

Consolidated Financial Statements of

DENINU K'UE FIRST NATION

March 31, 2014

AUDITORS' REPORT TO THE MEMBERS

To the Management of Deninu K'ue First Nation

We have audited the consolidated financial statements of Deninu K'ue First Nation, which comprise of the statements of financial position as at March 31, 2014, and the statements of revenue and expenditures, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Deninu K'ue First Nation as at March 31, 2014 and the results of its operations and its cash flows for the period then ended in accordance with Canadian public sector accounting standards.



ASHTON
Chartered Accountants
Business Advisors

Hay River, NT
November 26, 2014

DENINU K'UE FIRST NATION
 Consolidated Statement of Financial Position

March 31, 2014

	2014	2013
Financial Assets		
Cash, general account	\$ 53,560	\$ 115,793
Cash, IBA account	2,429	799
Accounts receivable, Note 4	752,321	579,765
Investment in Deninu K'ue Development Corp, Note 7	258,916	220,219
Investment in (Net Assets of) Deninu K'ue Holdings Ltd, Note 8	(21,992)	-
	1,045,234	916,576
Liabilities		
Accounts payable and accrued liabilities	852,783	482,709
Deferred revenue, Note 6	384,251	301,752
Member IBA payable	75,185	71,995
	1,312,219	856,456
Net Financial Assets (Debt)	\$ (266,985)	\$ 60,120
Non-Financial Assets		
Prepaid expenses	\$ 2,437	\$ 6,010
Capital Assets, Note 5	37,587	37,562
	\$ 40,024	\$ 43,572
Accumulated surplus		
Fund Balances		
General Operating Fund	\$ (367,558)	\$ (45,631)
Impact Benefit Agreement Fund	-	-
Capital Asset Fund	37,587	37,562
Investment Fund	103,010	111,761
	\$ (226,981)	\$ 103,692

Approved by the Board:



Board Member



Board Member

DENINU K'UE FIRST NATION

Consolidated Statement of Revenue and Expenditures

For the year ended March 31, 2014

	2014	2013
Revenue		
Contributions		
Government of Canada - Grants, FTPs and Contributions	\$ 654,793	\$ 442,668
Government of the NWT	823,205	594,386
Akaaitcho Territory Government	632,090	603,805
Impact Benefit Agreement	212,500	197,750
Other revenues and recoveries	575,963	477,418
Deferred revenue, opening	210,228	204,264
Deferred revenue, closing	(294,207)	(210,228)
Contributions repaid	(13,864)	(18,779)
	2,800,708	2,291,284
Expenditure		
Administration fees	109,202	77,665
Wages and benefits	1,190,322	973,349
Interest and penalties on payroll taxes	41,797	-
Contracted services	274,265	321,512
Payout to members	179,830	213,503
Meeting and workshop expenses	128,292	143,001
Materials and supplies	134,272	23,593
Telephone, fax and internet	23,588	-
Training - course costs	5,744	26,779
Training - allowances	5,725	125,565
Travel	211,799	60,790
Rent and utilities	93,049	107,490
Professional fees	501,011	10,791
Equipment rental	11,770	26,169
Office supplies	16,971	1,317
Freight and postage	2,741	3,391
Bank charges and interest	4,497	12,955
Insurance	9,991	958
Miscellaneous	8,207	21,404
Donations	10,938	15,729
Provision for (recovery of) bad debts	150,624	(85,505)
Amortization expense	7,975	8,126
	3,122,610	2,088,582
Excess (Deficiency) of revenue over expenditures before the undernoted	(321,902)	202,702
Other income (loss)		
Earnings (loss) from Deninu K'ue Development Corporation, Note 7	(27,539)	78,515
Earnings from Deninu K'ue Holdings Ltd., Note 8	18,788	-
Excess of revenue over expenditure for the year	\$ (330,653)	\$ 281,217
Represented by:		
General Operating Fund	\$ (347,339)	\$ 181,764
Impact Benefit Agreement Fund	25,437	20,938
Earnings from Deninu K'ue Development Corporation	(27,539)	78,515
Earnings from Deninu K'ue Holdings Ltd.	18,788	-
	\$ (330,653)	\$ 281,217

DENINU K'UE FIRST NATION

Consolidated Statement of Changes in Fund Balances

For the year ended March 31, 2014

	2014	2013
General Operating Fund		
Balance, beginning of year	\$ (45,631)	\$ (431,585)
Transfer (to) from Capital Asset Fund	(25)	(2,314)
Transfer (to) from Impact Benefit Agreement Fund	25,437	206,504
Excess (Deficiency) of revenue over expenditures for the year	(347,339)	181,764
Balance, end of year	\$ (367,558)	\$ (45,631)
Impact Benefit Agreement Fund		
Balance, beginning of year	\$ -	\$ 185,566
Transfer (to) from General Operating Fund	(25,437)	(206,504)
Excess (Deficiency) of revenue over expenditures for the year	25,437	20,938
Balance, end of year	\$ -	\$ -
Capital Asset Fund		
Balance, beginning of year	\$ 37,562	\$ 35,248
Transfer (to) from General Operating Fund	25	2,314
Balance, end of year	\$ 37,587	\$ 37,562
Investment Fund		
Balance, beginning of year	\$ 111,761	\$ 33,246
Earnings from Deninu K'ue Development Corp.	(27,539)	78,515
Earnings from Deninu K'ue Holdings Ltd.	18,788	-
Balance, end of year	\$ 103,010	\$ 111,761

DENINU K'UE FIRST NATION

Consolidated Statement of Changes in Net Financial Assets (Debt)

For the year ended March 31, 2014

	2014	2013
Excess (Deficiency) of revenue over expenditure for the year	\$ (330,653)	\$ 281,217
Amortization of tangible capital assets	7,975	8,126
Change in prepaid expenses	3,573	14,687
Change in tangible capital assets	(8,000)	(20,316)
Increase (decrease) in net financial assets	(327,105)	283,714
Net financial assets (debt), beginning of year	60,120	(223,594)
Net financial assets (debt), end of year	\$ (266,985)	\$ 60,120

DENINU K'UE FIRST NATION

Consolidated Statement of Cash Flow

For the year ended March 31, 2014

	2014	2013
Operating Activities		
Excess (Deficiency) of revenue over expenditure for the year		
General Operating Fund	\$ (330,653)	\$ 202,702
Adjustments		
Amortization of tangible assets	7,975	8,126
Loss on disposal of assets	-	2,769
	<u>(322,678)</u>	<u>213,597</u>
Changes in non-cash working capital account balances		
Accounts receivable	(172,556)	(162,906)
Prepaid expenses	3,573	14,687
Accounts payable and accrued liabilities	370,074	43,322
Deferred revenue	82,499	4,164
Member IBA payable	3,190	(1,420)
	<u>(35,898)</u>	<u>111,444</u>
Capital Activities		
Purchase of tangible capital assets	(8,000)	(23,085)
Investing Activities		
Deninu K'ue Development Corporation Ltd.	(38,697)	28,498
Deninu K'ue Holdings Ltd.	21,992	-
	<u>(16,705)</u>	<u>28,498</u>
Increase (decrease) in cash during the year	(60,603)	116,857
Cash, beginning of year	116,592	(265)
Cash, end of year	\$ 55,989	\$ 116,592
Represented by:		
Cash, general account	\$ 53,560	\$ 115,793
Cash, IBA account	2,429	799
	<u>\$ 55,989</u>	<u>\$ 116,592</u>

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2014

Note 1. Nature of Operations

The Deninu K'ue First Nation (the "First Nation") is an Indian Band as defined by the Indian Act.

Note 2. Basis of Presentation and Significant Accounting Policies

The basis of presentation and significant accounting policies are as follows:

Basis of Presentation

These financial statements have been prepared in accordance with generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, change in net financial assets, change in fund balances and cash flows of the reporting entity. This entity is comprised of the operations of Deninu K'ue First Nation plus all organizations that are owned or controlled by the First Nation and are therefore, accountable to the Council for the administration of their financial affairs and resources.

Included with the First Nation are the following:

Deninu K'ue Development Corp

Deninu K'ue Holdings Ltd.

Principle of Consolidation

The consolidated financial statements have been prepared by accounting for First Nation controlled business enterprises using the modified equity method. Under this method, the First Nation only reports its investment in and net income or loss of the organization.

Tangible Capital Assets

Capital assets are recorded at cost on the statement of financial position. Cost includes all amounts directly attributable to acquisition, construction, development or betterment of the asset. The assets are amortized over their estimated useful lives at the following rates:

Asset	Method	Rate
Building - trailer	Declining balance	20%
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	20% - 100%

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2014

Note 2. Significant Accounting Policies (continued)

Revenue Recognition

Deninu Kue First Nation follows the restricted fund accounting for contribution revenue.

General Operating Fund

Unrestricted contributions are recognized in the General Operating Fund in the current period. Restricted contributions for which there is no corresponding restricted fund are deferred and recognized as revenue in the same period as the related expenses are recognized.

General Operating fund accounts for the First Nation's programs and administrative activities.

Impact Benefit Agreement Fund

Revenues from the Impact Benefit Agreement are recognized as revenue in the Impact Benefit Agreement fund in the current period.

This fund reports revenues and expenses that relate to the impact benefit agreement.

Capital Asset Fund

This fund reports the assets, revenues and expenses related to capital assets.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Note 3. Economic Dependence

The Deninu K'ue First Nation receives base funding plus specific program funds pursuant to funding arrangements with Aboriginal Affairs and Northern Development Canada and the Government of the Northwest Territories. It may therefore be considered economically dependent upon government-source funding for its core operating activities.

Note 4. Accounts Receivable

	Gross Amount	Allowance for Doubtful Accounts	Net 2014	Net 2013
Accounts receivable	\$ 1,011,072	\$ 314,585	\$ 696,487	\$ 528,456
GST recoverable	44,570	-	44,570	32,413
Advances to employees	26,371	15,107	11,264	18,896
	\$ 1,082,013	\$ 329,692	\$ 752,321	\$ 579,765

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2014

Note 5. Tangible Capital Assets

	Opening Balance	Additions	Disposals	Closing Balance	Beginning of Year	Accumulated Amortization	Net Carrying Amount	Beginning of year	Deletions	Amortization	Amortization End of Year	Net Carrying Amount 2014
Building - trailer	16,200	8,000	-	24,200	8,698	7,502	-	2,846	-	11,544	12,656	
Furniture and equipment	47,068	-	-	47,068	22,001	25,067	-	3,672	-	25,673	21,395	
Computer equipment	26,983	-	-	26,983	21,990	4,993	-	1,457	-	23,447	3,536	
	90,251	8,000	-	98,251	52,689	37,562	-	7,975	-	60,664	37,587	

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2014

Note 6. Deferred revenue/repayable

		2014	2013
Akaitcho Territory Government			
ASETS Hay River		\$ 39,200	\$ 39,200
ASETS Fort Resolution		17,701	17,701
ASETS Daycare Renovation		50,000	-
AHRDA Childcare		71,521	66,026
AHRDA Summer Students		6,900	7,365
ATG - Chipewyan Language Project		-	2,980
ATG - Chipewyan Language Literacy Program		6,000	-
AAROM Boat Storage		13,498	13,498
AAROM Monitoring Program		13,717	3,717
Drywall & Carpentry		3,701	3,946
Treaty 8 Tribal Corporation			
Loan agreement - Treaty Implementation		101,571	101,571
Lands Coordinator		-	2,921
YKHSSA			
Community Wellness Program		3,483	-
Aboriginal Affairs and Northern Development Canada			
DIAND - IRMA		-	1,281
Amend #8 - Participant Funding Guacho		-	6,848
Caribou Harvesting Funding 2013/13		-	-
NWT PAS Buffalo Lake, River Trails Working		-	4,640
INAC - Amend #6 - FSCAP Fed Cont. Sites		-	3,856
Cumulative Impact Management Program		-	-
Consultation		-	9,373
Contamination and Remediation Directorate (repayable)		13,864	-
Department of Fisheries			
Little Buffalo Angler Survey		5,781	5,781
Government of the Northwest Territories			
HSS Community Wellness Initiative		8,861	3,657
ECE CCIP Program		-	7,391
DOT LBR Boat Launch Slashing		5,391	-
ITI SEED Slashing (Boat Launch)		4,295	-
ITI Growing Forward		9,000	-
ENR SWEEP		5,202	-
ENR Timber Cruising		1,565	-
Small Equipment Resources		3,000	-
		\$ 384,251	\$ 301,752

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2014

Note 7. Investment in Deninu K'ue Development Corp

Deninu K'ue Development Corp. is incorporated under the Business Corporations Act of the Northwest Territories. The company's principal business activities are operating a shuttle that runs between Fort Resolution and Hay River, and building core boxes.

The investment in the company has been accounted for in DKFN's financial statements using the modified equity method. The financial statements of Deninu K'ue Development Corporation are available upon request.

A financial summary of this entity as at March 31, 2014 and for the year then ended is as follows:

DENINU K'UE DEVELOPMENT CORPORATION

	2014	2013
Balance Sheet		
Total Assets	\$ 1,280,112	\$ 1,243,604
Total Liabilities	1,195,890	1,131,843
Total Shareholder's Equity	84,222	111,761
	<hr/> \$ 1,280,112	<hr/> \$ 1,243,604
Statement of Earnings		
Total Revenues	\$ 678,291	\$ 1,420,061
Total Expenses	705,830	1,341,546
Net earnings (loss) for the year	\$ (27,539)	\$ 78,515
Statement of Cash Flows		
Cash flows from Operating Activities	\$ 3,160	\$ 249,790
Cash Flows from Investing Activities	85,684	(75,822)
Cash Flows from Financing Activities	(190,064)	(77,670)
Increase (decrease) in cash	<hr/> \$ (101,220)	<hr/> \$ 96,298
A summary of the investment in Deninu K'ue Development Corp. is as follows:		
Share capital	\$ 10	
Advances from Deninu K'ue First Nation	174,684	
Accumulated surplus (deficit) - opening	111,761	
Current year surplus (deficit)	<hr/> (27,539)	
	<hr/> \$ 258,916	

Shares are held in trust by specified band members under a trust agreement.

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2014

Note 8. Investment in Deninu K'ue Holdings Ltd.

Deninu K'ue Holdings Ltd. is a wholly owned subsidiary of Deninu K'ue First Nation. The company's principal business activity is the operation of a restaurant and a convenience store in Fort Resolution, Northwest Territories.

The investment in DKHL has been accounted for in DKNF's financial statements using the modified equity method. The financial statements of DKHL are available upon request.

A financial summary of this entity as at March 31, 2014 and for the year then ended is as follows:

DENINU K'UE HOLDINGS LTD.

	2014
Balance Sheet	
Total Assets	\$ 99,625
Total Liabilities	80,837
<u>Total Shareholder's Equity</u>	<u>18,788</u>
	\$ 99,625
Statement of Earnings	
Total Revenues	\$ 763,559
<u>Total Expenses</u>	<u>744,771</u>
<u>Net earnings for the year</u>	<u>\$ 18,788</u>
Statement of Cash Flows	
Cash flows from Operating Activities	\$ (1,658)
Cash Flows from Investing Activities	(6,195)
<u>Cash Flows from Financing Activities</u>	<u>16,314</u>
<u>Increase (decrease) in cash</u>	<u>\$ 8,461</u>
A summary of the investment in Deninu K'ue Holdings Ltd. is as follows:	
Advances from Deninu K'ue First Nation	\$ (40,780)
<u>Current year surplus</u>	<u>18,788</u>
	\$ <u>(21,992)</u>

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2014

Note 9. Financial Instruments

Deninu K'ue First Nation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the First Nation's risk exposure and concentration as of March 31, 2014.

Credit risk

Credit risk arises from the potential that customers or funders will not pay balances that are due. A significant portion of the First Nation's revenues primarily relate to government organizations, who due to their nature, represent a very low credit risk. An allowance for doubtful accounts is established for balances that are not expected to be collectible.

Liquidity risk

Liquidity risk is that the First Nation will not be able to meet its obligations as they come due. The First Nation manages its liquidity requirements by preparing detailed cash budgets and having cash available on hand to meet its obligations.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. The First Nation minimizes risk through its normal operating and financing activities.