



# Salt River First Nation #195

P.O. Box 960

Fort Smith, NT X0E 0P0

Phone (867) 872-2986 Fax (867) 872-3550

## Management's Responsibility

To the Members of Salt River First Nation:

The accompanying consolidated financial statements of Salt River First Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Salt River First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Chief and Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Chief and Council is also responsible for recommending the appointment of the First Nation's external auditors.

MNP LLP is appointed by the Chief and Council on behalf of the members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Chief and Council and management to discuss their audit findings.

Chief Financial  
Officer

## **Independent Auditor's Report**

---

To the Members of Salt River First Nation:

### **Opinion**

We have audited the consolidated financial statements of Salt River First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, accumulated surplus, changes in net financial assets (net debt), cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations, changes in its consolidated net financial assets (net debt) and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## Independent Auditor's Report

---

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Leduc, Alberta

October 7, 2020

*MNP LLP*

Chartered Professional Accountants

**MNP**

**Salt River First Nation**  
**Consolidated Statement of Financial Position**  
*As at March 31, 2019*

	2019	2018
<b>Financial assets</b>		
Cash and cash equivalents (Note 4)	1,885,614	8,421,931
Accounts receivable		
Indigenous Services Canada	300,144	785,474
Government of Northwest Territories	551,999	471,975
First Nations and Inuit Health Branch	176,397	253,978
Other accounts receivable	102,882	88,973
Goods and Services Tax receivable	61,175	51,302
Investment in Denendeh Investments Limited Partnership	175	175
Investment in and advances to First Nation business entity (Note 5)	6,363,348	7,053,614
<b>Total financial assets</b>	<b>9,441,734</b>	<b>17,127,422</b>
<b>Liabilities</b>		
Accounts payable and accruals	2,108,365	1,583,602
Deferred revenue (Note 6)	-	4,498,149
Long-term debt (Note 7)	15,497,009	9,758,676
<b>Total liabilities</b>	<b>17,605,374</b>	<b>15,840,427</b>
<b>Net financial assets (debt)</b>	<b>(8,163,640)</b>	<b>1,286,995</b>
<b>Contingencies (Note 8)</b>		
<b>Subsequent event</b>		
<b>Commitments (Note 9)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Note 15) (Schedule 1)	24,502,882	12,377,810
Prepaid expenses (Note 10)	98,893	165,443
<b>Total non-financial assets</b>	<b>24,601,775</b>	<b>12,543,253</b>
<b>Accumulated surplus (Note 11)</b>	<b>16,438,135</b>	<b>13,830,248</b>

Approved by:



Chief



Councillor

**Salt River First Nation**  
**Consolidated Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2019*

	<i>Schedules</i>	<i>2019 Budget</i>	<i>2019</i>	<i>2018</i>
<b>Revenue</b>				
Settlement Trust distributions <i>(Note 12)</i>		4,289,222	4,498,149	3,950,327
Indigenous Services Canada		329,500	1,014,058	849,702
Government of Northwest Territories		552,145	986,074	1,028,947
First Nations and Inuit Health Branch		244,208	254,397	254,397
Other revenue		90,000	389,823	172,092
Interest income		-	48,154	22,649
Funding returned to funder		-	(78,000)	(3,000)
Deferred revenue - prior year		-	-	101,509
		<b>5,505,075</b>	<b>7,112,655</b>	<b>6,376,623</b>
<b>Expenses</b>				
Administration, Finance	3	960,300	813,854	948,865
Governance, Justice	4	1,186,600	938,165	1,285,853
Culture, Education	5	403,600	296,989	563,205
Human Resource Development	6	59,500	59,500	97,915
Lands, Public Works	7	331,500	483,669	485,226
Homeless Shelter	8	222,600	121,471	232,150
Child and Family Development	9	344,353	210,618	354,275
Membership	10	825,383	949,084	847,503
SRFN Youth & Education Foundation	11	-	126,318	122,234
<b>Total expenses</b>		<b>4,333,836</b>	<b>3,999,668</b>	<b>4,937,226</b>
<b>Surplus before other items</b>		<b>1,171,239</b>	<b>3,112,987</b>	<b>1,439,397</b>
<b>Other revenue (expenses)</b>				
Gain on disposal of tangible capital assets		-	4,423	-
Payroll tax settlement		-	2,919	-
Unrecoverable GST		-	(10,316)	(10,592)
Kaasers account write-off		-	(40,624)	-
Results of SRFN Development Corporation operations <i>(Note 5)</i>		-	(163,532)	(174,979)
Amortization of tangible capital assets <i>(Schedule 1)</i>		-	(297,970)	(243,954)
		-	<b>(505,100)</b>	<b>(429,525)</b>
<b>Surplus</b>		<b>1,171,239</b>	<b>2,607,887</b>	<b>1,009,872</b>
<b>Accumulated surplus, beginning of year</b>		<b>13,830,248</b>	<b>13,830,248</b>	<b>12,820,376</b>
<b>Accumulated surplus, end of year <i>(Note 11)</i></b>		<b>15,001,487</b>	<b>16,438,135</b>	<b>13,830,248</b>

The accompanying notes are an integral part of these financial statements

**Salt River First Nation**  
**Consolidated Statement of Change in Net Financial Assets (Net Debt)**  
*For the year ended March 31, 2019*

	<b>2019 Budget</b>	<b>2019</b>	<b>2018</b>
<b>Surplus</b>	<b>1,171,239</b>	<b>2,607,887</b>	<b>1,009,872</b>
Purchases of tangible capital assets	-	(12,480,619)	(7,769,305)
Gain on sale of tangible capital assets	-	(4,423)	-
Amortization of tangible capital assets	-	297,970	243,954
Proceeds on disposal of tangible capital assets	-	62,000	-
Acquisition of prepaid expenses	-	66,550	(45,699)
<b>Increase (decrease) in net financial assets</b>	<b>1,171,239</b>	<b>(9,450,635)</b>	<b>(6,561,178)</b>
<b>Net financial assets, beginning of year</b>	<b>1,286,995</b>	<b>1,286,995</b>	<b>7,848,173</b>
<b>Net financial assets (debt), end of year</b>	<b>2,458,234</b>	<b>(8,163,640)</b>	<b>1,286,995</b>

*The accompanying notes are an integral part of these financial statements*

**Salt River First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2019*

	2019	2018
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Cash receipts from contributors	3,025,458	5,899,583
Cash paid to suppliers	(2,692,509)	(3,570,693)
Cash paid to employees	(1,119,341)	(1,528,321)
Interest received	22,843	17,264
Interest paid	(7,702)	(14,121)
	(771,251)	803,712
<b>Financing activities</b>		
Advances of long-term debt	6,034,687	9,800,200
Repayment of long-term debt	(271,043)	(36,139)
	5,763,644	9,764,061
<b>Capital activities</b>		
Purchases of tangible capital assets	(12,117,444)	(6,443,525)
Proceeds on disposal of tangible capital assets	62,000	-
<b>Investing activities</b>		
Advances to First Nation business entity	-	(94,556)
Repayment from First Nation business entity	526,734	-
<b>Increase (decrease) in cash resources</b>	(6,536,317)	4,029,692
<b>Cash resources, beginning of year</b>	8,421,931	4,392,239
<b>Cash resources, end of year</b>	1,885,614	8,421,931

*The accompanying notes are an integral part of these financial statements*

**Salt River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

---

**1. Operations**

The Salt River First Nation (the "First Nation") is located in the Northwest Territories and provides various services to its members. Salt River First Nation includes the First Nation's members, government and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

**2. Significant accounting policies**

These consolidated financial statements are the representations of management, and are prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada and are consistent with accounting policies set out by the Department of Indigenous Services Canada ("ISC"). Significant aspects of the accounting policies adopted by the First Nation are as follows:

***Reporting entity***

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities. Trusts administered on behalf of third parties by Salt River First Nation, including the Salt River First Nation Settlement Trust (the "Trust"), are excluded from the First Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Salt River First Nation
- Salt River First Nation Youth & Education Foundation

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Salt River First Nation business entities, owned or controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include the Salt River First Nation Development Corporation.

***Basis of presentation***

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

***Measurement uncertainty (use of estimates)***

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Investment in First Nation business entities is stated after evaluation as to valuation and collectibility of advances. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the First Nation is responsible for.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in surplus in the periods in which they become known.

***Cash and cash equivalents***

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.



**Salt River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

---

**2. Significant accounting policies** *(Continued from previous page)*

**Portfolio investments**

Long-term investments in entities that are not owned, controlled or influenced by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

**Asset classification**

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

**i. Tangible capital assets**

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible capital assets are recorded at their fair value at the date of contribution. Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	<b>Method</b>	<b>Rate</b>
Buildings	straight-line	20 years
Automotive equipment	declining balance	30 %
Computer equipment and software	declining balance	30 %
Office furniture and equipment	declining balance	20 %

**ii. Prepaid expenses**

Prepaid expenses include retainers advanced to legal counsel and pre-payments on goods and services which will be utilized in the following fiscal year.

**Long-lived assets**

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in surplus for the year.

**Net financial assets**

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

**Salt River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

---

**2. Significant accounting policies** *(Continued from previous page)*

***Liability for contaminated sites***

A liability for remediation of contaminated sites is recognized at the best estimate of the amount required to remediate the contaminated sites when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2019.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation has not recognized a liability for contaminated sites at March 31, 2019 because it is not expected that economic benefits will be given up.

***Revenue recognition***

***Government transfers***

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

***Settlement trust and other revenue***

Other sources of revenue are recorded when received or receivable.

***Segments***

The First Nation conducts its business through 10 reportable segments: Administration, Finance; Governance, Justice; Culture, Education; Human Resource Development; Lands, Public Works; Homeless Shelter; Child and Family Development; Membership; SRFN Youth & Education Foundation; and Other. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Administration fees have been apportioned based on a percentage of budgeted revenue, where permitted by the funder.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed above. Inter-segment transfers are recorded at their exchange amount.

**3. Change in accounting policy**

Effective April 1, 2018, the First Nation adopted the recommendations relating to the following Section, as set out in the CPA Canada Public Sector Accounting Standards Handbook:

- **PS 3430 Restructuring Transactions**

Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements of adopting the new Section.

**Salt River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**4. Cash and cash equivalents**

	2019	2018
Operations	1,080,196	2,047,226
Youth & Education Foundation	630,937	751,047
Per capita distribution	109,858	(14,569)
Savings	47,935	4,565,952
Nesbitt Burns (infrastructure)	11,143	1,066,730
TD Waterhouse cash accounts	5,545	5,545
	<b>1,885,614</b>	<b>8,421,931</b>

**5. Investment in and advances to First Nation business entity**

					2019
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Accumulated earnings in equity</i>	<i>Current loss in equity</i>	<i>Total investment</i>
<b>Wholly-owned Business:</b>					
Salt River First Nation Development Corporation	100	7,978,477	(1,615,229)	-	6,363,348

					2018
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Accumulated earnings in equity</i>	<i>Current loss in equity</i>	<i>Total investment</i>
<b>Wholly-owned Business:</b>					
Salt River First Nation Development Corporation	100	8,505,211	(1,276,718)	(174,979)	7,053,614

Amounts due from the Salt River First Nation Development Corporation are unsecured, non-interest bearing, and have no specified terms of repayment, and arose from cash transfers to fund operations and purchase tangible capital assets.

Salt River First Nation did not have any non-cash transfers to or from the Salt River Development Corporation in the year.

**Salt River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**5. Investments in and advances to First Nation business entity (Continued from previous page)**

Summary financial information for the First Nation business enterprise, accounted for using the modified equity method, for the year ended March 31, 2019 is as follows:

	<i>Salt River First Nation Development Corporation As at December 31, 2019</i>
<b>Assets</b>	
Cash	945,650
Accounts receivable	348,994
Prepaid expenses	13,682
Inventory	365,785
Property and equipment	4,836,379
<b>Total assets</b>	<b>6,510,490</b>
<b>Liabilities</b>	
Accounts payable and accruals	148,264
Due to Salt River First Nation	7,978,477
<b>Total liabilities</b>	<b>8,126,741</b>
<b>Equity</b>	<b>(1,616,251)</b>
<b>Total revenue</b>	<b>6,834,610</b>
<b>Total expenses</b>	<b>6,998,141</b>
<b>Net loss, being comprehensive loss</b>	<b>(163,531)</b>

**6. Deferred revenue**

Deferred revenue consists of revenue that has not yet been allocated to programs, revenue that has been allocated to programs to be carried out in future years, and the unexpended portion of revenue on programs in progress at March 31, 2019.

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year</i>	<i>Funds received</i>	<i>Transferred to revenue</i>	<i>Balance, end of year</i>
Settlement Trust funds	4,498,149	-	4,498,149	-

**Salt River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**7. Long-term debt**

	2019	2018
First Nations Finance Authority debenture, repayable in monthly blended instalments of \$58,482 including interest at 3.65%, maturing September 2028, amortized over a 30 year term.	10,153,374	-
Debt reserve fund of the First Nations Finance Authority debenture as required under subsection 82(2) of the First Nations Fiscal Management Act.	(531,291)	(258,701)
First Nations Finance Authority debenture, repayable in monthly blended instalments of \$23,692 including interest at 3.35%, maturing June 2027, amortized over a 30 year term.	5,013,444	5,121,861
Debt reserve fund of the First Nations Finance Authority debenture as required under subsection 82(2) of the First Nations Fiscal Management Act.	(272,825)	(262,484)
First Nations Finance Authority interim long-term financing requiring interest only payments at 3.75% (2018 - 3.35%) until issuance of securities by the First Nations Finance Authority.	1,226,000	5,158,000
Debt reserve fund of the First Nations Finance Authority debenture as required under subsection 82(2) of the First Nations Fiscal Management Act.	(61,579)	-
Secured Revenue Trust Account of the First Nations Finance Authority as required under subsection 82(2) of the First Nations Fiscal Management Act.	(30,113)	-
	<b>15,497,010</b>	<b>9,758,676</b>
Less: less: current portion	<b>321,488</b>	<b>115,155</b>
	<b>15,175,522</b>	<b>9,643,521</b>

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2020	321,488
2021	350,221
2022	361,219
2023	372,564
2024	384,267

Interest on long-term debt totaling \$483,764 (2018 - \$165,995) has been capitalized as part of buildings. As a result, the interest paid has been included in purchases of tangible capital assets on the statement of cash flows.

Of the \$6,384,000 (2018 - \$10,316,000) in advances from the debenture and interim long-term financing, \$319,200 (2018 - \$515,800) was retained to fund the required debt reserve funds. The funding of the debt reserve funds is a non-cash transaction and is therefore excluded from the advances of long-term debt on the statement of cash flows.

The debt reserve funds earn interest at 1.6% - 3.94% (2018 - 1.1%) per annum. The interest earned in the year totalling \$25,311 (2018 - \$5,385) is a non-cash transaction and is therefore excluded from interest received on the statement of cash flows.

The debentures and interim financing are secured by tobacco and fuel rebates from the Government of Northwest Territories, resource revenue from the Government of Northwest Territories, Goods and Service Tax rebates from the Government of Canada, and resource revenue from Indigenous Service Canada.

The First Nations Finance Authority requires that the First Nation provide the Authority with a copy of the Financial Management System Certificate within 36 months after the Salt River First Nation receives financing (other than Interim Long Term Financing) from the authority. As of March 31, 2019 this certificate has not yet been provided.

**Salt River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**8. Contingencies**

The First Nation has filed claims against various parties alleging breach of fiduciary duty, conspiracy, and misappropriation of funds. The claim is for over \$800,000 plus interest and costs. The litigation process for the claim remains in progress at the year-end, and while it is ongoing, it appears as though the First Nation is likely to succeed in the claim.

Through a forensic audit covering the period of April 1, 2011 to March 31, 2013, overpayment of honoraria and expense claims to various parties totalling over \$279,000 were identified. The First Nation is exploring options to collect the balances identified.

These consolidated financial statements are subject to review by the First Nation's funding agents. It is possible that adjustments could be made based on the results of their reviews.

**9. Commitments**

The First Nation has entered into a stipulated price contract with remaining costs of \$1,157,215 (2018 - \$17,985,000) for the construction of a multipurpose facility.

**10. Prepaid expenses**

	2019	2018
Retainers to legal counsel	24,109	84,678
Prepaid insurance, rent, etc	74,784	80,765
	<b>98,893</b>	<b>165,443</b>

**11. Accumulated surplus**

Accumulated surplus consists of the following:

	2019	2018
<b>Equity in tangible capital assets</b>		
Balance, beginning of year	5,703,697	4,852,459
Acquisition of tangible capital assets	12,480,619	7,769,305
Disposals of tangible capital assets	(57,577)	-
Advances of long-term debt to finance tangible capital assets	(11,197,142)	(6,674,113)
Amortization	(297,970)	(243,954)
	<b>6,631,627</b>	<b>5,703,697</b>
<b>Unrestricted surplus</b>		
Balance, beginning of year	8,126,551	7,967,917
Surplus for the year	2,607,887	1,009,872
Transfer to equity in tangible capital assets	(927,930)	(851,238)
	<b>9,806,508</b>	<b>8,126,551</b>
	<b>16,438,135</b>	<b>13,830,248</b>

**Salt River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

---

**12. Salt River First Nation Settlement Trust**

The First Nation is the beneficiary of the Salt River First Nation Settlement Trust. All disbursements from the Trust to the First Nation are approved by the Trustees under the trust documents established by the final settlement agreement. The trust assets are invested with TD Waterhouse.

The objectives of the Trust are as follows:

a) Settlement Capital Fund

The Salt River First Nation Settlement Trust agreement dated March 4, 2002 provides for an annual distribution to the Salt River First Nation to fund operations, per capita distributions, and other programs or expenditures in accordance with the annual budget approved by membership.

b) Reserve Survey Fund

This fund is to pay reserve survey costs, including environmental assessment and remediation, reserve survey, legal and consulting costs.

c) Infrastructure and Land Acquisition Fund

This fund is to pay all costs related to the planning, design, construction and operation and maintenance of infrastructure on the reserves of the First Nation, and to pay costs related to the appraisal and acquisition of lands identified in the Settlement Agreement.

d) Youth and Education Fund

This fund is to transfer funding and income to the Youth & Education Foundation.

Distributions from the Trust Fund are calculated by the Trustee, annually at December 31, as follows the greater of:

- 1) Income for tax purposes, and
- 2) 8% of the value of cash and authorized investments less the annual rate of inflation.

The annual rate of inflation of 1.95% for the year ended December 31, 2019 (2.3% for 2018) was determined by reference to the Statistics Canada/CPI website.

The Settlement Trust agreement requires annual distributions from the Settlement Capital Fund, Reserve Survey Fund and Infrastructure and Land Acquisition Fund to be made to the Salt River Settlement Revenue Account (TLE Program). Annual distributions from the Youth and Education Fund are to be paid to the Salt River First Nation Youth & Education Foundation.

The Salt River First Nation Settlement Trust has not been included on the consolidated statement of financial position, nor have its operations been included on the consolidated statement of operations. The trust fund balance at December 31 was as follows:

	<i><b>Dec 31 2018</b></i>	<i><b>Dec 31 2017</b></i>
<b>Salt River First Nation Settlement Trust</b>	<b>74,187,433</b>	<b>80,221,935</b>

The Trust fund balance at March 31, 2019 was \$75,467,811 (2018 - \$74,616,262).

**Salt River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**12. Salt River First Nation Settlement Trust** *(Continued from previous page)*

Annual disbursements from the Trust to the First Nation, as calculated by the trustee and approved by membership, are as follows:

	2019	2018
Operational	3,997,197	3,582,209
Infrastructure	449,043	399,725
Per capita distribution	643,383	564,977
Youth & Education Foundation	<u>208,927</u>	<u>183,816</u>
	5,298,550	4,730,727
Recapitalization	<u>(800,401)</u>	<u>(780,400)</u>
	<u>4,498,149</u>	<u>3,950,327</u>

**13. Economic dependence**

The First Nation receives approximately 63% (2018 - 62%) of its annual revenue from the Salt River First Nation Settlement Trust and 18% (2018 - 17%) in the form of transfer payments from the federal government on the basis of annual contribution agreements. The ability of the First Nation to continue operations is dependent upon funding from these bodies.

**14. Budget information**

The disclosed budget information was approved by the Chief and Council of the Salt River First Nation on January 31, 2018.

**15. Tangible capital assets**

The tangible capital asset details are included on Schedule 1.

Construction in progress includes two homes on Whipperwill and Wabler Street under construction at the year-end, a geotechnical report, and other technical reports associated with initial capital project assessments with a carrying value of \$1,994,500 (2018 - \$8,651,295). Construction in progress in the prior year that remains in progress at the end of the current year totals \$1,052,635 (2018 - \$1,030,324). Construction in progress from the prior year that were transferred to tangible capital assets in the current year total \$7,598,660 (2018 - \$1,244,957). Additions to construction in progress in the year total \$941,865 (2018 - \$7,620,971). No amortization on these assets has been recorded during the year because they are currently under construction.

Costs related to the acquisition of tangible capital assets of \$1,712,954 (2018 - \$1,349,780) are included in accounts payable at March 31, 2019, and are therefore not included on the consolidated statement of cash flows.

There were no non-cash tangible capital asset additions in the year (2018 - \$nil).

**16. Compliance with laws and regulations**

The First Nation is required by the *First Nations Financial Transparency Act* to submit its consolidated financial statements to ISC and post its consolidated financial statements on a website within 120 days of the year-end. As the First Nation has not done this, it is not in compliance with this law. The potential effect of the non-compliance is unknown.

**17. Comparative figures**

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