

Consolidated Financial Statements of

ACHO DENE KOE FIRST NATION

Year ended March 31, 2018



ACHO DENE KOE FIRST NATION

Table of Contents

	Page
Management's Responsibility for Financial Reporting	
Independent Auditors' Report	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Surplus	2
Consolidated Statement of Remeasurement Gains	3
Consolidated Statement of Changes in Net Financial Assets	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 31
Schedule 1 - Consolidated Expenses by Object	32
Schedule 2 - Segmented Information	33



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INDEPENDENT AUDITORS' REPORT

To the Chief, Council and Members of Acho Dene Koe First Nation

We have audited the accompanying consolidated financial statements of Acho Dene Koe First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of operations and accumulated surplus, remeasurement gains, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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.

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

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



Page 2

Basis for Modified Opinion

As disclosed in Note 6 to the consolidated financial statements, public sector accounting standards require that the First Nation account for its investments in government business enterprises and partnerships using the modified equity method. The investees (the Acho Dene Koe Corporate Group or the "Corporate Group") are all government business enterprises and partnerships with a year end of May 31 which does not substantially coincide with the year end of the First Nation of March 31. The consolidated statement of financial position reflects the First Nation's investment in the Corporate Group as at May 31, 2017 and the consolidated statement of operations and accumulated surplus includes the First Nation's equity in the losses of the Corporate Group for the year ended May 31, 2017.

As the fiscal periods of the First Nation and the Corporate Group government business enterprises and partnerships do not substantially coincide, events relating to, or transactions of, the government business enterprises and partnerships that have occurred during the period from June 1, 2017 to March 31, 2018 and significantly affect the consolidated financial position or results of operations of the First Nation should be recorded in the First Nation's consolidated financial statements as at and for the year ended March 31, 2018. The First Nation has not determined if any events or transactions that significantly affect the consolidated financial position or results of operations of the First Nation occurred during the period from June 1, 2017 to March 31, 2018. Therefore, these consolidated financial statements do not reflect such events or transactions, should any exist. In addition, the Corporate Group government business enterprises and partnerships are reporting under Canadian accounting standards for private enterprises instead of international financial reporting standards, as required by Canadian public sector accounting standards. As a result of the matters discussed above, we were unable to determine whether any adjustments were required to the First Nation'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) as at and for the year ended March 31, 2018.

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 consolidated financial position of Acho Dene Koe First Nation as at March 31, 2018, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP' in a stylized, cursive font. A thin horizontal line is drawn through the signature.

Chartered Professional Accountants

April 4, 2019

Prince George, Canada

ACHO DENE KOE FIRST NATION

Consolidated Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets:		
Cash and cash equivalents	\$ 758,396	\$ 765,938
Restricted cash	56,333	56,333
Portfolio investments (note 2)	2,974,732	2,872,223
Accounts receivable (note 3)	35,173	38,015
Contributions receivable (note 4)	288,087	328,563
Due from related parties (note 5)	659,963	683,923
Investments in government business enterprises and partnerships (note 6)	3,891,907	3,951,991
	<u>8,664,591</u>	<u>8,696,986</u>
Financial Liabilities:		
Accounts payable and accrued liabilities (note 7)	202,278	221,946
Contributions repayable (note 8)	37,174	58,859
Deferred revenue (note 9)	249,033	88,168
Treaty negotiation loan payable (note 10)	179,200	179,200
	<u>667,685</u>	<u>548,173</u>
Net financial assets	7,996,906	8,148,813
Non-Financial Assets:		
Tangible capital assets (note 11)	72,135	64,316
Prepaid expenses	54,214	8,170
	<u>126,349</u>	<u>72,486</u>
Contingencies (note 12)		
Economic dependence (note 13)		
Accumulated surplus (note 14)	<u>\$ 8,123,255</u>	<u>\$ 8,221,299</u>

See accompanying notes to consolidated financial statements.

On behalf of the First Nation:

Chief

Councilor

ACHO DENE KOE FIRST NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenues:		
Indigenous Services Canada	\$ 780,244	\$ 725,976
Government of Northwest Territories	232,699	120,273
Other income	46,011	83,441
Deh Cho First Nation	34,716	-
Resource royalties	-	336,963
Administration fees	-	3,634
	1,093,670	1,270,287
Expenses:		
Cultural development	38,817	1,762
General community services	180,676	92,869
Governance and administration	856,087	833,175
Land, resources and economic development	87,111	231,708
Social development	72,826	-
	1,235,517	1,159,514
(Deficiency) excess of revenues over expenses before the undernoted items	(141,847)	110,773
Investment income	103,887	182,228
Equity in loss from government business enterprises and partnerships (note 6)	(60,084)	(92,100)
Annual (deficit) surplus	(98,044)	200,901
Accumulated surplus, beginning of year	8,221,299	8,020,398
Accumulated surplus, end of year	\$ 8,123,255	\$ 8,221,299

See accompanying notes to consolidated financial statements.

ACHO DENE KOE FIRST NATION

Consolidated Statement of Remeasurement Gains

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Accumulated remeasurement gains, beginning of year	\$ 422,197	\$ 350,032
Change in remeasurement gains on portfolio investments for the year	(60,253)	72,165
Accumulated remeasurement gains, end of year	\$ 361,944	\$ 422,197

See accompanying notes to consolidated financial statements.

ACHO DENE KOE FIRST NATION

Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Annual (deficit) surplus	\$ (98,044)	\$ 200,901
Loss on disposal of tangible capital assets	-	3,408
Amortization of tangible capital assets	5,565	10,141
Additions of tangible capital assets	(13,384)	-
(Increase) decrease in prepaid expenses	(46,044)	14,847
(Decrease) increase in net financial assets	(151,907)	229,297
Net financial assets, beginning of year	8,148,813	7,919,516
Net financial assets, end of year	\$ 7,996,906	\$ 8,148,813

See accompanying notes to consolidated financial statements.

ACHO DENE KOE FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Cash generated from operations:		
Surplus (deficit)	\$ (98,044)	\$ 200,901
Items not involving cash:		
Amortization	5,565	10,141
Loss on sale of tangible capital assets	-	3,408
Equity in loss on investment in government business enterprises and partnerships (note 6)	60,084	92,100
	<u>(32,395)</u>	<u>306,550</u>
Changes in non-cash operating working capital:		
Accounts receivable	2,841	(1,640)
Contributions receivable	40,476	(222,185)
Prepaid expenses	(46,043)	14,847
Portfolio investments	(102,509)	(182,149)
Accounts payable	(19,667)	122,745
Contributions repayable	(21,685)	(16,632)
Deferred revenue	160,865	-
	<u>(18,117)</u>	<u>21,536</u>
Investing:		
Advances from related party	23,960	22,050
<u>Purchase of tangible capital assets</u>	<u>(13,385)</u>	<u>-</u>
	<u>10,575</u>	<u>22,050</u>
(Decrease) increase in cash and cash equivalents	(7,542)	43,586
Cash and cash equivalents, beginning of year	822,271	778,685
Cash and cash equivalents, end of year	\$ 814,729	\$ 822,271
Cash and cash equivalents consist of:		
Restricted cash	\$ 56,333	\$ 56,333
Cash and cash equivalents	758,396	765,938
	<u>\$ 814,729</u>	<u>\$ 822,271</u>

See accompanying notes to consolidated financial statements.

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

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 expenses of the Acho Dene Koe First Nation (the "First Nation") and all related entities and organizations subject to control by the First Nation. 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 Chief and 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.

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

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

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

(i) Investments in government business enterprises and partnerships:

The First Nation records its investments in government business enterprises (GBE's) and government business partnerships (GBP's) 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 GBE's and GBP's account for their transactions under accounting standards for private enterprises due to the fact that management believes that the differences between accounting standards for private enterprises and international financial reporting standards are not significant.

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

- ADK Holdings Ltd. - 100% interest
- Shiha Energy Transmission Ltd. - 10% interest

The First Nation's investments in government business partnerships 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
- Shiha Energy Transmission Limited Partnership - 10% interest

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

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
Boat	15%
Building	4%
Computer	30%
Computer - website	30%
Office equipment	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.

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

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

(d) Revenue recognition:

Government transfers and grant revenue are recognized as the First Nation becomes entitled to the funding under the terms of applicable funding agreements and are recorded in the period in which the resources are used for the purpose specified in the agreements. Restricted funding received which relates to a subsequent fiscal period or which stipulations that give rise to an obligation are reported as deferred revenue until the resources are used for the purpose or purposes specified and/or the stipulations giving rise to an obligation have been met.

Investment income includes interest, dividends and pooled investment income. Restricted investment income is recognized as revenue in the period 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 period in which the transactions or events occurred that gave rise to the revenue if reasonably assured.

(e) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards (the "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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates include assumptions used in estimating valuation of accounts receivable, contributions receivable and investments in GBEs and GBPs. Actual results could differ from those estimates.

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

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

(f) Financial instruments:

Financial instruments, except amounts due to or from related parties, are recorded at fair value on initial recognition. 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 expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. When a decline is determined to be other than temporary, the amount of the loss is reported in the consolidated statement of operations and any unrealized gain is adjusted through the consolidated statement of remeasurement gains.

When the asset is sold, the unrealized gains and losses previously recognized in the consolidated statement of remeasurement gains are reversed and recognized in the consolidated 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.

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

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

(g) Budget data:

As no formal budget was approved by Chief and Council for the 2018 fiscal year, budget data has not been presented.

(h) Allocation of expenses:

The Chief and Council records a number of the First Nation's 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 the First Nation's 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 note 19 and Schedule 2 to the consolidated financial statements.

(j) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- (a) an environmental standard exists,
- (b) contamination exceeds the environmental standard,
- (c) the organization is directly responsible or accepts responsibility for the liability,
- (d) future economic benefits will be given up, and
- (e) a reasonable estimate of the liability can be made.

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

2. Portfolio investments:

	Level	2018 Cost	2018 Fair value	2017 Cost	2017 Fair value
Pooled funds:					
CIBC short term bond pool	1	\$ 971,368	\$ 950,753	\$ 816,308	\$ 814,478
CIBC Canadian bond pool	1	836,630	873,023	800,360	850,420
CIBC International bond pool	1	108,995	123,973	96,346	110,712
CIBC Canadian dividend income pool	1	242,816	290,198	234,518	303,452
CIBC USD equity pool	1	177,754	325,125	206,012	381,911
CIBC International equity pool	1	275,313	411,660	296,483	411,250
		\$ 2,612,876	\$ 2,974,732	\$ 2,450,027	\$ 2,872,223

3. Accounts receivable:

	2018	2017
Member receivables	\$ 26,132	\$ 26,782
Payroll advances	29,256	28,796
Goods and services tax	29,868	33,210
Other	4,805	4,805
	90,061	93,593
Less allowance for doubtful accounts- member receivables	(25,632)	(26,782)
Less allowance for doubtful accounts- payroll advances	(29,256)	(28,796)
	\$ 35,173	\$ 38,015

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

4. Contributions receivable:

Contributions receivable reflect the amount of funding that is due to the First Nation from the various funding agencies. The following table shows the amounts receivable by the First Nation at March 31:

	2018	2017
Indigenous Services Canada:		
Governance capacity	\$ 14,500	\$ -
Consult & policy development	5,000	-
Negotiation preparedness	34,500	20,000
Self government- inherent right	34,500	20,000
Community development	30,800	20,000
Land use planning	75,000	15,000
NWT Water Board	-	15,750
Core funding	9,242	2,094
	<hr/> 203,542	92,844
Other	30,412	-
Deh Cho First Nation:		
Language	25,433	8,075
Government of Northwest Territories:		
ENR - Wildlife division	-	15,000
ITI - Arctic Oil & Gas	-	361
ITI - Handgames & Fall	-	3,901
Education, culture, and employment	237	-
Community justice	1,666	-
General	1,798	-
GNWT Environment & Natural Resources ADK		
Boreal	4,021	-
Resource revenue sharing	-	191,582
Land based healing	11,203	-
ENR - IRMA	6,000	16,800
Land use forum	1,775	-
MVRMA Workshop	2,000	-
	<hr/> 28,700	227,644
	<hr/> \$ 288,087	\$ 328,563

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

5. Due from related parties:

Net balances due from related parties consist of the following:

	2018	2017
Due from Liard Fuel Centre Limited Partnership	\$ 103,528	\$ 103,528
Due from ADK Holdings Limited	37,837	60,109
Due from Deh Cho Air Limited Partnership	287,778	287,778
Due from Beaver Enterprises Limited Partnership	98,622	100,310
Due from Acho Real Estate Limited Partnership	3,439	3,439
Due from Acho Camps & Catering Limited Partnership	128,759	128,759
	<hr/>	<hr/>
	\$ 659,963	\$ 683,923

Net balances due from related parties are non-interest bearing, are unsecured and have no set terms of repayment.

6. Investments in government business enterprises and partnerships:

Due to the Corporate Group year ends not coinciding with the year end of the First Nation, the following amounts are presented as at March 31, 2017 and 2016 rather than at March 31, 2018 and 2017.

The transactions for the period between April 1, 2017 and March 31, 2018 have not been recorded as management believes they are not significant.

	2017	2016
Acho Camps & Catering Limited Partnership	\$ (528,784)	\$ (532,463)
Acho Real Estate Limited Partnership	(353,952)	(353,515)
ADK Holdings Limited	876,240	927,129
ADK Petroleum Limited Partnership	3,695,302	3,570,766
Beaver Enterprises Limited Partnership	1,018,480	1,293,196
Deh Cho Air Limited Partnership	(173,776)	(174,235)
Liard Fuel Centre Limited Partnership	(629,472)	(766,756)
Nahendeh Investments Limited Partnership	(19,151)	(19,151)
Shiha Energy Transmission Limited Partnership	7,010	7,010
Shiha Energy Transmission Ltd.	10	10
	<hr/>	<hr/>
	\$ 3,891,907	\$ 3,951,991

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

6. Investments in government business enterprises and partnerships (continued):

	2017	2016
Profit (loss) on investments in subsidiaries:		
Acho Camps & Catering Limited Partnership	\$ 3,679	\$ (257,319)
Acho Real Estate Limited Partnership	(437)	(6,516)
ADK Holdings Limited	(50,889)	12,770
ADK Petroleum Limited Partnership	124,536	114,921
Beaver Enterprises Limited Partnership	(274,716)	(43,015)
Deh Cho Air Limited Partnership	459	4,197
Liard Fuel Centre Limited Partnership	137,284	90,006
Nahendeh Investments Limited Partnership	-	(2,144)
Shiha Energy Transmission Limited Partnership	-	(5,000)
	<hr/> \$ (60,084)	<hr/> \$ (92,100)

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:

	2017	2016
Financial position:		
Current assets	\$ 411,933	\$ 1,061,739
Receivable from related parties	116,578	29,649
Long term investment	658,025	658,025
Property and equipment	2,594,235	3,050,039
Total assets	3,780,771	4,799,452
Current liabilities	231,702	1,591,171
Payable to related parties	2,555,886	2,515,330
Long-term debt	1,521,967	1,225,414
Total liabilities	4,309,555	5,331,915
Total partners' deficiency	\$ (528,784)	\$ (532,463)
Results of operations:		
Revenues	\$ 950,909	\$ 806,328
Expenses	947,230	1,063,647
Net income (loss) income for the year	<hr/> \$ 3,679	<hr/> \$ (257,319)

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

6. Investments in government business enterprises and partnerships (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:

	2017	2016
Financial position:		
Current assets	\$ 18,863	\$ 9,975
Receivable from related parties	107,350	56,858
Income producing properties	512,123	541,527
Total assets	638,336	608,360
Current liabilities	56,338	75,736
Non-current liabilities	935,949	886,138
Total liabilities	992,287	961,874
Total partners' deficiency	\$ (353,951)	\$ (353,514)
Results of operations:		
Revenues	\$ 139,982	\$ 142,539
Expenses	140,419	149,055
Net loss for the year	\$ (437)	\$ (6,516)

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

6. Investments in government business enterprises and partnerships (continued):

c) ADK Holdings Limited:

ADK Holdings Limited is a private company whose principal activities include ownership and operation of an office building and being the General Partner to the following limited partnerships: Acho Camps and Catering Limited Partnership, Acho Real Estate Limited Partnership, ADK Petroleum Limited Partnership, Beaver Enterprises Limited Partnership, Deh Cho Air Limited Partnership, Liard Fuel Centre Limited Partnership and Nahendeh Investments Limited Partnership. On June 1, 2013, ADK Holdings Ltd. and ADK Camps & Catering Management Ltd., were amalgamated under the name of ADK Holdings Ltd. The following table provides condensed supplementary financial information for the ADK Holdings Limited for the year ended May 31:

	2017	2016
Financial position:		
Current assets	\$ 24,782	\$ 63,771
Receivable from related parties	1,482,593	1,456,104
Long term investments	10	10
Equipment	27,125	30,939
Income producing properties	563,307	586,778
Total assets	2,097,817	2,137,602
Current liabilities	91,124	73,792
Non-current liabilities	20,409	1,136,678
Total liabilities	111,533	1,210,470
Total equity	\$ 1,986,284	\$ 927,132
Results of operations:		
Revenues	\$ 706,240	\$ 727,975
Expenses	757,129	715,205
Net (loss) income for the year	\$ (50,889)	\$ 12,770

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

6. Investments in government business enterprises and partnerships (continued):

d) 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 First Nation in the Northwest Territories, British Columbia and Yukon. The following table provides condensed supplementary financial information for the ADK Petroleum Limited Partnership for the year ended May 31:

	2017	2016
Financial position:		
Current assets	\$ 34,359	\$ 33,451
Other receivable	3,160	2,875
Receivable from related parties	3,745,086	3,601,044
Long term investment	1	1
Total assets	3,782,606	3,637,371
 Current liabilities	 6,398	 12,501
Payable to related parties	80,902	54,100
Total liabilities	87,300	66,601
 Total partners' equity	 \$ 3,695,306	 \$ 3,570,770
 Results of operations:		
Revenues	\$ 144,328	\$ 138,867
Expenses	19,792	23,946
 Net income for the year	 \$ 124,536	 \$ 114,921

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

6. Investments in government business enterprises and partnerships (continued):

e) 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:

	2017	2016
Financial position:		
Current assets	\$ 877,213	\$ 836,545
Receivable from related parties	2,414,488	2,495,504
Equipment	1,243,983	1,704,018
Total assets	4,535,684	5,036,067
 Current liabilities	 1,117,179	 1,115,678
Payable to related parties	2,377,173	2,211,338
Long-term debt	22,849	415,852
Total liabilities	3,517,201	3,742,868
 Total partners' equity	 \$ 1,018,483	 \$ 1,293,199
 Results of operations:		
Revenues	\$ 3,040,882	\$ 4,010,370
Expenses	3,315,598	4,053,385
 Net loss for the year	 \$ (274,716)	 \$ (43,015)

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

6. Investments in government business enterprises and partnerships (continued):

f) 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 First Nation. The following table provides condensed supplementary financial information for the Deh Cho Air Limited Partnership for the year ended May 31:

	2017	2016
Financial position:		
Current assets	\$ -	\$ 25,000
Long-term investments	438,782	425,128
Total assets	438,782	450,128
Current liabilities	4,199	7,000
Payable to related parties	608,359	617,363
Total liabilities	612,558	624,363
Total partners' deficiency	\$ (173,776)	\$ (174,235)
Results of operations:		
Revenues	\$ 13,654	\$ 16,814
Expenses	13,195	12,617
Net income for the year	\$ 459	\$ 4,197

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

6. Investments in government business enterprises and partnerships (continued):

g) 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 the 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:

	2017	2016
Financial position:		
Current assets	\$ 211,096	\$ 194,729
Receivable from related parties	166,580	156,305
Property and equipment	137,563	146,161
Total assets	515,239	497,195
Current liabilities	259,512	307,741
Payable to related parties	872,373	941,958
Deferred government assistance	12,826	14,251
Total liabilities	1,144,711	1,263,950
Total partners' deficiency	\$ (629,472)	\$ (766,755)
Results of operations:		
Revenues	\$ 1,461,383	\$ 1,456,585
Expenses	1,324,099	1,366,579
Net income for the year	\$ 137,284	\$ 90,006

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

6. Investments in government business enterprises and partnerships (continued):

h) 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 First Nation. The following table provides condensed supplementary financial information for the Nahendeh Investments Limited Partnership for the year ended May 31:

	2017	2016
Financial position:		
Current assets	\$ 4,556	\$ 4,556
Total assets	4,556	4,556
Current liabilities	21,562	21,562
Total liabilities	21,562	21,562
Total partners' deficiency	\$ (17,006)	\$ (17,006)
Results of operations:		
Expenses	-	2,558
Loss for the year	\$ -	\$ (2,558)

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

6. Investments in government business enterprises and partnerships (continued):

i) 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:

	2017	2016
Financial position:		
Current assets	\$ 257,000	\$ 269,000
Total assets	257,000	269,000
Asset retirement obligation	171,000	171,000
Total liabilities	171,000	171,000
Total partners' equity	\$ 86,000	\$ 98,000
Results of operations:		
Expenses	12,000	32,000
Loss for the year	\$ (12,000)	\$ (32,000)

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

6. Investments in government business enterprises and partnerships (continued):

j) 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:

	2017	2016
Financial position:		
Current assets	\$ 100	\$ 100
Share in Partnership equity	9	10
Total assets	109	110
Due to related parties	3,830	3,830
Total liabilities	3,830	3,830
Total deficiency	\$ (3,721)	\$ (3,720)
Results of operations:		
Expenses	(1)	(3)
Loss for the year	\$ (1)	\$ (3)

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

7. Accounts payable and accrued liabilities:

	2018	2017
Accounts payable	\$ 77,101	\$ 74,778
Accrued liabilities	110,774	91,931
Payroll accruals	2,127	43,581
Member payables	12,276	11,656
	<hr/> \$ 202,278	<hr/> \$ 221,946

8. Contributions repayable:

The First Nation receives government funding for various programs each year. If the amounts received are not spent within the timelines set out by the funding agencies, the funding agency can ask the First Nation to repay the unspent amounts. The following table is a summary of the projects and amounts that the First Nation could have to repay to the funding agencies as at March 31:

	2018	2017
Indigenous Services Canada:		
Government of Canada	\$ -	\$ 10,159
Government of Northwest Territories:		
Community justice	37,174	48,700
	<hr/> \$ 37,174	<hr/> \$ 58,859

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

9. Deferred revenue:

	2018	2017
BC Treaty Commission	\$ 56,333	\$ 56,333
Indigenous and Northern Affairs Canada	160,865	-
Deh Cho First Nation - Advisory Services	31,835	31,835
	<hr/> \$ 249,033	<hr/> \$ 88,168

10. Treaty negotiation loan payable:

On August 2, 2012, the Council entered into a First Nation Negotiation Support Agreement (the "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:

	2018	2017
Total loan funding	\$ 339,000	\$ 339,000
Non-repayable contributions	(159,800)	(159,800)
 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, 2018, \$56,333 (2017 - \$56,333) of unspent negotiation support funding was classified as restricted cash under the terms of the Agreement.

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

11. Tangible capital assets:

Cost	Balance at March 31, 2017	Additions	Disposals	Balance at March 31, 2018
Building	\$ 111,916	\$ -	\$ -	\$ 111,916
Boat	-	-	-	-
Computer	45,609	4,084	-	49,693
Computer - website	44,000	-	-	44,000
Office equipment	1,527	9,300	-	10,827
	\$ 203,052	\$ 13,384	\$ -	\$ 216,436

Accumulated amortization	Balance at March 31, 2017	Disposals	Amortization expense	Balance at March 31, 2018
Building	\$ 51,249	\$ -	\$ 2,427	\$ 53,676
Computer	42,057	-	2,189	44,246
Computer - website	44,000	-	-	44,000
Office equipment	1,430	-	949	2,379
	\$ 138,736	\$ -	\$ 5,565	\$ 144,301

Net book value March 31, 2017	Net book value March 31, 2018
Building	\$ 60,667
Computer	3,552
Office equipment	97
	\$ 64,316
	\$ 58,241
	5,447
	8,447
	\$ 72,135

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

12. Contingencies:

- (a) In addition, in the normal course of its operations, the 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 the First Nation's consolidated financial statements.
- (b) The First Nation is the beneficiary of funds held in trust by TransCanada Corporation of approximately \$1,000,000, payable over a ten year period. The First Nation is the beneficiary of funds held in trust by Quicksilver Resources of \$9,000 per year for Phase I - Pre Construction, \$15,000 per year for Phase II - Construction and \$75,000 for Phase III - Operation. The First Nation and Quicksilver are currently in Phase I and there is no guarantee that the parties will enter Phase II or Phase III. Receipts of the funding is contingent upon the First Nation and the funders establishing independent advisory boards. At March 31, 2018, the First Nation had received \$64,000 in funding from TransCanada Corporation.

13. Economic dependence:

The First Nation receives a major portion of its revenue from Indigenous and Northern Affairs Canada and the Department of Municipal and Community Affairs of the Government of Northwest Territories. The nature and extent of these revenues are of such significance that the First Nation is economically dependent on these sources of revenue.

14. Accumulated surplus:

Surplus (deficit) is as follows:

	2018	2017
Unrestricted funds:		
General Operating Fund	\$ (158,388)	\$ (8,722)
Enterprise Fund	7,847,564	7,743,508
Equity in tangible capital assets (note 17)	72,135	64,316
Accumulated remeasurement gains	361,944	422,197
	<hr/> \$ 8,123,255	<hr/> \$ 8,221,299

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

15. 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:

	2018	2017
ADK Holdings Ltd.		
Expenses:		
Rent	\$ 21,000	\$ 21,000
Travel	1,000	1,212
Acho Real Estate Limited Partnership		
Expenses:		
Rent	\$ 1,301	\$ 3,720
Liard Fuel Center Limited Partnership		
Expenses:		
Utilities	\$ 922	\$ 3,248
Fuel	23,715	15,289

16. 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.

ACHO DENE KOE FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

16. Financial risks and concentration of risk: (continued):

(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.

(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 2.

There has been no change to the risk exposures from 2017.

17. Invested in tangible capital assets:

	2018	2017
Balance, beginning of year	\$ 64,316	\$ 77,865
Acquisition of tangible capital assets	13,384	
Amortization of tangible capital assets	(5,565)	(10,141)
Loss on sale of tangible capital assets	-	(3,408)
 Balance, end of year	 \$ 72,135	 \$ 64,316

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, 2018

19. Segment reporting:

Segmented information has been identified based upon lines of services provided by the First Nation. Certain lines of services that have been separately disclosed are summarized below, with activities for the year ended March 31, 2018 summarized in Schedule 2.

- (a) Cultural development
 - Cultural resource management operates natural and cultural resource related projects for the First Nation.
- (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's governance, administration, finance, human resources and legislative services.
- (d) Land, resources and economic development
 - Land, resources and economic development 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, British Columbia, Yukon and Northwest Territories.