

LIIDLII KUE FIRST NATION
Fort Simpson, NT

**CONSOLIDATED
FINANCIAL STATEMENTS**

For the Year ended March 31, 2016



INDEPENDENT AUDITOR'S REPORT

To the members of Liidlii Kue First Nation

I have audited the consolidated financial statements of Liidlii Kue First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In my opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Liidlii Kue First Nation as at March 31, 2016, and the consolidated results of its operations, changes net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountant

Calgary, Alberta
July 14, 2016

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LIIDLII KUE FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31,	2016	2015
Financial Assets		
Cash (note 2)	\$ 656,049	\$ 1,032,943
Accounts receivable (note 3)	119,675	93,706
Contributions receivable (note 4)	269,114	206,506
Total Financial Assets	1,044,838	1,333,155
Liabilities		
Accounts payable and accrued liabilities (note 5)	164,455	254,450
Deferred contributions (note 6)	734,795	909,986
Total Liabilities	899,250	1,164,436
Net Financial Assets	145,588	168,719
Non-Financial Assets		
Tangible capital assets (note 7)	477,130	443,977
Long term investments (note 8)	1,643,121	1,069,100
Buildings under construction	574,020	217,353
Prepaid expenses and deposits	21,876	5,700
Total Non-Financial Assets	2,716,147	1,736,130
Accumulated Surplus (note 9)	\$ 2,861,735	\$ 1,904,849

Approved on behalf of the Council:

Dele D. Lee Councillor

Carly Lee Councillor

The accompanying notes and schedules are an integral part of these consolidated financial statements. 3.

LIIDLII KUE FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31,	2016	2016	2015
	Budget (Unaudited)	Actual	Actual
Revenue			
Contributions - AANDC	\$ 308,833	\$ 309,633	\$ 249,741
Contributions - DFN	320,029	320,029	437,402
Contributions - GNWT	739,051	739,051	885,562
Contributions - Government of Canada	156,379	156,379	152,500
Other revenue and recoveries	492,305	835,962	359,229
Enterprise income	-	450,492	300,008
Equity earnings (loss) from subsidiaries	-	365,103	(184,374)
Add opening deferred revenue	-	171,053	104,014
Less closing deferred revenue	-	(34,949)	(171,053)
	2,016,597	3,312,753	2,133,029
Expenditure			
Administration - hosting	45,906	45,907	-
Administration - support	3,048	242,190	195,432
Advocacy	160,000	161,467	169,270
Cultural	147,205	135,957	141,888
Education	100,721	100,847	92,222
Enterprises	-	104,458	69,398
Family development	161,577	287,600	267,073
Family health	381,511	674,192	356,679
Family youth	30,100	30,176	28,200
Governance	303,485	309,318	228,067
Lands, resource management, and economic development	256,571	259,817	413,589
Treaty	3,879	3,938	80,803
Loss (Gains) on Disposal of Capital Assets	-	-	(121,451)
	1,594,003	2,355,867	1,921,168
Annual Surplus (Deficit)	422,594	956,886	211,861
Accumulated Surplus, beginning of year	1,904,849	1,904,849	1,692,988
Accumulated Surplus, end of year	\$ 2,327,443	\$ 2,861,735	\$ 1,904,849

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

LIIDLII KUE FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended March 31,	2016	2016	2015
	Budget (Unaudited)	Actual	Actual
Annual Surplus (Deficit)	\$ 422,594	\$ 956,886	\$ 211,861
Acquisition of tangible capital assets	-	(45,140)	(61,701)
Proceeds on sale of tangible capital assets	-	-	125,966
Amortization of tangible capital assets	-	11,987	12,448
Loss (gains) on sale of tangible capital assets	-	-	(121,451)
Acquisitions of buildings under construction	-	(356,667)	(217,352)
Decrease (increase) in long term investments	-	(574,021)	4,227
	422,594	(6,955)	(46,002)
Decrease (increase) in prepaid expenses and deposits	-	(16,176)	3,822
Increase (Decrease) in Net Financial Assets	422,594	(23,131)	(42,180)
Net Financial Assets, beginning of year	168,719	168,719	210,899
Net Financial Assets, end of year	\$ 591,313	\$ 145,588	\$ 168,719

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

LIIDLII KUE FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS

<u>For the year ended March 31,</u>	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash receipts from government transfers	\$ 1,462,484	\$ 1,725,205
Cash receipts from contributions and recoveries	1,221,398	552,650
<u>Cash paid to suppliers and employees</u>	<u>(2,450,051)</u>	<u>(1,433,939)</u>
	233,831	843,916
Cash Flows from Investing Activities		
Decrease (increase) in buildings under constructions	(356,667)	(217,352)
<u>Decrease (increase) in long term investment</u>	<u>(208,918)</u>	<u>(46,945)</u>
	(565,585)	(264,297)
Capital Transactions		
Purchase of tangible capital assets	(45,140)	(61,701)
<u>Proceeds from disposal of tangible capital assets</u>	<u>-</u>	<u>125,966</u>
	(45,140)	64,265
Net Increase (Decrease) in Cash and Cash Equivalents	(376,894)	643,884
Cash and Cash Equivalents, beginning of year	1,032,943	389,059
Cash and Cash Equivalents, end of year	\$ 656,049	\$ 1,032,943

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

LIIDLII KUE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

1. Significant Accounting Policies (Continued)

(d) Revenue Recognition

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

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. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(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.

(i) Tangible Capital Assets

Purchased tangible capital assets are recorded at cost. Amortization expense is recorded over the estimated useful lives of the assets using the following rates:

Buildings	4%	Declining Balance
Automotive equipment	30%	Declining Balance
Furniture and fixtures	30%	Declining Balance
Heavy equipment	40%	Declining Balance
Tools and equipment	30%	Declining Balance

(ii) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost. There is no significant inventory at year end.

(f) Cash and Cash Equivalents

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

LIIDLII KUE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

1. Significant Accounting Policies (Continued)

(g) Long Term Investments

Long term investments are recorded at amortized costs plus adjustments for accumulated earnings and loss less any permanent decline in value.

(h) Allocation of Expenditure

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

(i) Financial Instruments - Recognition and Measurement

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

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

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

(j) Use of Estimates

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 year. Actual results could differ from those estimates.

LIIDLII KUE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

1. Significant Accounting Policies (Continued)

(i) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

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

2. Cash and Cash Equivalents

	2016	2015
Liidlii Kue Dene Trust fund	\$ 136,374	\$ 242,964
Daycare Trust fund	135,979	249,179
Bank current accounts	383,696	540,800
	<hr/>	<hr/>
	\$ 656,049	\$ 1,032,943

3. Accounts Receivable

	2016	2015
Trade and other	\$ 146,336	\$ 93,706
GST refundable	13,021	-
	<hr/>	<hr/>
Less allowances for doubtful for trade and other	(159,357	93,706
	(39,682)	-
	<hr/>	<hr/>
	\$ 119,675	\$ 93,706

4. Contributions Receivable

	2016	2015
Dehcho First Nations	\$ 63,122	\$ 106,476
Aboriginal Affairs and Northern Development Canada	13,411	62,397
Government of NWT	142,581	37,633
Village of Fort Simpson	50,000	-
	<hr/>	<hr/>
	\$ 269,114	\$ 206,506

LIIDLII KUE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

5. Accounts Payable and Accrued Liabilities

	2016	2015
Trade and other	\$ 164,422	\$ 254,449
Remittances payable	33	-

	\$ 164,455	\$ 254,449
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6. Deferred Contributions

	2016	2015
GNWT HSS - Community Wellness Initiatives	\$ 17,915	\$ 92,460
Liidlili Kue Community support services	17,034	78,593
Sub-total	34,949	171,053
DFN - Construction of daycare fund	405,721	340,219
Liidlili Kue Trust fund	136,374	242,963
Minnie Letcher Memorial Trust	6,010	4,010
Construction of daycare funds	151,741	151,741
	\$ 734,795	\$ 909,986

LIIDLII KUE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

7. Tangible Capital Assets

<u>Cost</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Disposals</u>	<u>End of Year</u>
Lands	\$ 156,691	\$ -	\$ -	\$ 156,691
Buildings	546,097	-	-	546,097
Automotive equipment	502,424	43,556	-	545,980
Furniture and fixtures	6,435	1,584	-	8,019
Heavy equipment	62,952	-	-	62,952
Tools and equipment	33,000	-	-	33,000
Total cost	\$ 1,307,599	\$ 45,140	\$ -	\$ 1,352,739
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<u>Accumulated Amortization</u>	<u>Beginning of Year</u>	<u>Current Charge</u>	<u>Disposals</u>	<u>End of Year</u>
Land	\$ -	\$ -	\$ -	\$ -
Buildings	260,416	11,427	-	271,843
Automotive equipment	501,862	168	-	502,030
Furniture and fixtures	6,304	184	-	6,488
Heavy equipment	62,474	120	-	62,594
Tools and equipment	32,566	88	-	32,654
Total accumulated amortization	\$ 863,622	\$ 11,987	\$ -	\$ 875,609
<hr/>				
<u>Net Book Value</u>	<u>Beginning of Year</u>			<u>End of Year</u>
Total Net Book Value	\$ 443,977			\$ 477,130

8. Long Term Investments

Liidlili Kue Society

Liidlili Kue Society (the "Society") was incorporated under the *Societies Act of Northwest Territories* on April 1, 2003. On behalf of Dene members of the Liidlili Kue First Nation, the objects of the Society are to:

1. carry out the Dene Organization activities in the Fort Simpson areas;
2. assist Dene People in participating in the Canadian economic structure;
3. provide a vehicle to develop self-sufficiency, education, social and cultural programs

The Society is a government not-for-profit organization and is exempt for income tax purposes under Section 149 of the *Income Tax Act*.

LIIDLII KUE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

8. Long Term Investments (Continued)

Liidlili Kue Society (Continued)

The consolidated financial statements of Liidlili Kue Society includes the following subsidiary and associated companies using the modified equity method.

	% Interest	Year End
Nogha Enterprises Ltd.	100%	March 31, 2016
North Nahanni Naturalist Lodge Ltd.	10%	March 31, 2016
Ndulee Enterprises Ltd.	50%	March 31, 2016

The following summarizes the consolidated financial position and results of operations of Liidlili Kue Society as at and for the year ended March 31, 2016.

	2016	2015
Consolidated Financial Position		
Current assets	\$ 87,037	\$ 227,322
Non-current assets	2,183,394	1,428,557
 Total assets	 2,270,431	 1,655,879
Total liabilities	47,837	161,404
 Net assets	 \$ 2,222,594	 \$ 1,494,475
 Consolidated Financial Performance		
Revenue	\$ 832,577	\$ 68,689
Expenditure	(104,458)	(69,396)
Other revenue (expenditure)	-	121,451
 Net earnings	 \$ 728,119	 \$ 120,744

North Nahanni Naturalist Lodge Ltd.

Liidlili Kue Society owns 10% of North Nahanni Naturalist Lodge Ltd. The Company owns and operates a lodge in the Nahanni Range of the Mackenzie Mountains. The Company's financial statements are not available.

	2016	2015
Investment		
Share at cost	\$ -	\$ 25,000
Allowances for impairment	(-)	(24,999)
 \$ - \$ 1	 \$ - \$ 1	 \$ - \$ 1

LIIDLII KUE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

8. Long Term Investments (Continued)

Ndulée Enterprises Ltd.

Liidlili Kue Society owns 50% of Ndulée Enterprises Ltd. The Company was inactive and the investment was written off during the year.

	2016	2015
Investment		
Share at cost	\$ -	\$ 50
Contributed surplus	- -	30,000
Amount receivable (payable)	- -	(4,589)
	\$ -	\$ 25,461

Nogha Enterprises Ltd.

Liidlili Kue Society owns 100% of Nogha Enterprises Ltd. The principal activities of the Company are general contracting, aviation fuel sales and fire suppression.

The following summarizes the financial position and results of operations of Nogha Enterprises Ltd. as at and for the year ended March 31, 2016.

	2016	2015
Financial Position		
Current assets	\$ 1,108,310	\$ 764,154
Non-current assets	705,201	1,012,173
Total assets	1,813,511	1,776,327
Total liabilities	2,114,182	3,110,209
Total shareholder's equity (capital deficiency)	\$(300,671)	\$(1,333,882)
Financial Performance		
Revenue	\$ 3,037,961	\$ 1,975,762
Direct costs	(1,608,108)	(1,167,135)
General and administration	(1,451,314)	(1,050,696)
Other revenue (expenses)	397,909	5,332
Income taxes recovered	5,637	5,418
Net income (loss)	\$ 382,085	\$(231,319)

LIIDLII KUE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

8. Long Term Investments (Continued)

Nogha Enterprises Ltd. (Continued)

	2016	2015
Investment		
Share at cost	\$ 35	\$ 35
Amount receivable	2,344,640	2,085,260
Accumulated earnings (loss)	(951,832)	(1,333,917)
	<hr/> \$ 1,392,843	<hr/> \$ 751,378

Deh Cho Helicopters Regional Limited Partnership

Liidlili Kue Society owns 14.3% of Deh Cho Helicopters Regional Limited Partnership.

Deh Cho Helicopters Regional Limited Partnership ("Partnership") was established in accordance with the limited partnership agreement dated June 1, 2004 pursuant the Partnership Act. The Partnership's principal activities are to own and lease an Eurocopter AS350 B2 Helicopter and other helicopter charters through Great Slave Helicopters Ltd. in the Deh Cho areas in Northwest Territories. The partners are:

(i)	Deh Cho Air Limited Partnership - Limited Partner	5,000 units
(ii)	Fort Simpson Metis Local 52 - Limited Partner	5,000 units
(iii)	Nahanni Butte Dene Band - Limited Partner	5,000 units
(iv)	Samba Ke First Nation - Limited Partner	5,000 units
(v)	Jean Marie River First Nation - Limited Partner	5,000 units
(vi)	Pehdzeh Ki First Nation - Limited Partner	5,000 units
(vii)	Liidlili Kue First Nation - Limited Partner	5,000 units

LIIDLII KUE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

8. Long Term Investments (Continued)

Deh Cho Helicopters Regional Limited Partnership (Continued)

The following summarizes the financial position and results of operations of Deh Cho Helicopters Regional Limited Partnership as at and for the year ended May 31, 2015.

	2015	2014
Financial Position		
Current assets	\$ 1,502,013	\$ 1,671,690
<u>Equipment</u>	1,259,624	1,016,090
Total assets	2,761,637	2,687,780
Total liabilities	19,514	250,330
<u>Total partners' equity</u>	<u>\$ 2,742,123</u>	<u>\$ 2,437,450</u>
Partners' equity attributable to LKFN	\$ 287,071	\$ 231,753
Financial Performance		
Total revenue	\$ 559,998	\$ 823,475
Total expenses	255,327	343,068
Net earnings	304,671	480,407
Net earnings attributable to LKFN	\$ 43,524	\$ 68,630
Investment		
Capital	\$ 5,000	\$ 5,000
Accumulated earnings	270,278	287,260
<u>Distribution of earnings</u>	(25,000)	-
	\$ 250,278	\$ 292,260
Total Net Investment	\$ 1,643,121	\$ 1,069,100

9. Accumulated Surplus

	2016	2015
Unrestricted		
General Operating Fund	\$ 1,218,614	\$ 835,749
Enterprise Fund	1,643,121	1,069,100
	\$ 2,861,735	\$ 1,904,849

LIIDLII KUE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

10. Government Transfers

	2016	2015
Government of Canada - AANDC	\$ 309,633	\$ 249,741
Dehcho First Nation	320,029	437,402
Government of NWT	739,051	885,562
Government of Canada - Health Canada	156,379	152,500
	<hr/> \$ 1,525,092	<hr/> \$ 1,725,205

11. Expenditure by Object

	2016	2015
	Actual	Actual
Administration	\$ 91,012	\$ 58,178
Advertising and promotion	1,498	4,900
Amortization	11,987	12,448
Bad debts	14,683	-
Bank charges and interest	4,237	5,357
Community events	104,687	
Contracted services	26,993	11,883
Donations	91,912	-
Honoraria	15,497	8,320
Insurance	7,041	6,573
Loss (gain) on disposal of assets	-	(121,451)
Materials and supplies	261,857	387,894
Meeting and workshop	24,506	14,466
Office	145,389	43,838
Professional fees	176,844	177,880
Rent	66,582	86,654
Telephone and Internet	22,334	26,429
Training and scholarships	17,359	-
Travel and accommodation	86,237	69,477
Utilities	68,713	66,999
Wages and benefits	1,116,499	1,061,323
Total Expenditure	\$ 2,355,867	\$ 1,921,168

12. Economic Dependence

LKFN receives a major portion of its revenue from the Aboriginal Affairs and Northern Development Canada of the Government of Canada and the Department of Municipal and Community Affairs of the Government of Northwest Territories. The nature and extent of this revenue is of such significance that LKFN is economically dependent on this source of revenue.

LIIDLII KUE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

13. Comparative Figures

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