

Financial Statements of

ACHO DENE KOE FIRST NATION

Year ended March 31, 2014



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INDEPENDENT AUDITORS' REPORT

To the Chief and Council and members of Acho Dene Koe First Nation

We have audited the accompanying consolidated financial statements of Acho Dene Koe First Nation (the "Entity"), which comprise the statement of financial position as at March 31, 2014, the consolidated statements of operations, change 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 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.

Auditors' 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 our 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, we consider 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.

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

Basis for Modified Opinion

As disclosed in Note 6 to the consolidated financial statements, public sector accounting standards require that the Entity account for its investments in government business enterprises using the modified equity method. The investees (the Acho Dene Koe Corporate Group or the "Corporate Group") are all government business enterprises with a year end of May 31 which does not substantially coincide with the year end of the Entity of March 31. The balance sheet reflects the Entity's investment in the Corporate Group as at May 31, 2013 and the statement of operations includes the Entity's equity in the losses of the Corporate Group for the year ended May 31, 2013.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



As the fiscal period of the Entity and the Corporate Group government business enterprises do not substantially coincide, events relating to, or transactions of, the government business enterprises that have occurred during the period from June 1, 2013 to March 31, 2014 and significantly affect the consolidated financial position or results of operations of the Entity should be recorded in the Entity's consolidated financial statements as at and for the year ended March 31, 2014. The Entity has not determined if any events or transactions that significantly affect the consolidated financial position or results of operations of the Entity occurred during the period from June 1, 2013 to March 31, 2014. Therefore, these consolidated financial statements do not reflect such events or transactions, should any exist. Consequently, we were unable to determine whether any adjustments were required to the Entity's investment in the Corporate Group, to its equity in the losses of the Corporate Group, or balances due to/from related parties (note 5) for the year ended March 31, 2014. It is impracticable to provide this information in the auditors' report.

Modified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Modified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Acho Dene Koe First Nation as at March 31, 2014, and the results of its consolidated operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

Without further modifying our opinion, we draw attention to note 15 to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended March 31, 2013, have been restated. The consolidated financial statements of Ache Dene Koe First Nations as at and for the year ended March 31, 2013, excluding the restatement described in note 14 to the consolidated financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on July 29, 2013.

As part of our audit of the consolidated financial statements as at and for the year ended March 31, 2014, we audited the restatement described in note 15 that was applied to restate the comparative information presented as at and for the year ended March 31, 2013. In our opinion, the restatement is appropriate and has been properly applied.

We were not engaged to audit, review, or apply any procedures to the March 31, 2013 consolidated financial statements other than with respect to the restatement described in note 15. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Chartered Accountants

October 24, 2014

Prince George, Canada

ACHO DENE KOE FIRST NATION

Consolidated Statement of Financial Position

March 31, 2014, with comparative information for 2013

	2014	2013 (restated - note 15)
Financial assets:		
Cash and cash equivalents	\$ 98,884	\$ 365,238
Restricted cash (note 10)	58,776	58,776
Portfolio investments (note 3)	2,951,791	2,255,332
Accounts receivable (note 4)	229,038	231,609
Due from related parties (note 5)	718,199	657,017
Investments in subsidiaries (note 6)	5,728,115	7,264,395
	9,784,803	10,832,367
Financial liabilities:		
Accounts payable and accrued liabilities (note 7)	208,493	190,498
Contributions repayable (note 8)	62,598	139,077
Deferred revenue (note 9)	227,053	-
Treaty loan payable (note 10)	179,200	179,200
	677,344	508,775
Net financial assets	9,107,459	10,323,592
Non-financial assets:		
Tangible capital assets (note 12)	118,901	143,978
Prepaid expenses	3,169	3,169
	122,070	147,147
Accumulated surplus (note 15)	\$ 9,229,529	\$ 10,470,739

Contingencies (note 11)

Economic dependence (note 11)

See accompanying notes to consolidated financial statements.

On behalf of the Band:



Chief



Counsellor

ACHO DENE KOE FIRST NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2014, with comparative information for 2013

	2014	2013 (restated - note 15)
Revenues:		
Aboriginal Affairs & Northern Development Canada	\$ 830,783	\$ 833,346
Government of Canada	8,113	1,995
Government of Northwest Territories	247,067	101,413
Dehcho First Nations	183,894	24,716
Administration fees	10,642	32,086
Other income	171,477	101,238
	1,451,976	1,094,794
Expenses:		
Amortization	-	20,053
Cultural development	24,483	30,605
General community services	271,022	157,249
Governance and administration	710,536	879,854
Land, resources & economic development	177,724	7,343
Social development	90,379	-
Treaty	120,232	279,000
	1,394,376	1,374,104
Annual surplus before undernoted	57,600	(279,310)
Investment income	237,470	135,226
Net loss from government business enterprises and partnerships (note 6)	(1,536,280)	(682,226)
Annual deficit	(1,241,210)	(826,309)
Accumulated surplus, beginning of year	10,470,739	11,297,048
Accumulated surplus, end of year	\$ 9,229,529	\$ 10,470,739

See accompanying notes to consolidated financial statements.

ACHO DENE KOE FIRST NATION

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2014

	2014
Accumulated remeasurements gains (losses), beginning of year	\$ -
Adjustment on adoption of the financial instruments standard (note 2)	132,596
	132,596
Change in remeasurement gains on portfolio investments for the year	176,443
Accumulated remeasurement gains, end of year	\$ 309,039

See accompanying notes to consolidated financial statements.

ACHO DENE KOE FIRST NATION

Consolidated Statement of Change in Net Financial Assets

Year ended March 31, 2014, with comparative information for 2013

	2014	2013 (restated - note 15)
Annual deficit	\$ (1,241,210)	\$ (826,309)
Acquisition of tangible capital assets	(35,869)	(5,998)
Proceeds on sale of tangible capital assets	-	4,800
Amortization of tangible capital assets	7,340	20,053
Loss on sale of tangible capital assets	53,606	3,213
Decrease in prepaid expenses	-	59,884
Decrease in net financial assets	(1,216,133)	(744,357)
Net financial assets, beginning of year	10,323,592	11,067,949
Net financial assets, end of year	\$ 9,107,459	\$ 10,323,592

See accompanying notes to consolidated financial statements.

ACHO DENE KOE FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013 (restated - note 15)
Cash provided by (used in):		
Cash generated from operations:		
Deficit	\$ (1,241,210)	\$ (826,309)
Items not involving cash:		
Amortization	7,340	20,053
Loss on sale of tangible capital assets	53,606	3,213
Gain on sale of investments	(237,459)	-
Loss on investment in subsidiaries	1,536,280	682,226
Change in non-cash operating working capital:		
Contributions receivable	-	110,500
Accounts receivable	2,570	10,579
Prepaid expenses	-	59,884
Portfolio investments	(459,000)	(135,226)
Accounts payable	17,994	(108,576)
Contributions repayable	(76,477)	70,870
Deferred revenue	227,053	-
Treaty loan payable	-	179,200
	(169,303)	66,414
Investing:		
Advances (to) from related party	(61,182)	47,830
Purchase of tangible capital assets	(35,869)	(5,998)
Proceeds from disposal of tangible capital assets	-	4,800
	(97,051)	46,632
(Decrease) increase in cash and cash equivalents	(266,354)	113,046
Cash and cash equivalents, beginning of year	424,014	310,968
Cash and cash equivalents, end of year	\$ 157,660	\$ 424,014
Cash consists of:		
Restrict Cash	\$ 58,776	\$ 58,776
Cash and cash equivalents	98,884	365,238
	\$ 157,660	\$ 424,014

See accompanying notes to consolidated financial statements.

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2014

Nature of operations:

Acho Dene Koe First Nation (the "First Nation") provides local government, education and social development services to its members and was established under the Indian Act (Canada).

1. Basis of presentation and significant accounting policies:

These consolidated financial statements include the assets, liabilities, revenue and expenditures of the Acho Dene Koe First Nation (the "First Nation") subject to control by the Council. No inclusion has been made of assets, liabilities, revenue or expenditures of First Nation members, individually or collectively, incorporated or unincorporated, that are not controlled by or the responsibility of the Council.

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for governments, as established by the Canadian Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada, which encompasses the following principles:

(a) Fund accounting:

The First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the consolidated financial statements.

Details of the operations of each fund are set out in the supplementary schedules.

(b) Reporting entity and principles of financial reporting:

The First Nation's reporting entity includes the Acho Dene Koe First Nation's government and all related entities, which are accountable for the administration of their financial affairs and resources to the First Nation and are either owned or controlled by the First Nation.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

1. Basis of presentation and significant accounting policies (continued):

(b) Reporting entity and principles of financial reporting (continued):

(i) Investment in government business enterprises:

The First Nation records its investments in government enterprises (GBE) and government business partnerships (GBP) on a modified equity basis. Under the modified equity basis, the GBE's and GBP's accounting policies are not adjusted to conform with those of the First Nation and inter-organizational transactions and balances are not eliminated. The First Nation recognizes its equity interest in the annual earnings or loss of the GBE's and GBP's in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends or other cash distributions are recorded as a reduction to the investment asset account.

The First Nation's government business enterprises investments consists of the following:

- ADK Camps & Catering Management Ltd. - 100% interest
- ADK Holdings Ltd. - 100% interest
- Shiha Energy Transmission Ltd. - 10% interest

The First Nation's government business partnerships investments consist of the following:

- Acho Camps & Catering Management Limited Partnership - 100% interest
- Acho Real Estate Limited Partnership - 99.99% interest
- ADK Petroleum Limited Partnership - 99.99% interest
- Beaver Enterprises Limited Partnership - 99.99% interest
- Deh Cho Air Limited Partnership - 99.99% interest
- Liard Fuel Centre Limited Partnership - 99.99% interest
- Nahendeh Investments Limited Partnership - 99% interest

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

1. Basis of presentation and significant accounting policies (continued):

(c) Tangible capital assets:

Tangible capital assets are recorded at cost, less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital assets including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Tangible capital assets are amortized annually over their expected useful lives using the declining balance method at the following annual rates:

Asset	Rate
Building	4%
Automotive	30%
Boat	15%
Computer	30%
Computer - website	30%
Office equipment and furniture	20%

When management determines that a tangible capital asset no longer contributes to the First Nation's ability to provide goods and services or that the value of future benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is written down.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

1. Basis of presentation and significant accounting policies (continued):

(d) Revenue recognition:

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except where the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation 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 consolidated 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.

Investment income includes interest, dividends and pooled investment income. Restricted investment income is recognized as revenue in the year in which the related expenditures are incurred. Other unrestricted investment income is recognized as revenue when earned.

Royalties, user fees, rent, other recoveries and land reclamation fees are accounted for in the year in which the transactions or events occurred that gave rise to the revenue if reasonably assured.

(e) 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Valuation of accounts receivable and investments in subsidiaries are subject to significant estimate. Actual results could differ from those estimates.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

1. Basis of presentation and significant accounting policies (continued):

(f) 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. Management has elected to record all portfolio investments at fair value as they are managed and evaluated on a fair value basis.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expenses 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.

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.

The Standards require the First Nation to classify fair value measurements 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 and liabilities.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

1. Basis of presentation and significant accounting policies (continued):

(g) Budget data:

As no formal budget was approved by Chief and Council for the 2014 fiscal year, budget data has not been presented.

(h) Allocation of expenses:

The Chief and Council 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 Chief and Council allocates certain of its general support expenses by identifying the appropriate basis of allocating each expenses.

(i) Segmented disclosure:

A segment is defined as a distinguishable activity or group of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The First Nation has determined the most appropriate basis for classifying segments is by program. Segmented disclosures are provided in the Supplementary Schedules to the consolidated financial statements.

2. Change in accounting policy:

Effective April 1, 2013, the Council adopted Public Accounting Standards PS 3450 - Financial Instruments. This standard was adopted prospectively from the date of adoption. The new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

In accordance with the transitional provisions of the new standards, the Council reflected an adjustment of \$132,596 to accumulated remeasurement gains and losses at April 1, 2013 representing unrealized remeasurement gains on the Council's portfolio investments on that date. There were no other adjustments at April 1, 2013 as a result of adoption of the new standard.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

3. Portfolio investments:

	Level	2014 Cost	2014 Fair value	2013 Cost	2013 Fair value
Guaranteed					
Investment					
Certificates:					
First Nations Bank	1	\$ 100,000	\$ 100,000	\$ -	\$ -
First Nations Bank	1	\$ 100,000	\$ 100,000	\$ -	\$ -
First Nations Bank	1	\$ 100,000	\$ 100,000	\$ -	\$ -
First Nations Bank	1	\$ 159,000	\$ 159,000	\$ -	\$ -
Pooled Funds:					
CIBC short term					
bonds	1	\$ 704,052	\$ 712,474	\$ 652,982	\$ 666,246
CIBC Canadian					
bonds	1	619,751	658,407	578,961	630,482
CIBC International					
bonds	1	89,276	101,558	83,504	89,592
CIBC Canadian					
equity fund	1	203,148	259,146	195,711	222,395
CIBC USD equity					
fund	1	276,699	374,140	328,808	349,397
CIBC International					
equity fund	1	290,826	387,066	282,772	297,220
		\$ 2,642,752	\$ 2,951,791	\$ 2,122,738	\$ 2,255,332

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

4. Accounts receivable:

	2014	2013
Government of Northwest Territories Aboriginal Affairs and Northern Development Canada (AANDC)	\$ 86,979	\$ 8,264
Goods and services tax	111,536	142,271
Other	7,153	2,255
	161,873	157,407
	367,541	310,197
Less allowance for doubtful accounts	(138,503)	(78,588)
	\$ 229,038	\$ 231,609

5. Due from related parties:

Net balances due to/from related parties consist of the following:

	2014	2013
Due from Liard Fuel Centre Limited Partnership	\$ 103,528	\$ 53,263
Due from ADK Holdings Limited	74,579	64,023
Due from Deh Cho Air Limited Partnership	287,778	287,778
Due from Beaver Enterprises Limited Partnership	97,648	97,287
Due from ADK Pipelines Limited Partnership	20,468	20,468
Due from ADK Camps & Catering Management Ltd.	6,244	6,244
Due from Acho Real Estate Limited Partnership	5,439	5,439
Due from Acho Camps & Catering Limited Partnership	122,515	122,515
	\$ 718,199	\$ 657,017

The terms of the balances due to/from related parties are non-interest bearing and are unsecured.

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

6. Investments in subsidiaries:

	2013	2012
Acho Camps & Catering Limited Partnership	\$ (60,640)	\$ 633,009
Acho Real Estate Limited Partnership	(286,277)	(192,774)
ADK Camps & Catering Management Ltd.	(115,744)	(156,988)
ADK Holdings Limited	974,954	917,263
ADK Petroleum Limited Partnership	3,902,214	3,797,729
Beaver Enterprises Limited Partnership	2,156,295	3,120,783
Deh Cho Air Limited Partnership	(252,803)	(294,188)
Liard Fuel Centre Limited Partnership	(604,146)	(591,974)
Nahendeh Investments Limited Partnership	2,242	17,515
Shiha Energy Transmission Limited Partnership	12,010	14,010
Shiha Energy Transmission Ltd.	10	10
	\$ 5,728,115	\$ 7,264,395

	2013	2012
Profit (loss) on investments in subsidiaries:		
Acho Camps & Catering Limited Partnership	\$ (693,649)	\$ (783,483)
Acho Real Estate Limited Partnership	(93,503)	(68,416)
ADK Camps & Catering Management Ltd.	41,244	20,415
ADK Holdings Limited	57,691	(77,863)
ADK Petroleum Limited Partnership	104,485	32,608
Beaver Enterprises Limited Partnership	(964,488)	210,237
Deh Cho Air Limited Partnership	41,385	42,059
Liard Fuel Centre Limited Partnership	(12,172)	119,065
Nahendeh Investments Limited Partnership	(15,273)	15,149
Shiha Energy Transmission Limited Partnership	(2,000)	-
	\$ (1,536,280)	\$ (490,229)

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

6. Investments in subsidiaries (continued):

a) Acho Camps & Catering Limited Partnership:

Acho Camps & Catering Limited Partnership is a limited partnership whose principal activities include providing camps and catering. The following table provides condensed supplementary financial information for the Acho Camps & Catering Limited Partnership for the year ended May 31:

	2013	2012
Financial position:		
Current assets	\$ 1,358,161	\$ 2,373,636
Receivable from related parties	189,679	221,052
Long term investment	658,025	658,025
Property and equipment	2,001,828	2,404,048
Total assets	4,207,693	5,656,761
Current liabilities	995,735	1,606,683
Payable to related parties	3,272,598	3,417,069
Total liabilities	4,268,333	5,023,752
Total partners' equity (deficiency)	\$ (60,640)	\$ 633,009
Results of operations:		
Revenues	\$ 572,053	\$ 6,688,018
Expenses	1,265,702	7,471,501
Net loss for the year	\$ (693,649)	\$ (783,483)

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

6. Investments in subsidiaries (continued):

b) Acho Real Estate Limited Partnership:

Acho Real Estate Limited Partnership is a limited partnership whose principal activity is to provide long-term residential housing. The following table provides condensed supplementary financial information for the Acho Real Estate Limited Partnership for the year ended May 31:

	2013	2012
Financial position:		
Current assets	\$ 12,012	\$ 12,491
Receivable from related parties	15,926	11,750
Income producing properties	637,563	649,485
Total assets	665,501	673,726
Current liabilities	71,379	55,059
Non-current liabilities	880,399	811,441
Total liabilities	951,778	866,500
Total partners' deficiency	\$ (286,277)	\$ (192,774)
Results of operations:		
Revenues	\$ 126,803	\$ 95,289
Expenses	220,306	163,705
Net loss for the year	\$ (93,503)	\$ (68,416)

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

6. Investments in subsidiaries (continued):

c) ADK Camps & Catering Management Ltd.:

ADK Camps & Catering Management Ltd. is a private company whose principal activity is being the General Partner to the following limited partnerships: Acho Camps & Catering Limited Partnership, Beaver Enterprises Limited Partnership and Liard Fuel Centre Limited Partnership. The following table provides condensed supplementary financial information for the Acho Camps & Catering Management Ltd. for the year ended May 31:

	2013	2012
Financial position:		
Current assets	\$ 3,050	\$ 4,659
Receivable from related parties	14,000	-
Long term investments	2	2
Total assets	17,052	4,661
Current liabilities	9,447	13,650
Payable to related parties	123,349	147,999
Total liabilities	132,796	161,649
Total deficiency	\$ (115,744)	\$ (156,988)
Results of operations:		
Revenues	\$ 70,000	\$ 70,000
Expenses	28,756	49,585
Net income for the year	\$ 41,244	\$ 20,415

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

6. Investments in subsidiaries (continued):

d) ADK Holdings Limited:

ADK Holdings Limited is a private company whose principal activities include ownership and operation of an office building and is a being the General Partner to the following limited partnerships: Acho Real Estate Limited Partnership, ADK Petroleum Limited Partnership, Deh Cho Air Limited Partnership and Nahendeh Investments Limited Partnership. The following table provides condensed supplementary financial information for the ADK Holdings Limited for the year ended May 31:

	2013	2012
Financial position:		
Current assets	\$ 83,667	\$ 148,218
Receivable from related parties	806,237	579,316
Long term investments	8	8
Equipment	54,800	74,435
Income producing properties	663,225	690,860
Total assets	1,607,937	1,492,837
Current liabilities	59,684	89,655
Non-current liabilities	573,119	485,919
Total liabilities	632,803	575,574
Total equity	\$ 975,134	\$ 917,263
Results of operations:		
Revenues	\$ 821,785	\$ 809,582
Expenses	764,094	887,445
Net income (loss) for the year	\$ 57,691	\$ (77,863)

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

6. Investments in subsidiaries (continued):

e) ADK Petroleum Limited Partnership:

ADK Petroleum Limited Partnership is a limited partnership whose principal activity is to carry on the business of exploration, development and production of oil and gas from traditional lands of the Acho Dene Koe First Nation. The following table provides condensed supplementary financial information for the ADK Petroleum Limited Partnership for the year ended May 31:

	2013	2012
Financial position:		
Current assets	\$ 34,821	\$ 38,735
Non-current receivables	3,212,941	3,101,322
Long term investment	667,868	667,868
Total assets	3,915,630	3,807,925
Current liabilities	5,014	10,194
Non-current liabilities	8,400	-
Total liabilities	13,414	10,194
Total partners' equity	\$ 3,902,216	\$ 3,797,731
Results of operations:		
Revenues	\$ 124,084	\$ 76,127
Expenses	19,599	43,519
Net income for the year	\$ 104,485	\$ 32,608

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

6. Investments in subsidiaries (continued):

f) Beaver Enterprises Limited Partnership:

Beaver Enterprises Limited Partnership is a limited partnership whose principal activities are construction, transportation, workshops and repairs. The following table provides condensed supplementary financial information for the Beaver Enterprises Limited Partnership for the year ended May 31:

	2013	2012
Financial position:		
Current assets	\$ 2,203,161	\$ 1,636,775
Receivable from related parties	3,443,927	3,760,914
Equipment	980,680	1,155,743
Total assets	6,627,768	6,553,432
Current liabilities	2,122,465	1,017,272
Non-current liabilities	2,349,005	2,415,374
Total liabilities	4,471,470	3,432,646
Total partners' equity	\$ 2,156,298	\$ 3,120,786
Results of operations:		
Revenues	\$ 7,123,422	\$ 5,324,006
Expenses	8,087,910	5,113,769
Net income (loss) for the year	\$ (964,488)	\$ 210,237

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

6. Investments in subsidiaries (continued):

g) Deh Cho Air Limited Partnership:

Deh Cho Air Limited Partnership is a limited partnership whose principal activity is to earn commission from granting landing rights to charter aircraft on the traditional lands of the Acho Dene Koe First Nation. The following table provides condensed supplementary financial information for the Deh Cho Air Limited Partnership for the year ended May 31:

	2013	2012
Financial position:		
Current assets	\$ 16,748	\$ 71,605
Long term investments	321,160	258,169
Total assets	337,908	329,774
Current liabilities	4,998	5,049
Payable to related parties	585,712	618,912
Total liabilities	590,710	623,961
Total partners' deficiency	\$ (252,802)	\$ (294,187)
Results of operations:		
Revenues	\$ 62,996	\$ 64,685
Expenses	21,611	22,626
Net income for the year	\$ 41,385	\$ 42,059

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

6. Investments in subsidiaries (continued):

h) Liard Fuel Centre Limited Partnership:

Liard Fuel Centre Limited Partnership is a limited partnership whose principal activities are the operation of a gas station, home heating fuel sale and delivery and the sale of bulk fuel to oil and gas industry. The following table provides condensed supplementary financial information for the Liard Fuel Centre Limited Partnership for the year ended May 31:

	2013	2012
Financial position:		
Current assets	\$ 269,879	\$ 447,623
Receivable from related parties	104,815	72,047
Property and equipment	303,111	359,186
Total assets	677,805	878,856
Current liabilities	188,656	202,797
Non-current liabilities	1,093,291	1,268,029
Total liabilities	1,281,947	1,470,826
Total partners' deficiency	\$ (604,142)	\$ (591,970)
Results of operations:		
Revenues	\$ 1,994,559	\$ 2,986,915
Expenses	2,006,731	2,867,850
Net income (loss) for the year	\$ (12,172)	\$ 119,065

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

6. Investments in subsidiaries (continued):

i) Nahendeh Investments Limited Partnership:

Nahendeh Investments Limited Partnership is a limited partnership whose principal activity is to carry on the management of commercial investments for the Acho Dene Koe First Nation. The following table provides condensed supplementary financial information for the Nahendeh Investments Limited Partnership for the year ended May 31:

	2013	2012
Financial position:		
Current assets	\$ 32,684	\$ 44,879
Current liabilities	30,441	27,363
Total liabilities	30,441	27,363
Total partners' equity	\$ 2,243	\$ 17,516
Results of operations:		
Revenues	\$ 1,556	\$ 348,657
Expenses	16,829	333,508
Net income (loss) for the year	\$ (15,273)	\$ 15,149

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

6. Investments in subsidiaries (continued):

j) Shiha Energy Transmission Limited Partnership:

Shiha Energy Transmission Limited Partnership is a limited partnership whose principal activity is to acquire, construct and operate access roads, pipelines, flowlines, gathering lines and other facilities for the gathering, collection, processing, storage, treatment and delivery of petroleum substances in northeast British Columbia and the Northwest Territories. The term of the partnership ends on December 31, 2050. The following table provides condensed supplementary financial information for the Shiha Energy Transmission Limited Partnership for the year ended December 31:

	2013	2012
Financial position:		
Current assets	\$ 301,000	\$ 314,000
Asset retirement obligation	171,000	169,000
Total liabilities	171,000	169,000
Total partners' equity	\$ 130,000	\$ 145,000
Results of operations:		
Expenses	15,000	13,000
Loss for the year	\$ (15,000)	\$ (13,000)

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

6. Investments in subsidiaries (continued):

k) Shiha Energy Transmission Ltd.:

Shiha Energy Transmission Ltd. is a private company whose principal activity is to acquire, construct and operate access roads, pipelines, flowlines, gathering lines and other facilities for the gathering, collection, processing, storage, treatment and delivery of petroleum substances in northeast British Columbia and the Northwest Territories for the period of February 1, 2001 to December 31, 2050. The following table provides condensed supplementary financial information for the Shiha Energy Transmission Ltd. for the year ended December 31:

	2013	2012
Financial position:		
Current assets	\$ 100	\$ 100
Share in Partnership equity	13	15
Total assets	113	115
Due to related parties	3,830	3,830
Total liabilities	3,830	3,830
Total deficiency	\$ (3,717)	\$ (3,715)
Results of operations:		
Expenses	2	2,501
Loss for the year	\$ (2)	\$ (2,501)

7. Accounts payable and accrued liabilities:

	2014	2013
Accounts payable	\$ 123,792	\$ 150,132
Accrued liabilities	50,573	24,880
Payroll accruals	34,128	15,486
	\$ 208,493	\$ 190,498

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

8. Contributions repayable:

	2014	2013
Aboriginal Affairs & Northern Development Canada:		
Mackenzie Gas Project - 2010	\$ -	\$ 18,750
Summer Works - 2010	-	18,016
Negotiation preparedness - 2013	6,722	6,722
Re-orientation of self-government - 2013	1,362	1,362
Interim resource management assistance - 2014	8,270	91
Lands and Environmental Action Fund - 2014	3,974	-
BC Treaty Commission	-	58,775
Health Canada:		
Climate change project	-	26,441
Government of Canada - 2014	10,159	-
Government of Northwest Territories:		
Arts festival - 2010	5,000	5,000
Pre-Natal nutrition - 2013	3,920	3,920
Species at risk - 2014	5,118	-
Land and water - 2014	1,783	-
Health and Social Services - 2014	6,542	-
Wildlife- Conference of Management Authorities - 2014	1,730	-
Community Garden - 2014	3,518	-
Wildlife - 2014	4,500	-
	\$ 62,598	\$ 139,077

9. Deferred revenue:

	2014	2013
BC Treaty Commission	\$ 58,776	\$ -
Government of Northwest Territories- Community Wellness	136,442	-
Deh Cho First Nation- Advisory Services	31,835	-
	\$ 227,053	\$ -

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

10. Negotiation loan payable:

On August 2, 2012, the Council entered into a First Nation Negotiation Support Agreement with the British Columbia Treaty Commission and the Government of Canada to obtain loan funding to carry out negotiations with Canada and British Columbia under the Treaty Process as follows:

	2014	2013 (restated - (note 15))
Total loan funding	\$ 279,000	\$ 279,000
Non-repayable contributions	(99,800)	(99,800)
Repayable loan funding	\$ 179,200	\$ 179,200

Under the terms of the Agreement, the repayable loan funding is non-interest bearing until the loan becomes due. It is repayable on the earliest of treaty signing date or the later of the twelfth anniversary date of loan advance or the negotiated extended due date.

At March 31, 2014, \$58,776 of unspent negotiation support funding was classified as restricted cash under the terms of the First Nation Negotiation Support Agreement.

11. Contingencies:

- (a) In addition, in the normal course of its operations, Acho Dene Koe First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on Acho Dene Koe First Nation's financial statements.
- (b) The First Nation is the beneficiary of funds held in trust by Transcanada Corporation and Quicksilver Resources of approximately \$1,000,000 and \$900,000 respectively payable over a ten year period. Receipts of the funding is contingent upon the First Nation and the funders establishing independent advisory boards. At March 31, 2014 the funding requirements have not been met.

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

12. Tangible capital assets:

	Balance at March 31, 2013	Additions	Disposals	Balance at March 31, 2014
Building	\$ 154,418	\$ -	\$ (42,502)	\$ 111,916
Automotive	25,487	-	(25,487)	-
Boat	9,645	-	-	9,645
Computer	81,734	871	(21,476)	61,129
Computer - website	-	34,000	-	34,000
Office equipment	27,730	997	(23,289)	5,439
	<u>\$ 299,014</u>	<u>\$ 35,868</u>	<u>\$ (112,754)</u>	<u>\$ 222,129</u>

Cost	Balance at March 31, 2013	Disposals	Amortization expense	Balance at March 31, 2014
Building	\$ 49,224	\$ (7,125)	\$ 1,245	\$ 43,344
Automotive	18,056	(18,056)	-	-
Boat	8,982	-	133	9,114
Computer	57,914	(15,968)	5,646	47,592
Computer - website	-	-	-	-
Office Equipment	20,860	(17,997)	316	3,179
	<u>\$ 155,036</u>	<u>\$ (59,146)</u>	<u>\$ 7,340</u>	<u>\$ 103,229</u>

Accumulated amortization	Net book value March 31, 2013		Net book value March 31, 2014
Building	\$ 105,194	\$ -	\$ 68,572
Automotive	7,431	-	-
Boat	664	-	531
Computer	23,820	-	13,537
Computer - website	-	-	34,000
Office equipment	6,870	-	2,260
	<u>\$ 143,979</u>	<u>\$ -</u>	<u>\$ 118,900</u>

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

13. Related party transactions:

During the year, the First Nation entered into related party transactions measured at the exchange amount, being the amount agreed to by the related parties, as follows:

		2014
ADK Holdings Ltd.		
Revenue:		
Other revenue	\$	14,840
Expenses:		
Program supplies		7,736
Promotional items		325
Rent		21,834
Utilities		267
Akita/Sacho Drilling Ltd.		
Accounts receivable	\$	510
Revenue:		
Other revenue		500
Admin fee revenue		10
Acho Real Estate Limited Partnership		
Accounts payable	\$	11,000
Beaver Enterprises Limited Partnership		
Expenses:		
Supplies		7,288
Equipment and labour		1,411
Rent		25,030
Acho Horizon North Camp Services		
Expenses:		
Supplies	\$	1,764
Laird Fuel Center Limited Partnership		
Expenses:		
Community Events	\$	178
Utilities		18,942
Fuel		906

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

14. Financial risks and concentration of risk:

(a) Fair value:

Fair value represents the estimated consideration that would be agreed upon in a current transaction between knowledgeable and willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the fair value of the consideration given or received. The fair value of the First Nation's cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their carrying value due to the short term nature of those instruments.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The First Nation holds its cash and cash equivalents, with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

(c) Liquidity risk:

Liquidity risk is the risk that the First Nation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The First Nation manages its liquidity risk by monitoring its operating requirements. There has been no change to the risk exposures from 2013.

(d) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. Financial assets with variable interest rates expose the First Nation to cash flow interest rate risk. The First Nation is exposed to this risk through the holding of portfolio investments. The First Nation's portfolio investments, including pooled funds, are disclosed in note 3.

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

15. Accumulated operating surplus:

Surplus (deficit) is as follows:

	2014	2013 (Restated- note 15(a))
Unrestricted funds:		
General Operating Fund	\$ (336,766)	\$ (103,021)
Enterprise Fund	9,138,355	10,429,782
Equity in taxable capital assets	118,901	143,978
Accumulated remeasurement gains	309,039	-
	\$ 9,229,529	\$ 10,470,739

(a) Correction of an error:

The annual deficit and accumulated surplus at March 31, 2013 has been restated to reflect a treaty loan received of \$179,200 during the year ended March 31, 2013, previously recorded as revenue received from Aboriginal Affairs and Northern Development Canada (note 10). The net change in accumulated surplus (deficit) as March 31, 2013 is as follows:

Financial surplus (deficit), April 1, 2013	
As previously reported	\$ 10,649,939
Restatement, treaty loan proceeds	(179,200)
As restated, April 1, 2013	\$ 10,470,739

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

16. Invested in tangible capital assets:

	2014	2013
Balance, beginning of year:	\$ 143,978	\$ 166,046
Acquisition of tangible capital assets	35,869	5,999
Proceeds from disposal of tangible capital assets	-	(4,802)
Amortization of tangible capital assets	(7,340)	(20,053)
Loss on sale of tangible capital assets	(53,606)	(3,212)
Balance, end of year	\$ 118,901	\$ 143,978

17. Economic dependence:

The Council 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 the Council is economically dependent on this source of revenue.

18. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year fund balances or earnings.

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

19. Segment reporting:

(a) Cultural development

Cultural resource management operates natural and cultural resource related projects.

(b) General community services

General community services provides the function of coordinating and planning the First Nation's community events and services.

(c) Governance and administration

Governance and administration provides the function of the First Nation governance, administration, finance, human resources and legislative services.

(d) Land, resources and economic development

Land and resources include revenue and expenses to maintain the First Nation's land, building and infrastructure.

(e) Social development

Social development provides social programs for First Nation members.

(f) Treaty

Treaty relates to funding, revenue and expenses relating to the First Nation's treaty negotiations with the governments of Canada and British Columbia.