

Consolidated Financial Statements of

**DENINU K'UE FIRST NATION**

March 31, 2015

# **DENINU K'UE FIRST NATION**

## **Consolidated Financial Statements**

Year ended March 31, 2015

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## **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, 2015, 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 risks 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 qualified audit opinion.

### **Basis for Qualified Opinion**

Deninu K'ue First Nation's subsidiary, Deninu K'ue Development Corporation, has issued audited financial statements; however, they have been qualified because their subsidiary DKDC Site Services Ltd were reviewed and not audited. Consequently we are not able to determine if the investment in government business enterprises and the equity in earnings (loss) of Deninu K'ue Development Corp. in these consolidated financial statements are presented free from material misstatement.

Furthermore, the financial statements of the Deninu K'ue First Nation Subsidiary, Deninu K'ue Holdings Limited were reviewed, not audited. Consequently, we are unable to determine whether any adjustments might be necessary to the investment in government business enterprise and the equity earnings (loss) in Deninu K'ue First Nation.

## Independent Auditors' Report (continued)

### Qualified Opinion

In our opinion, except as noted in the Basis for Qualified Opinion paragraphs, the consolidated financial statements present fairly, in all material respects, the financial position of Deninu K'ue First Nation as at March 31, 2015 and the results of its operations and its cash flows for the period then ended in accordance with Canadian public sector accounting standards.

The logo for Ashton Chartered Accountants, featuring the word "Ashton" in a stylized, handwritten-style script.

ASHTON  
Chartered Accountants  
Business Advisors


Hay River, NT  
December 18, 2015


**DENINU K'UE FIRST NATION**  
Consolidated Statement of Financial Position

March 31, 2015

	2015	2014
<b>Financial Assets</b>		
Cash, general account	\$ 30,479	\$ 53,560
Cash, IBA account	1,572	2,429
Accounts receivable, Note 4	670,770	752,321
Investment in government business enterprises, Note 7	348,297	236,924
	<u>1,051,118</u>	<u>1,045,234</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	387,198	852,783
Deferred revenue, Note 6	444,767	384,251
Member IBA payable	70,445	75,185
	<u>902,410</u>	<u>1,312,219</u>
Net Financial Assets (Debt)	\$ 148,708	\$ (266,985)
<b>Non-Financial Assets</b>		
Prepaid expenses	\$ 20,526	\$ 2,437
Capital Assets, Note 5	33,160	37,587
	<u>\$ 53,686</u>	<u>\$ 40,024</u>
<b>Accumulated surplus</b>		
Fund Balances		
General Operating Fund	\$ 44,448	\$ (367,558)
Impact Benefit Agreement Fund	-	-
Capital Asset Fund	33,160	37,587
Investment Fund	124,786	103,010
	<u>\$ 202,394</u>	<u>\$ (226,961)</u>

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, 2015

	2015	2014
<b>Revenue</b>		
Contributions		
Government of Canada - Grants, FTPs and Contributions	\$ 515,042	\$ 654,793
Government of the NWT	942,682	823,205
Akaitcho Territory Government	652,590	632,090
Impact Benefit Agreement	-	212,500
Other revenues and recoveries	951,432	575,963
Deferred revenue, opening	219,219	210,228
Deferred revenue, closing	(263,599)	(294,207)
Contributions repaid	(10,977)	(13,864)
	<b>3,006,389</b>	<b>2,800,708</b>
<b>Expenditure</b>		
Administration fees	81,887	109,202
Wages and benefits	1,045,389	1,190,322
Interest and penalties on payroll taxes	-	41,797
Contracted services	314,800	274,265
Payout to members	144,557	179,830
Meeting and workshop expenses	196,935	128,292
Materials and supplies	24,027	134,272
Telephone, fax and internet	25,411	23,588
Training - course costs	-	5,744
Training - allowances	144,995	5,725
Travel	56,986	211,799
Rent and utilities	442,884	93,049
Professional fees	3,294	501,011
Equipment rental	31,143	11,770
Office supplies	3,581	16,971
Freight and postage	4,285	2,741
Bank charges and interest	7,880	4,497
Insurance	48	9,991
Miscellaneous	48,949	8,207
Donations	8,412	10,938
Provision for (recovery of) bad debts	6,240	150,624
Amortization expense	7,107	7,975
	<b>2,598,810</b>	<b>3,122,610</b>
Excess (Deficiency) of revenue over expenditures before the undernoted	407,579	(321,902)
<b>Other income (loss)</b>		
Earnings from Deninu K'ue Development Corporation, Note 7	(9,329)	(27,539)
Earnings from Deninu K'ue Holdings Ltd., Note 7	31,105	18,788
<b>Excess of revenue over expenditure for the year</b>	<b>\$ 429,355</b>	<b>\$ (330,653)</b>
<b>Represented by:</b>		
General Operating Fund	\$ 407,579	\$ (347,339)
Impact Benefit Agreement Fund	-	25,437
Earnings from Deninu K'ue Development Corporation	(9,329)	(27,539)
Earnings from Deninu K'ue Holdings Ltd.	31,105	18,788
	<b>\$ 429,355</b>	<b>\$ (330,653)</b>

# DENINU K'UE FIRST NATION

## Consolidated Statement of Changes in Fund Balances

For the year ended March 31, 2015

	2015	2014
<b>General Operating Fund</b>		
Balance, beginning of year	\$ (367,558)	\$ (45,631)
Transfer (to) from Capital Asset Fund	4,427	(25)
Transfer (to) from Impact Benefit Agreement Fund	-	25,437
Excess (Deficiency) of revenue over expenditures for the year	407,579	(347,339)
Balance, end of year	\$ 44,448	\$ (367,558)
<b>Impact Benefit Agreement Fund</b>		
Balance, beginning of year	\$ -	\$ -
Transfer (to) from General Operating Fund	-	(25,437)
Excess (Deficiency) of revenue over expenditures for the year	-	25,437
Balance, end of year	\$ -	\$ -
<b>Capital Asset Fund</b>		
Balance, beginning of year	\$ 37,587	\$ 37,562
Transfer (to) from General Operating Fund	(4,427)	25
Balance, end of year	\$ 33,160	\$ 37,587
<b>Investment Fund</b>		
Balance, beginning of year	\$ 103,010	\$ 111,761
Earnings from Deninu K'ue Development Corp.	(9,329)	(27,539)
Earnings from Deninu K'ue Holdings Ltd.	31,105	18,788
Balance, end of year	\$ 124,786	\$ 103,010

## DENINU K'UE FIRST NATION

### Consolidated Statement of Changes in Net Financial Assets (Debt)

For the year ended March 31, 2015

	2015	2014
Excess (Deficiency) of revenue over expenditure for the year	\$ 429,355	\$ (330,653)
Amortization of tangible capital assets	7,108	7,975
Change in prepaid expenses	(18,089)	3,573
Change in tangible capital assets	(2,681)	(8,000)
Increase (decrease) in net financial assets	415,693	(327,105)
Net financial assets (debt), beginning of year	(266,985)	60,120
Net financial assets (debt), end of year	\$ 148,708	\$ (266,985)



# DENINU K'UE FIRST NATION

## Consolidated Statement of Cash Flow

For the year ended March 31, 2015

	2015	2014
<b>Operating Activities</b>		
Excess (Deficiency) of revenue over expenditure for the year		
General Operating Fund	\$ 429,355	\$ (330,653)
Adjustments		
Amortization of tangible assets	7,108	7,975
Loss on disposal of assets	2,118	-
	438,581	(322,678)
Changes in non-cash working capital account balances		
Accounts receivable	81,551	(172,556)
Prepaid expenses	(18,089)	3,573
Accounts payable and accrued liabilities	(465,585)	370,074
Deferred revenue	60,516	82,499
Member IBA payable	(4,740)	3,190
	92,234	(35,898)
<b>Capital Activities</b>		
Purchase of tangible capital assets	(4,799)	(8,000)
<b>Investing Activities</b>		
Deninu K'ue Development Corporation Ltd.	(111,373)	(16,705)
	(111,373)	(16,705)
Increase (decrease) in cash during the year	(23,938)	(60,603)
Cash, beginning of year	55,989	116,592
Cash, end of year	\$ 32,051	\$ 55,989
<b>Represented by:</b>		
Cash, general account	\$ 30,479	\$ 53,560
Cash, IBA account	1,572	2,429
	\$ 32,051	\$ 55,989

# DENINU K'UE FIRST NATION

## Notes to the Consolidated Financial Statements

March 31, 2015

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### 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.  
DKDC Site Services 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, 2015

### 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 2015	Net 2014
Accounts receivable	\$ 1,103,116	\$ 454,120	\$ 648,996	\$ 696,487
GST recoverable	9,298	-	9,298	44,570
Advances to employees	27,582	15,106	12,476	11,264
	\$ 1,139,996	\$ 469,226	\$ 670,770	\$ 752,321

# DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2015

## Note 5. Tangible Capital Assets

	Opening Balance	Additions	Disposals	Closing Balance	Accumulated Amortization Beginning of Year	Net Carrying Amount Beginning of year	Deletions	Amortization	Accumulated Amortization End of Year	Net Carrying Amount 2014
Building - trailer	24,200	-	-	24,200	11,544	12,656	-	2,304	13,848	10,352
Furniture and equipment	47,068	-	-	47,068	25,673	21,395	-	3,094	28,767	18,301
Computer equipment	26,983	4,799	19,428	12,354	23,447	3,536	17,312	1,712	7,847	4,507
	98,251	4,799	19,428	83,622	60,664	37,587	17,312	7,110	50,462	33,160

# DENINU K'UE FIRST NATION

## Notes to the Consolidated Financial Statements

March 31, 2015

### Note 6. Deferred revenue/repayable

	2015	2014
Akaiitcho Territory Government		
ASETS Hay River	\$ 39,200	\$ 39,200
ASETS Fort Resolution	17,701	17,701
ASETS Daycare Renovation	50,000	50,000
AHRDA Childcare	56,742	71,521
AHRDA Summer Students	6,900	6,900
ATG - Chipewyan Language Literacy Program	24,311	6,000
AAROM Boat Storage	13,498	13,498
AAROM Monitoring Program	13,717	13,717
Drywall & Carpentry	3,701	3,701
Strategic Plan	2,465	-
Passive Air Sampling	1,400	-
Treaty 8 Tribal Corporation		
Loan agreement - Treaty Implementation	101,571	101,571
Negotiations funding	30,000	-
YKHSSA		
Community Wellness Program	16,469	3,483
Aboriginal Affairs and Northern Development Canada		
CanNor funding	61,311	-
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
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
	\$ 444,767	\$ 384,251

# DENINU K'UE FIRST NATION

## Notes to the Consolidated Financial Statements

March 31, 2015

### Note 7. Investment in Government Business Enterprises

	2015	2014
<i>Investment in Deninu K'ue Development Corporation</i>		
Share capital	\$ 10	\$ 10
Advances from Deninu K'ue First Nation	285,881	174,684
Accumulated surplus (deficit) - opening	84,212	111,761
Current year surplus (deficit)	(9,329)	(27,539)
	<u>\$ 360,774</u>	<u>\$ 258,916</u>
<i>Investment in Deninu K'ue Holdings Ltd.</i>		
Advances from Deninu K'ue First Nation	\$ (62,370)	\$ (40,780)
Accumulated surplus (deficit) - opening	18,788	-
Current year surplus	31,105	18,788
	<u>\$ (12,477)</u>	<u>\$ (21,992)</u>
	<u>\$ 348,297</u>	<u>\$ 236,924</u>

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.

A financial summary of this entity as at March 31, 2015 and for the year then ended is as follows:

### DENINU K'UE DEVELOPMENT CORPORATION

	2015	2014
<b>Balance Sheet</b>		
Total Assets	\$ 1,918,030	\$ 1,280,112
Total Liabilities	1,843,137	1,195,890
Total Shareholder's Equity	74,893	84,222
	<u>\$ 1,918,030</u>	<u>\$ 1,280,112</u>
<b>Statement of Earnings</b>		
Total Revenues	\$ 1,921,270	\$ 678,291
Total Expenses	1,930,599	705,830
Net earnings (loss) for the year	<u>\$ (9,329)</u>	<u>\$ (27,539)</u>
<b>Statement of Cash Flows</b>		
Cash Flows from Operating Activities	\$ 67,812	\$ 3,160
Cash Flows from Investing Activities	316,636	85,684
Cash Flows from Financing Activities	(400,432)	(190,064)
Increase (decrease) in cash	<u>\$ (15,984)</u>	<u>\$ (101,220)</u>

## DENINU K'UE FIRST NATION

### Notes to the Consolidated Financial Statements

March 31, 2015

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#### Note 7. Investment in Government Business Enterprises (continued)

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.

A financial summary of this entity as at March 31, 2015 and for the year then ended is as follows:

#### DENINU K'UE HOLDINGS LTD.

	2015	2014
<b>Balance Sheet</b>		
Total Assets	\$ 158,754	\$ 99,625
Total Liabilities	108,861	80,837
Total Shareholder's Equity	49,893	18,788
	<u>\$ 158,754</u>	<u>\$ 99,625</u>
<b>Statement of Earnings</b>		
Total Revenues	\$ 785,564	\$ 763,559
Total Expenses	754,459	744,771
Net earnings for the year	<u>\$ 31,105</u>	<u>\$ 18,788</u>
<b>Statement of Cash Flows</b>		
Cash flows from Operating Activities	\$ 61,338	\$ (1,658)
Cash Flows from Investing Activities	-	(6,195)
Cash Flows from Financing Activities	(52,636)	16,314
Increase (decrease) in cash	<u>\$ 8,702</u>	<u>\$ 8,461</u>

# DENINU K'UE FIRST NATION

## Notes to the Consolidated Financial Statements

March 31, 2015

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### 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, 2015.

#### 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.