector accounting standards reporting requirements, the First Nation must estimate the closure and post-closure costs associated with the remediation of the landfill. The First Nation has not recorded an estimate of these costs due to uncertainty as to ultimate responsibility for the liability. Due to the complexity of such an estimate, we are not able to satisfy ourselves as to an appropriate value by any other means. Accordingly, we were unable to determine if adjustments may be necessary for liabilities associated with the landfill.

Qualified opinion

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

Yellowknife, Canada
February 6, 2017

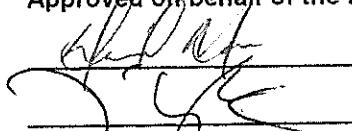
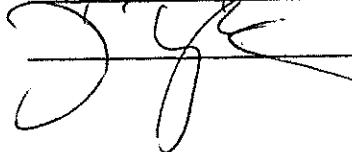

Chartered Professional Accountants

Pehdzeh Ki First Nation

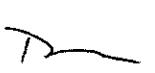
Consolidated Statement of Financial Position

As at March 31	2016	2015
Financial Assets		
<hr/>		
Cash (Note 4)	\$ 1,546,792	\$ 1,582,271
Accounts receivable (Note 6)	3,851,492	2,793,106
Investments in government business enterprises (Note 7)	267,389	163,523
	<hr/>	<hr/>
	5,665,673	4,538,900
<hr/>		
Liabilities		
<hr/>		
Accounts payable and accrued liabilities (Note 8)	539,502	515,890
Deferred revenue (Note 9)	5,103,372	4,234,027
Contributions repayable (Note 10)	24,493	18,380
Loan payable (Note 11)	194,510	222,089
	<hr/>	<hr/>
	5,861,877	4,990,386
Net debt	(196,204)	(451,486)
<hr/>		
Non-financial Assets		
<hr/>		
Tangible capital assets (Note 12)	6,083,667	6,568,121
Accumulated Surplus	\$ 5,887,463	\$ 6,116,635
<hr/>		

Approved on behalf of the Pehdzeh Ki First Nation

, Chief
, Band manager

The accompanying notes are an integral part of the financial statements



Pehdzeh Ki First Nation

Consolidated Statement of Operations

For the year ended March 31	2016	2015
Revenue		
Federal Government Transfers	\$ 244,039	\$ 252,706
Government of the Northwest Territories	2,656,469	2,491,110
Dehcho Health and Social Services	-	32,600
Rental income	9,150	59,150
Water and sewage fees	300,611	227,965
NWT Housing Corporation	10,000	10,000
Interest revenue	1,305	4,580
Donations	36,835	1,100
Dehcho First Nation	44,296	98,497
Contributions refundable	-	(18,380)
Deferred revenue	(721,947)	(547,593)
	2,580,758	2,611,735
Expenses		
Band Government	2,302,287	3,119,881
Community Services	217,672	185,760
Economic Development	204,827	175,323
Education	36,078	8,900
Health	188,935	124,008
Social Services	10,000	13,253
	2,959,799	3,627,125
Deficiency of revenue over expenses before other items	(379,041)	(1,015,390)
Other items		
Tangible capital asset purchases (Contra)	78,885	174,561
Equity earnings	871,674	-
Recovery (writedown) of investments in government business enterprises	(782,511)	210,684
Loss on disposal of tangible capital assets	(18,179)	(13,360)
	149,869	371,885
Deficiency of revenue over expenses	\$ (229,172)	\$ (643,505)

The accompanying notes are an integral part of the financial statements

Pehdzeh Ki First Nation

Consolidated Statement of Changes in Accumulated Surplus

For the year ended March 31,					2016	2015
	General Operating	Water and Sewer		Equity in Tangible Capital Assets		
Excess (deficiency) of revenue over expenses	\$ (285,550)	\$ 56,378	\$ -	\$ (229,172)	\$ (643,505)	
Net interfund transfers						
Amortization	401,888	143,272	(545,160)	-	-	-
Acquisition of tangible capital assets	(78,885)	-	78,885	-	-	-
Disposal of tangible capital assets	18,179	-	(18,179)	-	-	-
Loan repayments	(27,579)	-	27,579	-	-	-
Changes in fund balances	28,053	199,650	(456,875)	(229,172)	(643,505)	
Opening accumulated surplus	(737,000)	410,103	6,443,532	6,116,635	6,760,140	
Accumulated surplus, end of year	\$ (708,947)	\$ 609,753	\$ 5,986,657	\$ 5,887,463	\$ 6,116,635	

The accompanying notes are an integral part of the financial statements

Pehdzeh KI First Nation**Consolidated Statement of Changes in Net Financial Debt**

<u>For the year ended March 31</u>	<u>2016</u>	<u>2015</u>
Deficiency of revenue over expenses	\$ (229,172)	\$ (643,505)
Acquisition of tangible capital assets	(78,885)	(174,561)
Amortization of tangible capital assets	545,160	591,569
Proceeds on disposal of tangible capital assets	-	8,500
<u>Loss (gain) on disposal of tangible capital assets</u>	<u>18,179</u>	<u>13,360</u>
	255,282	(204,636)
Use of prepaid expenses and deposit	-	32,298
Increase (decrease) in net financial assets	255,282	(172,338)
Net debt, beginning of year	(451,486)	(279,148)
Net debt, end of year	\$ (196,204)	\$ (451,486)

The accompanying notes are an integral part of the financial statements

Pehdzeh Ki First Nation

Consolidated Statement of Cash Flows

For the year ended March 31, 2016	2016	2015
Cash flows from Operating activities		
Deficiency of revenue over expenses	\$ (229,172)	\$ (643,505)
Items not affecting cash		
Amortization	545,160	591,569
Loss on disposal of tangible capital assets	18,179	13,360
Equity earnings	(871,674)	-
Writedown (recovery) of investments in government business enterprises	782,511	(210,684)
	245,004	(249,260)
Change in non-cash operating working capital		
Accounts receivable	(1,058,386)	(834,917)
Prepaid expenses and deposits	-	32,299
Accounts payable and accrued liabilities	23,612	116,477
Deferred revenue	869,345	776,392
Contributions repayable	6,113	(31,886)
	85,688	(190,895)
Capital activities		
Acquisition of tangible capital assets	(78,885)	(174,561)
Proceeds on disposal of tangible capital assets	-	8,500
	(78,885)	(166,061)
Financing activities		
Repayment of loans	(27,579)	(26,987)
Proceeds from loans	-	128,628
	(27,579)	101,641
Investing activities		
Advances from(to) government business enterprises	(14,703)	210,684
Acquisition of shares in Petanea Corporation	-	(100)
Acquisition of shares in Pehdzeh Ki Development Corporation	-	(100)
	(14,703)	210,484
Decrease in cash and cash equivalents	(35,479)	(44,831)
Cash and cash equivalents, beginning of year	1,582,271	1,627,102
Cash and cash equivalents, end of year	\$ 1,546,792	\$ 1,582,271

The accompanying notes are an integral part of the financial statements

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

1. Nature of Operations

The Pehdzeh Ki First Nation (the "First Nation") is established pursuant to the *Indian Act of Canada*. The First Nation Chief and Council administers the affairs of the First Nation. The First Nation is classified as an Indian Band which is a non-taxable entity under section 149(1)(c) of the Income Tax Act. Operating activities of the First Nation include the administration and delivery of services to the community of Wrigley, Northwest Territories.

2. Basis of Presentation and Significant Accounting Policies

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

(a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

(b) Reporting entity

These financial statements reflect the assets, liabilities, revenues and expenditures, changes in net financial debt and change in financial position of the reporting entity. This entity is comprised of the operations plus all of the organizations that are owned or controlled by the First Nation and are, therefore, accountable to Chief and Council for the administration of their financial affairs and resources. The First Nation owns 100% of the issued and outstanding shares of Pehdzeh Ki Contractors Ltd, Petanea Corporation and Pehdzeh Ki Development Corporation. In addition, the First Nation has a 14% interest in Dehcho Helicopters Regional Limited Partnership.

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

2. Basis of Presentation and Significant Accounting Policies (continued)

(c) Revenue recognition

Government Transfers

Government transfers are the transfer of monetary assets or tangible capital assets from a government for which the government making the transfer does not:

- receive any goods or services directly in return;
- expect to be repaid in the future; or
- expect a direct financial return.

Government transfers are recognized as revenues when the transfer is authorized and any eligible 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.

Operating transfers are recognized as revenue in the period in which the events giving rise to the transaction occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Capital transfers or transfers of restricted funding tangible capital assets are initially recognized as deferred revenue and subsequently recognized as revenue when the related tangible capital assets are acquired or built or eligible expenses incurred.

Contributions

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Other sources of revenues

Administration fee revenue is recognized when the services have been performed and collection is reasonably assured. Certain contributions and government transfers for projects allow for administration fee expenses which are charged to the project when incurred and a corresponding administration fee revenue is recognized.

Municipal services include water and sewer fees and is recognized when the services are provided and collection is reasonably assured.

Other income which includes donations, rental, and other funding are recognized when received or receivable and collection is reasonably assured.

Transfers are internal reallocations of project funds received or receivable to other eligible projects as specified in the funding agreement.

Interest income is recognized as it is earned.

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

2. Basis of Presentation and Significant Accounting Policies (continued)

(d) Contributions refundable

Contributions refundable consist of unspent deposits received for which deferment to future periods is not allowed under the terms of the contribution agreement.

(e) Deferred revenue

Deferred revenue consists of non-refundable deposits which will be used up by the First Nation following the year end. Funding received for restricted purposes that has not been expended is required to be deferred. Where the commitments of the First Nation under the funding agreement have been met, any remaining balance will be recognized in income in the period the related expenses are incurred.

(f) Net financial debt

The First Nation's financial statements are presented so as to highlight net financial debt as the measurement of financial position. The net financial debt of the First Nation is determined by its liabilities less its financial assets. Net financial debt is comprised of two components, non-financial assets and accumulated surplus.

(g) 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 enterprises or government business partnerships, which are included in the consolidated financial statements on a modified equity basis. Interorganizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only the First Nation's investments in the government business enterprises and the government business partnerships and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of enterprises that are different from those of the First Nation.

Organizations accounted for on a modified equity basis include:

1. Pehdzeh Ki Contractors Ltd. (wholly owned subsidiary)
2. Petanea Corporation (wholly owned subsidiary)
3. Pehdzeh Ki Development Corporation. (wholly owned subsidiary)

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

2. Basis of Presentation and Significant Accounting Policies (continued)

(h) Tangible capital assets

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

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

The cost, less residual value, of the tangible capital assets is amortized over their estimated useful lives as follows:

Buildings	4 - 10% Declining balance
Computers	30% Declining balance
Machinery and equipment	30% Declining balance
Vehicles	30% Declining balance
Water treatment plant	5 - 10% Declining balance

One half the regular amortization is recorded in the year of acquisition for assets using the declining balance method. No amortization is recorded in the year of disposal.

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

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

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

(i) Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or to finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services that may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible assets and prepaid expenses.

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

2. Basis of Presentation and Significant Accounting Policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

(k) Segment disclosures

Segment financial information for certain departments is provided in Note 18.. The accounting policies used in these segments is consistent with those followed in preparation of the consolidated financial statements as disclosed in Note 2 . Revenues not directly attributable to a specific segment are shown in the General Government Services revenue. The segments include:

- 1) Band Government which provides internal support to the Council and other departments that provide direct services to band members;
- 2) Community services which provides programs of interest to various interest groups within the community.
- 3) Economic Development which provides support and programs to the community to foster job creation and economic growth;
- 4) Education which provides educational services and programs to the community;
- 5) Health which provides health services and related programs to the community;
- 6) Social Services which provides support services and programs to the community to assist in promoting community justice and to reduce or prevent issues of public concern such as crime, drug and alcohol abuse.

(l) Measurement uncertainty

The preparation of financial statements in conformity 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 reporting period. Actual results could differ from those estimates.

(m) Sewage lagoon and solid waste landfill closure and post closure liabilities

The First Nation operates a sewage lagoon and a solid waste landfill site but their ownership has not been clarified with the Government of Northwest Territories. Site closure and post closure costs are recognized in full when information is available to estimate the liabilities for these facilities. To date the First Nation does not have complete information required to estimate the existing closure costs, if any. As a result, the assets and related closure and post closure liabilities for these facilities are not recorded in the consolidated financial statements.

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

2. Basis of Presentation and Significant Accounting Policies (continued)

(n) Liability for contaminated sites

The First Nation is still assessing the impact and adoption of PSAS Section PS3260 - Liability for contaminated sites. The First Nation will adopt the accounting standard once the responsibility and obligation for remediation of contaminated sites has been clarified with the Government of Northwest Territories.

An obligation for remediation is recognized as a liability when all criteria below are satisfied:

- a) an environmental standard exists;
- b) contamination exceeds the environmental standard;
- c) the First Nation:
 - i) is directly responsible; or
 - ii) accepts responsibility;
- d) it is expected that the future economic benefits will be given up; and
- e) a reasonable estimate of the amount can be made.

As of March 31, 2016 it is not determinable whether a liability exists and thus none was recognized.

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

3. Future Accounting Changes

Financial Instruments, Section PS 3450 and related amendments to Financial Statement Presentation, Section PS 1200

PSAB approved new Section PS 3450, Financial Instruments, and related to Section PS 1201, Financial Statement Presentation. The effective date for Section PS 3450 was April 1, 2012 for government organizations and April 1, 2019 for governments. Earlier adoption is permitted. Governments and government organizations adopt Section PS 3450 in the same fiscal year Section PS 2601, Foreign Currency Translation, is adopted.

The impact of the transition to these accounting standards has not yet been determined.

Related party disclosures, Section PS 2200

PSAB approved Section PS 2200, Related Party Disclosures. This Section is effective for fiscal periods beginning on or after April 1, 2017. Earlier adoption is permitted. This Section defines related parties and establishes disclosures required for related party transactions. It is expected that reasonable efforts would be made to identify related party transactions. This may involve adopting policies and procedures designed to ensure that these transactions are appropriately identified, measured and disclosed in the financial statements. Not all related party relationships or transactions occurring between related parties are required to be disclosed. Disclosure is generally required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated. However, not all of these transactions are reportable under this Section. Only those transactions that have or could have a material financial effect on the financial statements are disclosed.

The impact of the transition to this accounting standard has not yet been determined.

Portfolio Investments, Section PS 3041

PSAB approved Section PS 3041 – Portfolio Investments. This Section is effective when Section PS 1201, Financial Statement Presentation, Section PS 2601, Foreign Currency Translation, and Section PS 3450, Financial Instruments are adopted. This Section establishes standards on how to account for and report portfolio investments in government financial statements.

The impact of the transition to this accounting standard has not yet been determined.

Assets, Section PS 3210

PSAB approved Section PS 3210, Assets. This Section is effective for fiscal periods beginning on or after April 1, 2017. Earlier adoption is permitted. This Section provides guidance on how to apply the definition of assets as set out in Section PS 1000, and establishes standards for disclosure of assets except certain specific types of assets, which are dealt with in other Sections.

The impact of the transition to this accounting standard has not yet been determined.

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

3. Future Accounting Changes (continued)

Contingent Assets, Section PS 3320

PSAB approved Section PS 3320, Contingent Assets. This Section is effective for fiscal periods beginning on or after April 1, 2017. Earlier adoption is permitted. This Section defines and establishes standards for disclosure of contingent assets except certain specific types of contingent assets.

The impact of the transition to this accounting standard has not yet been determined.

Contractual Rights, Section PS 3380

PSAB approved Section PS 3380, Contractual Rights. This Section is effective for fiscal periods beginning on or after April 1, 2017. Earlier adoption is permitted. This Section defines and establishes standards for disclosure of rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future except certain specific types of contractual rights.

The impact of the transition to this accounting standard has not yet been determined.

Inter-entity Transactions, Section PS 3420

PSAB approved Section PS 3420, Inter-entity Transactions. This Section is effective for fiscal periods beginning on or after April 1, 2017. Earlier adoption is permitted. This Section 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. This section may be applied in conjunction with Related Party Disclosures, Section PS 2200.

The impact of the transition to this accounting standard has not yet been determined.

Restructuring Transactions, Section PS 3430

PSAB approved Section PS 3430, Restructuring Transactions. This Section is effective for fiscal periods beginning on or after April 1, 2018. Earlier adoption is permitted. This Section establishes standards on how to account for and report restructuring transactions such as but not limited to amalgamations of entities or operations within the government entity, amalgamation of local governments, and shared service arrangements entered into by local governments in a region, by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.

The impact of the transition to this accounting standard has not yet been determined.

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

4. Cash

	2016	2015
Externally restricted		
CIBC - Gas tax funding	\$ 812,231	\$ 811,848
CIBC - Community public infrastructure	490,217	490,192
	<hr/> 1,302,448	<hr/> 1,302,040
Unrestricted		
CIBC - General	243,603	277,210
Cash on hand	741	3,021
	<hr/> 244,344	<hr/> 280,231
	<hr/> <hr/> \$ 1,546,792	<hr/> <hr/> \$ 1,582,271

5. Restricted deposits

	2016 Restricted Deposits	2016 Required Balance	2016 Excess (Deficiency)
Gas Tax Funding	\$ 812,231	\$ 992,296	\$ (180,065)
Community Public Infrastructure	490,217	636,598	(146,381)
Community Capacity Building	-	113,579	(113,579)
	<hr/> \$ 1,302,448	<hr/> \$ 1,742,473	<hr/> \$ (440,025)

Sufficient funds must be deposited in separate bank accounts for the Community Public Infrastructure and Gas Tax funds. Interest earned on these accounts is credited to the appropriate restricted deposits. At March 31, 2016, the First Nation is not in compliance with the Government of the Northwest Territories, Department of Municipal and Community Affairs' policies and guidelines.

Pehdzeh Ki First Nation**Notes to Consolidated Financial Statements**

March 31, 2016

6. Accounts Receivable

	2016 Gross	2016 Allowance	2016 Net	2015
Trade accounts receivable	\$ 354,243	\$ (152,699)	\$ 201,544	\$ 120,122
Government of Canada	110,028	(12,998)	97,030	35,308
Government of the Northwest Territories	3,533,446	(85,526)	3,447,920	2,467,813
Dehcho First Nations	5	-	5	43,727
Goods and services tax recoverable	104,993	-	104,993	126,136
	\$ 4,102,715	\$ (251,223)	\$ 3,851,492	\$ 2,793,106

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

7. Investments in government business enterprises

	2016	2015
Dehcho Helicopters		
Limited Partnership Units	\$ 50,000	\$ 50,000
Share of equity in retained earnings since date of acquisition	<u>217,089</u>	<u>113,123</u>
	267,089	163,123
Pehdzeh Ki Contractors Ltd.		
Share Capital	100	100
Due from Pehdzeh Ki Contractors Ltd.	131,689	91,986
Valuation allowance	(1,842,317)	(1,059,906)
Accumulated earnings	<u>1,710,628</u>	<u>967,920</u>
	100	100
Ti K'edeh Enterprises Ltd.		
Share capital	-	50
	-	50
Ndulee Enterprises Ltd.		
Share capital	-	50
	-	50
Petanea Corporation		
Share capital	100	100
	100	100
Pehdzeh Ki Development Corporation		
Share capital	100	100
	100	100
	<u>\$ 267,389</u>	<u>\$ 163,523</u>

The First Nation resolved to write-down the value of its investment in Pehdzeh Ki Contractors Ltd. to a nominal value based on estimated recoverable amounts.

The First Nation's investments in Ti K'edeh Enterprises Ltd. and Ndulee Enterprises Ltd. have been dissolved. As a result, these investments have been written-off in the current year.

During the prior year, the First Nation incorporated Petanea Corporation and Pehdzeh Ki Development Corporation. Both corporations were inactive during the current and prior fiscal years.

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

8. Accounts payable and accrued liabilities

	2016	2015
Trade accounts payable	\$ 156,025	\$ 335,087
Accrued liabilities	65,650	63,078
Employee remittances payable	280,673	37,544
Vacation payable	2,509	52,110
Government of Northwest Territories	34,645	28,070
	<hr/> <u>\$ 539,502</u>	<hr/> <u>\$ 515,889</u>

9. Deferred revenue

	March 31, 2015	Revenue deferred, 2016	March 31, 2016
Government of the Northwest Territories			
Health and Social Services -			
Community Wellness	\$ 51,410	\$ 5,643	\$ 57,053
Community Public Infrastructure	2,712,187	692,411	3,404,598
Gas Tax	1,331,776	171,291	1,503,067
Community Capacity Building	113,579	-	113,579
Other Programs			
<u>New Horizon for Seniors</u>	<u>25,075</u>	<u>-</u>	<u>25,075</u>
	<hr/> <u>\$ 4,234,027</u>	<hr/> <u>\$ 869,345</u>	<hr/> <u>\$ 5,103,372</u>

The First Nation does not have sufficient cash nor investments as per Note 5 to cover their deferred revenue (net of accounts receivables).

Pehdzeh Ki First Nation**Notes to Consolidated Financial Statements**

March 31, 2016

10. Contributions repayable

	2016	2015
Indigenous and Northern Affairs Canada	\$ -	\$ 2,181
Government of Northwest Territories		
Industry, Tourism and Investment	-	5,424
Justice	20,775	10,775
Dehcho First Nation		
Language	1,900	-
Literacy	1,818	-
	<hr/> \$ 24,493	<hr/> \$ 18,380

Pehdzeh Ki First Nation**Notes to Consolidated Financial Statements**

March 31, 2016

11. Loans payable

	2016	2015
Arctic Canada Cooperatives Ltd. demand loan, was due in full on July 14, 2011 without interest, secured by Co-op store and hotel (net book value - \$nil).	\$ 97,500	\$ 97,500
Ford Credit Canada Ltd. demand loan, payable in blended monthly payments of \$1,332 bearing interest at 6.19% per annum, secured by Ford F250 truck (net book value - \$29,936).	38,056	52,340
Ford Credit Canada Ltd. demand loan, payable in blended monthly payments of \$607 bearing interest at 4.4% per annum, secured by Ford F150 truck (net book value - \$22,735).	26,504	32,478
Ford Credit Canada Ltd. demand loan, payable in blended monthly payments of \$743 bearing interest at 4.4% per annum, secured by Ford F150 truck (net book value - \$27,839).	32,450	39,771
	<hr/> \$ 194,510	<hr/> \$ 222,089

Principal portion of long-term debt due within the next five years:

2017	\$ 125,403
2018	29,420
2019	24,279
2020	15,408
	<hr/> \$ 194,510

	2016	2015
Interest expense for the year on long-term debt	<hr/> \$ 5,118	<hr/> \$ 5,706

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

12. Tangible Capital Assets

	Balance, beginning of year	Cost			Accumulated amortization				
		Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	on disposals	Balance, end of year	2016 net book value
Buildings	\$ 6,293,994	\$ -	\$ -	\$ 6,293,994	\$ 1,903,250	\$ 253,181	\$ -	\$ 2,156,431	\$ 4,137,563
Computer equipment	24,407	37,380	24,407	37,380	21,455	10,129	21,455	10,129	27,251
Machinery & Equipment	1,243,534	41,505	12,559	1,272,480	1,054,833	45,046	5,273	1,094,606	177,874
Vehicle	1,553,252	-	27,238	1,526,014	1,059,162	161,445	19,297	1,201,310	324,704
Water and Waste	1,929,250	-	-	1,929,250	437,616	75,359	-	512,975	1,416,275
	\$ 11,044,437	\$ 78,885	\$ 64,204	\$11,059,118	\$ 4,476,316	\$ 545,160	\$ 46,025	\$ 4,975,451	\$ 6,083,667

	Balance, beginning of year	Cost			Accumulated amortization				
		Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	on disposals	Balance, end of year	2015 Net book value
Buildings	\$ 6,293,994	\$ -	\$ -	\$ 6,293,994	\$ 1,632,638	\$ 270,612	\$ -	\$ 1,903,250	\$ 4,390,744
Computer equipment	24,407	-	-	24,407	19,651	1,804	-	21,455	2,952
Machinery & Equipment	1,191,534	52,000	-	1,243,534	996,247	58,586	-	1,054,833	188,701
Vehicle	1,456,409	122,561	25,718	1,553,252	881,869	181,151	3,858	1,059,162	494,090
Water and Waste	1,929,250	-	-	1,929,250	358,200	79,416	-	437,616	1,491,634
	\$ 10,895,594	\$ 174,561	\$ 25,718	\$10,444,437	\$ 3,888,605	\$ 591,569	\$ 3,858	\$ 4,476,316	\$ 6,568,121

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

13. Government Transfers

	2016		
	Operating	Capital	Total
Federal government transfers			
Indigenous and Northern Affairs Canada	\$ 244,039	\$ -	\$ 244,039
Territorial government transfers			
GNWT MACA - Community Public Infrastructure	-	692,000	692,000
GNWT MACA - Gas Tax	-	170,257	170,257
GNWT MACA - Operations and maintenance	654,000	-	654,000
GNWT MACA - Water and sewage	408,000	-	408,000
GNWT MACA - Utility costs	149,000	-	149,000
GNWT MACA - Insurance	47,000	-	47,000
GNWT MACA - Mobile equipment	29,000	-	29,000
GNWT MACA - Other	41,921	-	41,921
GNWT Health and Social Services	227,107	-	227,107
GNWT Education, Culture and Employment	49,900	-	49,900
GNWT Environment and Natural Resources	96,094	-	96,094
GNWT Industry Tourism and Investment	21,315	-	21,315
GNWT Department of Justice	20,775	-	20,775
GNWT Department of Transportation	48,918	-	48,918
GNWT Other	1,182	-	1,182
	\$ 2,038,251	\$ 862,257	\$ 2,900,508
	2015		
	Operating	Capital	Total
Federal government transfers			
Indigenous and Northern Affairs Canada	\$ 252,706	\$ -	\$ 252,706
Territorial government transfers			
GNWT MACA - Community Public Infrastructure	-	692,000	692,000
GNWT MACA - Gas Tax	-	170,257	170,257
GNWT MACA - Operations and maintenance	605,000	-	605,000
GNWT MACA - Water and sewage	383,478	-	383,478
GNWT MACA - Utility costs	149,000	-	149,000
GNWT MACA - Insurance	47,000	-	47,000
GNWT MACA - Mobile equipment	29,000	-	29,000
GNWT MACA - Other	48,285	-	48,285
GNWT Health and Social Services	138,782	-	138,782
GNWT Education, Culture and Employment	78,047	-	78,047
GNWT Environment and Natural Resources	70,769	-	70,769
GNWT Industry, Tourism and Investment	52,665	-	52,665
GNWT Department of Justice	20,775	-	20,775
GNWT Other	6,052	-	6,052
	\$ 1,881,559	\$ 862,257	\$ 2,743,816

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

14. Budget Figures

No budget was prepared by the First Nation in the current year. As such, no budget amounts have been disclosed in the financial statements.

Canadian public sector accounting standards ("PSAB") require disclosure of budget information for comparison to the First Nation's actual revenues and expenses. The consolidated budgeted revenues and expenses, and surplus (deficit) has not been reported in these consolidated financial statements as the approved budget is not consistent with the format of the financial results disclosed in the consolidated statement of operations and consolidated statement of change in net debt. While having no effect on reported revenues, expenses, and surplus (deficit), omission of this information is considered a departure from PSAB.

15. Economic Dependence

Pehdzeh Ki First Nation is dependent on Indigenous and Northern Affairs Canada (INAC) and the Government of the Northwest Territories (GNWT) for funding. Management is of the opinion that operations would be significantly disrupted if the funding was discontinued. Management expects the funding to be continued.

16. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period.

Pehdzeh Ki First Nation**Notes to Consolidated Financial Statements**

March 31, 2016

17. Expenses by Object

For the year ended March 31	2016	2015
Advertising	\$ 2,229	\$ 19,411
Amortization	545,160	591,569
Bad debts	14,069	191,216
Capital Purchases	-	52,000
Equipment purchases and rental	86,300	153,364
Grants and contributions	15,400	8,500
Insurance	103,030	102,119
Interest and bank charges	6,593	8,771
Interest on long-term debt	3,255	-
Materials and supplies	276,625	174,211
Medical and funeral expenses	15,497	25,259
Office and administrative expenses	87,345	81,438
Petroleum and oil	119,554	209,581
Professional fees	70,486	178,222
Program entertainment and prizes	12,872	56,070
Rent	200	21,401
Repairs and maintenance	2,227	16,082
Return of surplus	12,543	31,780
Subcontract	-	1,500
Translation	-	150
Travel	105,321	159,954
Utilities and telephone	235,773	257,867
Vehicle	24,641	47,618
Wages, honoraria and benefits	1,203,803	1,239,041
Writedown of uncollectible GST	16,876	-
	<hr/> \$ 2,959,799	<hr/> \$ 3,627,124

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

18. Segmented information

	Band Government		Community Services		Economic Development	
	2016 Actual	2015 Actual	2016 Actual	2015 Actual	2016 Actual	2015 Actual
Revenues						
Indigenous and Northern Affairs	\$ 153,043	\$ 176,032	\$ -	\$ 52,084	\$ 90,996	\$ 24,589
Canada						
Government of the Northwest Territories	2,175,208	2,152,556	160,102	138,707	68,142	52,665
Dehcho First Nation						
Donations	16,635	1,100	20,200	-	-	-
Water and sewage fees	300,611	227,965	-	-	44,296	93,397
Deferred revenue transfers	(863,702)	(744,186)	-	(20,318)	-	-
Other revenue	106,397	307,485	39,208	7,019	-	(5,423)
Total revenue	1,888,192	2,126,053	219,510	177,492	203,434	165,228
Expenses						
Wages, honoraria, and benefits	878,269	967,945	107,705	119,463	89,227	114,741
Amortization	545,160	591,568	-	-	-	-
Materials and supplies	141,188	102,930	58,075	11,124	25,118	7,990
Utilities and telephone	229,151	251,417	6,621	4,425	-	2,025
Petroleum and oil	94,704	163,082	9,902	5,433	5,025	30,182
Insurance	103,030	99,474	-	2,647	-	-
Travel	65,569	116,707	12,247	12,018	2,332	13,583
Professional fees	67,086	172,648	1,400	-	2,000	-
Other expenses	178,130	654,110	21,722	30,650	81,125	6,802
Total expenses	2,302,287	3,119,881	217,672	185,760	204,827	175,323
Other income	(414,095)	(993,828)	1,838	(8,268)	(1,393)	(10,095)
Annual surplus (deficit)	\$ (339,214)	\$ (621,943)	\$ 1,838	\$ (8,268)	\$ 73,595	\$ (10,095)

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

18. Segmented Information, continued

	Education		Health		Social Services	
	2016 Actual	2015 Actual	2016 Actual	2015 Actual	2016 Actual	2015 Actual
Revenues						
Government of the Northwest Territories	\$ 25,910	\$ 8,400	\$ 227,107	\$ 138,782	\$ -	\$ -
Deferred revenue transfers	-	-	(5,643)	(14,720)	-	-
Other revenue	11,298	500	950	-	10,000	10,000
Total revenue	37,208	8,900	222,414	124,062	10,000	10,000
Expenses						
Wages, honoraria, and benefits	27,668	8,366	100,934	26,702	-	1,824
Materials and supplies	7,807	500	34,437	40,796	10,000	10,872
Petroleum and oil	-	-	9,923	10,327	-	558
Travel	-	-	25,172	17,646	-	-
Professional fees	-	-	-	5,574	-	-
Other expenses	603	34	18,469	22,963	-	-
Total expenses	36,078	8,900	188,935	124,008	10,000	13,253
Other income	1,130	-	33,479	54	-	(3,253)
Annual surplus (deficit)	\$ 1,130	\$ -	\$ 33,479	\$ 54	\$ -	\$ (3,253)

Pehdzeh Ki First Nation

Notes to Consolidated Financial Statements

March 31, 2016

18. Segmented information, continued

	Consolidated totals	
	2016 Actual	2015 Actual
Revenues		
Indigenous and Northern Affairs Canada	\$ 244,039	\$ 252,705
Government of the Northwest Territories	2,656,469	2,491,110
Donations	36,835	1,100
Dehcho Health & Social Services	300,611	227,965
Dehcho First Nation	44,296	98,497
Deferred revenue transfers	(869,345)	(779,224)
Other revenue	167,853	319,582
Total revenue	2,580,758	2,611,735
Expenses		
Wages, honoraria, and benefits	1,203,803	1,239,041
Amortization	545,160	591,568
Materials and supplies	276,625	174,212
Utilities and telephone	235,772	257,867
Petroleum and oil	119,554	209,582
Insurance	103,030	102,121
Travel	105,320	169,954
Professional fees	70,486	178,222
Other expenses	300,049	714,559
Total expenses	2,959,799	3,627,125
Other income		
Annual surplus (deficit)	\$ (229,172)	\$ (643,505)