

**LIIDLII KUE FIRST NATION
Fort Simpson, NWT**

CONSOLIDATED FINANCIAL STATEMENT

March 31, 2014

INDEPENDENT AUDITOR'S REPORT

The Chief and Councillors,
Liidlii Kue First Nation
Fort Simpson, NWT

I have audited the accompanying consolidated financial statements of Liidlii Kue First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, the consolidated statement of operations, consolidated statement of changes in net financial assets, and consolidated statement of cash flow for the year then ended, and 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 consolidated financial statements in accordance with the Canadian Public Sector Accounting Standards (PSAS) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 entity's preparation 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 presentation of the consolidated financial statements.

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

Opinion

In my opinion these consolidated financial statements present fairly, in all material respects, the financial position of Liidlii Kue First Nation as at March 31, 2014 and its financial performance and its cash flow for the year then ended are prepared in accordance with Canadian Public Sector Accounting Standards.



Biswanath Chakrabarty, FCGA
Biswanath Chakrabarty & Co.
Certified General Accountant

Yellowknife, Northwest Territories
October 2, 2014



P.O. Box 469, Fort Simpson, NT X0E 0N0 Phone: 867-695-3131 Fax: 867-695-2665

MOTION # 99-16-10-14

Date: October 16, 2014

RE: Financial Report - Audit

Moved by: Betty Hardisty Seconded by: Jonathan Isito

Moved that Lidlii Kue First Nation
ACCEPT THE 2013 - 2014 Audit Report as
presented for LKFN & LKS.

For: 4

Against: 0

Motion Carried: ✓

Motion Defeated: _____

Minnie Letcher
Chief Minnie Letcher

LIIDLII KUE FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At March 31, 2014

Statement I

	2014	2013
	(Restated)	(Note 13)
FINANCIAL ASSETS		
Cash	\$ 389,059	\$ 138,999
Accounts receivable (<i>Note 5</i>)	349,658	385,064
Goods and services tax rebate receivable	44,196	29,940
TOTAL ASSETS	782,913	554,003
LIABILITIES		
Bank Indebtedness	-	5,751
Accounts Payable and Accrued Liabilities (<i>Note 11</i>)	141,496	146,512
Wages and Benefits Payable	37,355	45,160
Deferred Revenue and Restricted Cash (<i>Note 9</i>)	349,310	137,171
Daycare Construction Fund (<i>Note 12</i>)	91,040	-
TOTAL LIABILITIES	619,201	334,594
NET FINANCIAL ASSET	163,712	219,409
NON FINANCIAL ASSETS		
Tangible Capital assets (<i>Note 2(i) and Note 6</i>)	460,939	476,010
Investment in Related parties (<i>Note 8</i>)	1,111,656	962,233
Prepaid Expenses (<i>Note 7</i>)	27,212	274
TOTAL NON FINANCIAL ASSETS	1,599,807	1,438,517
ACCUMULATED SURPLUS	\$ 1,763,519	\$ 1,657,926

APPROVED:

 Director

 Director

LIIDLII KUE FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31, 2014

Statement II

	2014	2013 (Restated) (Note 13)
REVENUE		
Deh Cho First Nation	\$ 429,460	\$ 489,849
Federal Government	641,498	637,887
Government of NWT	580,345	578,688
Rental revenue	105,600	75,962
Other Revenue	462,869	391,426
Transfer from deferred revenue	-	5,747
TOTAL REVENUE	2,219,772	2,179,559
EXPENDITURES		
Advertisement and promotion	2,909	2,950
Amortization	15,075	16,694
Bank charges and interest	5,163	4,931
Bad debt recovery	3,439	(71,599)
Donations	6,992	8,302
Honorarium and meetings	20,131	30,275
Insurance	10,549	7,271
Licence and registration fees	10,579	4,348
Miscellaneous expenses	2,819	94,305
Office and general	86,095	82,444
Professional fees	122,837	119,332
Program costs	300,305	358,980
Property taxes	24,236	39,362
Penalties and interest CRA	585	7,894
Rent	46,954	141,451
Repairs and maintenance	7,937	7,950
Subcontracting	14,850	33,059
Telephone	25,202	30,602
Travel	26,522	58,294
Utilities	85,725	112,400
Vehicle expense	42,744	12,283
Wages and benefits	1,146,080	1,118,573
TOTAL EXPENDITURES	2,007,728	2,220,101
Operating Deficit before Extraordinary Items	212,044	(40,542)
Equity in Subsidiary Operation Earnings	(106,451)	(188,396)
Surplus (Deficit) of revenue over expenditures for the year	105,593	(228,938)
Accumulated Surplus at the beginning of year	1,657,926	1,658,751
Prior Period Adjustment	-	228,113
Accumulated Surplus at the end of year	\$ 1,763,519	\$ 1,657,926

**LIIDLII KUE FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the Year Ended March 31, 2014**

Statement III

	2014	2013
Deficit of revenue over expenditure for the year	\$ 105,593	\$ (228,938)
Acquisition of tangible capital assets	15,072	(476,009)
Adjustment in prior year surplus/deficit	-	228,113
Net Surplus (Deficit) of revenue over expenditure for the year	120,665	(476,834)
Changes in investment in related parties	(149,424)	686,931
Acquisition of prepaid expenses	(26,938)	11,229
	(176,362)	698,160
Changes in net financial assets (net debts)	(55,697)	221,326
Net financial assets at beginning of year	219,409	(1,917)
Net financial assets at end of year	\$ 163,712	\$ 219,409

The accompanying notes and schedules form an integral part of the financial statements.

Page 3

LIIDLII KUE FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOW
For the Year Ended March 31, 2014

Statement IV

	2014	2013
Cash provided by (used in)		
Operating activities		
Surplus (Deficiency) of revenue over expenses	\$ 105,593	\$ (228,938)
Adjustment of prior year surplus(Deficit)	-	228,113
Cash provided by operating transactions	105,593	(825)
Decrease (increase) in accounts receivable	35,407	87,293
Decrease (increase) in investment in related parties	(149,424)	686,936
Increase (decrease) in accounts payable and accrued liabilities	(4,201)	(127,805)
Increase (decrease) in wages and benefits liabilities	(7,805)	(165,009)
Increase (decrease) in prepaid expenses	(26,938)	11,229
Increase (decrease) in deferred revenue	212,139	(1,142)
Increase (decrease) in daycare construction fund	91,040	-
Net change in non-cash working capital balances	150,218	491,502
Net cash provided by (used in) operating activities	255,811	490,677
Financing activity		
Acquisition of capital assets	-	(476,009)
NET INCREASE (DECREASE) IN CASH POSITION	255,811	14,668
CASH, AT BEGINNING OF YEAR	133,248	118,580
CASH, AT END OF YEAR	389,059	133,248
 Cash consists of :		
Bank	389,059	138,999
Bank Indebtedness	-	(5,751)
	\$ 389,059	\$ 133,248

**LIIDLII KUE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2014**

1. NATURE OF ORGANIZATION

Liidlili Kue First Nation ("The First Nation"), located at Fort Simpson, administers programs and provides services on behalf of its members. The First Nation is guided by Dene Principles and Values and endeavour to be educated, unified, self-sufficient and self governing people.

2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements includes the accounts of Liidlili Kue First Nation and investments in the following companies beneficially owned for the members of the First Nation. As required by PS 2500..02, the government units are consolidated by using line by line basis whereas the government business enterprises are consolidated using modified equity method.

Organizations consolidated in Liidlili Kue First Nation's Financial statements include:

Name	Beneficial Ownership
Nogha Enterprises Ltd (Business Enterprises)	100 %
Liidlili Kue Society	100 %
Ndulee Enterprises Ltd (Business Enterprises)	50 %

3. SIGNIFICANT ACCOUNTING POLICIES

(a) General

The consolidated financial statement of LIIDLII KUE FIRST NATION are the representation of management prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting & Auditing Board of the Chartered Professional Accountants. Significant aspects of accounting policies adopted by LIIDLII KUE FIRST NATION are as follows:

(b) Basis of accounting

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

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

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

LIIDLII KUE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

(c) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(d) 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 future; or
- expect a direct financial return.

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 are initially recognized as deferred revenue and subsequently recognized as revenue when the related tangible capital assets are acquired or constructed.

(e) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

(f) Measurement Uncertainty

The preparation of financial statements in accordance with stated accounting policies requires the First Nation to make estimates and assumptions that affect the amount of assets, liabilities, accumulated surplus (deficit), revenues and expenditures reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these statements, the First Nation believes the estimates and assumptions to be reasonable. Some of the more significant management estimates based on past experience relate to allowance for doubtful accounts, the accounting for tangible capital assets and investment in tangible capital investments, accrued liabilities and deferred revenue valuation.

(g) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Automotive equipment	30% declining balance
Heavy equipment	40% declining balance
Furniture and equipment	30% declining balance
Tools and equipment	30% declining balance
Building	4% declining balance

LIIDLII KUE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

(h) Contributions of Tangible Capital Assets

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

(i) Economic Dependence

Liidlili Kue First Nation is economically dependent on the Government of Canada and Government of Northwest Territories. Administration is of the opinion that discontinuation of the funding will significantly disrupt operations.

(j) Financial instruments

All significant financial assets and financial liabilities of the First Nation are either recognized or disclosed in the consolidated financial statements together with available information for a reasonable assessment of future cash flows, interest rate risk and credit risk.

For cash, accounts receivable, and accounts payable, the carrying amounts of these financial instruments approximates their fair value due to their short-term maturity or capacity of prompt liquidation.

The First Nation is exposed to credit risk arising from the possibility that outstanding accounts receivable are not followed up on a timely basis.

4. FUTURE ACCOUNTING CHANGES

PSAB released Section **PS 3260-Liability for Contaminated Sites**. This new section establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the CICA Public Sector Accounting Handbook.

This section is effective for fiscal periods beginning on or after April 1, 2014. The impact of the transition to these accounting standards has not yet been determined.

5. ACCOUNTS RECEIVABLE

	2014	2013
AANDC	\$ -	\$ 29,191
Deh Cho First Nation	128,753	112,151
Health Canada	7,625	61,250
GNWT	33,500	80,693
Community Cultural Committee	10,259	15,254
Health and regional wellness	5,744	-
GNWT - ITI	1,900	1,000
DIAND	50,147	1,500
Others	111,730	125,761
	349,658	426,800
Allowance for doubtful accounts	-	(41,736)
	\$ 349,658	\$ 385,064

LIIDLII KUE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2014	2013
Automotive equipment	\$ 502,424	\$ 501,621	\$ 805	\$ 1,147
Heavy equipment	350,987	346,129	4,858	6,940
Furniture and equipment	6,434	6,271	163	204
Tools and equipment	70,951	70,115	837	1,045
Building	450,916	153,332	297,584	309,982
Land	156,691	-	156,691	156,691
Tangible Capital Asset	1	-	1	1
	\$ 1,538,404	\$ 1,077,468	\$ 460,939	\$ 476,010

Insured values at March 31, 2014 are as follows:

Office Building	\$ 817,983
Day Care building and contents	370,218
Quonset (Old Valley Hardware) and contents	144,600
Duplex	322,251
Office building contents	187,198
Trailer Office building (old band office)	163,051
Youth centre building and contents	255,182
House and contents	256,248
Forestry trailer, office & contents	39,370
Highways heavy equipment	830,500

7. PREPAID EXPENSES

	2014	2013
Prepaid Insurance	\$ 5,464	\$ 274
WCB prepayment	17,064	-
Advance for computer purchase	4,684	-
	\$ 27,212	\$ 274

LIIDLII KUE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

8. INVESTMENT IN RELATED PARTIES

Investment in related parties includes the following:

	2014	2013
<u>Ndulee Enterprises Ltd.</u>		
Share Capital	\$ 50	\$ 50
Contributed Surplus	30,000	30,000
Equity (deficiency) in investment	(16,224)	(7,028)
Advances (non interest bearing)	116,200	116,200
Net Investment	130,026	139,222
<u>Liidlii Kue Society</u>		
Net Investment	-	702
<u>Nogha Enterprises Ltd.</u>		
Share capital	70	70
Equity (deficiency) in investment	736,245	639,604
Net Investment	736,315	639,674
<u>Deh Cho Helicopters</u>		
Net Investment	245,315	182,625
Total Investment	\$ 1,111,656	\$ 962,223

Audited financial statements of Nogha Enterprises Ltd. report a significant accumulated deficit. That company's continued operations is dependent upon the company securing financing and achieving profitable operations. Subsequent to the year end, Nogha's management is in the process of developing a recovery plan. These statements have been prepared on the basis that Nogha is a going concern and will recover its losses.

9. DEFERRED REVENUE AND RESTRICTED CASH

Deferred revenue is comprised of amounts received but not yet earned as follows:

	2014	2013
DFN - AAROM - Little Doctor Lake	\$ -	\$ 11,997
DFN - ASSETS CRF	-	100
DFN - ASSETS EI	-	564
LK Dene Trust Fund	241,035	124,510
HSS Bright Future	54,689	-
NWT-Literacy	4,261	-
Support Services through Bingo	49,325	-
	\$ 349,310	\$ 137,171

The restricted cash relates to the LK Dene Trust Fund and its use is restricted according to the founding agreement to assist with the problems of social transition faced by members.

LIIDLII KUE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

10. RELATED PARTY TRANSACTIONS

The following transactions were recorded with related parties under the same terms and conditions as unrelated parties:

	2014	2013
REVENUES		
Nogha Enterprises Ltd	\$ 1,000	\$ 7,724
Liidlili Kue Society	- 240,000	
Deh Cho Helicopters	62,690	52,493
EXPENDITURES		
Nogha Enterprises Ltd	\$ 17,790	\$ 8,141
Liidlili Kue Society	\$ - 1,221	

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
Trade and Accrued Payables	\$ 137,350	\$ 144,305
AANDC - Capacity Development	- 1,277	
GNWT - ECE Early Childhood Conference	2,305	273
GNWT - Community wellness Plan	387	387
GNWT - HSS Brighter Future	270	270
DFN Literacy	1,184	-
	\$ 141,496	\$ 146,512

12. DAY CARE CONSTRUCTION FUND

The First Nation started construction of a building during the year to be used as day care facility for the community of Fort Simpson. The new building will replace the old building that is currently being used as day care facility. The ownership of land belong to Liidlili Kue Society (LKS) and as soon as the construction is completed, the building will be registered under LKS. The funding for the construction is coming from government grant. Since the construction of the building is still on going and not all the funds received have been spent, the amount has been shown as a liability.

The summary of funds received and expenses during the year as follows:

Funds received from Deh Cho First Nations	\$ 281,352
Capital expenditure during the year	190,312
Balance payable	\$ 91,040

Timely completion of construction is dependant upon securing future funding. The first nation will continue administrating the day care facility in new building.

LIIDLII KUE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

13. PRIOR PERIOD ADJUSTMENT

During the year, LKFN calculated and recorded \$29,940 of GST rebate that were related to 2013 and years before that. This has been corrected by restating the prior years financial statement.

Similarly, last year due to Nogha Enterprises Ltd. (a related party) was understated by \$20,291. The amount of \$20,291 was related to the accounting error that arose in 2012 and prior years. Instead of restating the prior years retained earnings, it was simply recorded as due to Nogha account. This accounting error has been corrected by restating the opening retained earning balance in prior year financial statements.

Last year, the financial statement of Liddli Kue First Nations were consolidated with all of its subsidiaries using the modified equity method. According to PS 2500.02 Governmental units are consolidated using line by line method. Liidli Kue Society is a government not for profit organizations and hence should have been consolidated using line by line method instead of modified equity method. this accounting error has been corrected by restating the prior year financial statements. Starting this fiscal year, Lidli Kue Society is consolidated using line by line method and the other subsidiaries which fall under the category of Government business enterprises are consolidated using modified equity method.

The overall effect of these above corrections has the following effect on the consolidated financial statements:

	2013	2013	Diff
	Prior	Re-stated	
Other revenue	\$ 233,326	\$ 391,426	\$ 158,100
Rental revenue	-	75,962	75,962
Amortization expenses	-	16,694	(16,694)
Bank charges	4,580	4,931	(351)
Licences	4,168	4,348	(180)
Miscellaneous	74,430	94,305	(19,875)
Office and general	65,803	82,444	(16,641)
Professional fees	97,557	119,332	(21,775)
Property taxes	-	39,362	(39,362)
Rent	141,276	141,451	(175)
Repairs and maintenance	4,306	7,950	(3,644)
Utilities	38,550	112,400	(73,850)
Equity in subsidiary operation earnings	(156,534)	(188,396)	31,862
Cash	124,930	138,999	(14,069)
Account receivable	376,774	415,004	(38,230)
Accounts payable	116,254	146,512	(30,258)
Tangible Capital Assets	1	476,010	(476,009)
Prepaid expenses	-	274	(274)
Investment in related party	\$ 1,649,168	\$ 994,095	\$ 655,073

14. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year presentation.