

Consolidated Financial Statements of
DENINU K'UE FIRST NATION
March 31, 2016

DENINU K'UE FIRST NATION

Consolidated Financial Statements

Year ended March 31, 2016

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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 statement of financial position as at March 31, 2016, 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.

As explained in Note 7, the company has not consolidated the financial statement of subsidiary Deninu K'ue Holdings Limited because the accounting records were not available. The investment has not been adjusted from the prior year's balance. Under Canadian Public Sector Accounting Standards, the subsidiary should have been consolidated because it is controlled by the company. As a result, we were unable to determine the adjustments to investment in government business enterprise, investment fund, or earnings from government business enterprise.

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, 2016 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.

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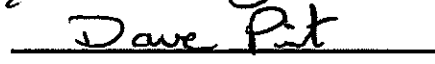
Hay River, NT
January 17, 2017

DENINU K'UE FIRST NATION
Consolidated Statement of Financial Position

March 31, 2016

	2016	2015
Financial Assets		
Cash, general account	\$ 47,647	\$ 30,479
Cash, IBA account	13,146	1,572
Cash, CRI account	31,867	-
Accounts receivable, Note 4	677,208	670,770
Investment in government business enterprises, Note 7	458,956	348,297
	<u>1,228,824</u>	<u>1,051,118</u>
Liabilities		
Accounts payable and accrued liabilities	329,433	387,198
Deferred revenue, Note 6	358,846	444,767
Member IBA payable	1,010	70,445
	<u>689,289</u>	<u>902,410</u>
Net Financial Assets (Debt)	<u>\$ 539,535</u>	<u>\$ 148,708</u>
Non-Financial Assets		
Prepaid expenses	\$ 1,626	\$ 20,526
Capital Assets, Note 5	27,657	33,160
	<u>\$ 29,283</u>	<u>\$ 53,686</u>
Accumulated surplus		
Fund Balances		
General Operating Fund	\$ 339,476	\$ 44,448
Impact Benefit Agreement Fund	-	-
Capital Asset Fund	27,657	33,160
Investment Fund	201,685	124,786
	<u>\$ 568,818</u>	<u>\$ 202,394</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, 2016

	2016	2015
Revenue		
Contributions		
Government of Canada - Grants, FTPs and Contributions	\$ 497,127	\$ 515,042
Government of the NWT	1,367,197	942,682
Akwitcho Territory Government	598,994	652,590
Impact Benefit Agreement	240,509	-
Other revenues and recoveries	599,307	951,432
Deferred revenue, opening	484,469	219,219
Deferred revenue, closing	(358,844)	(263,599)
Contributions repaid	(15,204)	(10,977)
	3,413,555	3,006,389
Expenditure		
Administration fees	129,083	81,887
Wages and benefits	904,041	1,045,389
Interest and penalties on payroll taxes	-	-
Contracted services	523,048	314,800
Payout to members	220,200	144,557
Meeting and workshop expenses	165,841	196,935
Materials and supplies	218,795	24,027
Telephone, fax and internet	24,417	25,411
Training - course costs	1,660	-
Training - allowances	-	144,995
Travel	197,054	56,986
Rent and utilities	70,086	442,884
Professional fees	349,893	3,294
Equipment rental	14,110	31,143
Office supplies	58,969	3,581
Freight and postage	1,015	4,285
Bank charges and interest	2,290	7,880
Insurance	9,196	48
Miscellaneous	229,317	48,949
Donations	23,720	8,412
Provision for (recovery of) bad debts	(26,068)	6,240
Amortization expense	7,363	7,107
	3,124,030	2,598,810
Excess (Deficiency) of revenue over expenditures before the undernoted	289,525	407,579
Other income (loss)		
Earnings from Deninu K'ue Development Corporation, Note 7	76,899	(9,329)
Earnings from Deninu K'ue Holdings Ltd., Note 7	-	31,105
Excess of revenue over expenditure for the year	\$ 366,424	\$ 429,355
Represented by:		
General Operating Fund	\$ 289,525	\$ 407,579
Impact Benefit Agreement Fund	-	-
Earnings from Deninu K'ue Development Corporation	76,899	(9,329)
Earnings from Deninu K'ue Holdings Ltd.	-	31,105
	\$ 366,424	\$ 429,355

DENINU K'UE FIRST NATION

Consolidated Statement of Changes in Fund Balances

For the year ended March 31, 2016

	2016	2015
General Operating Fund		
Balance, beginning of year	\$ 44,448	\$ (367,558)
Transfer (to) from Capital Asset Fund	5,503	4,427
Transfer (to) from Impact Benefit Agreement Fund	-	-
Excess (Deficiency) of revenue over expenditures for the year	289,525	407,579
Balance, end of year	\$ 339,476	\$ 44,448
Impact Benefit Agreement Fund		
Balance, beginning of year	\$ -	\$ -
Transfer (to) from General Operating Fund	-	-
Excess (Deficiency) of revenue over expenditures for the year	-	-
Balance, end of year	\$ -	\$ -
Capital Asset Fund		
Balance, beginning of year	\$ 33,160	\$ 37,587
Transfer (to) from General Operating Fund	(5,503)	(4,427)
Balance, end of year	\$ 27,657	\$ 33,160
Investment Fund		
Balance, beginning of year	\$ 124,786	\$ 103,010
Earnings from Deninu K'ue Development Corp.	76,899	(9,329)
Earnings from Deninu K'ue Holdings Ltd.	-	31,105
Balance, end of year	\$ 201,685	\$ 124,786

DENINU K'UE FIRST NATION

Consolidated Statement of Changes in Net Financial Assets (Debt)

For the year ended March 31, 2016

	2016	2015
Excess (Deficiency) of revenue over expenditure for the year	\$ 366,424	\$ 429,355
Amortization of tangible capital assets	7,363	7,108
Change in prepaid expenses	18,900	(18,089)
Change in tangible capital assets	(1,860)	(2,681)
Increase (decrease) in net financial assets	390,827	415,693
Net financial assets (debt), beginning of year	148,708	(266,985)
Net financial assets (debt), end of year	\$ 539,535	\$ 148,708

DENINU K'UE FIRST NATION

Consolidated Statement of Cash Flow

For the year ended March 31, 2016

	2016	2015
Operating Activities		
Excess (Deficiency) of revenue over expenditure for the year		
General Operating Fund	\$ 366,424	\$ 429,355
Adjustments		
Amortization of tangible assets	7,363	7,108
Loss on disposal of assets	-	2,118
	373,787	438,581
Changes in non-cash working capital account balances		
Accounts receivable	(6,438)	81,551
Prepaid expenses	18,900	(18,089)
Accounts payable and accrued liabilities	(57,765)	(465,585)
Deferred revenue	(85,921)	60,516
Member IBA payable	(69,435)	(4,740)
	173,128	92,234
Capital Activities		
Purchase of tangible capital assets	(1,860)	(4,799)
Investing Activities		
Deninu K'ue Development Corporation Ltd.	(110,659)	(111,373)
	(110,659)	(111,373)
Increase (decrease) in cash during the year	60,609	(23,938)
Cash, beginning of year	32,051	55,989
Cash, end of year	\$ 92,660	\$ 32,051
Represented by:		
Cash, general account	\$ 47,647	\$ 30,479
Cash, IBA account	13,146	1,572
Cash, CRI account	31,867	-
	\$ 92,660	\$ 32,051

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2016

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 Corporation

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, 2016

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 2016	Net 2015
Accounts receivable	\$ 1,200,120	\$ 553,585	\$ 646,535	\$ 648,996
GST recoverable	16,391	-	16,391	9,298
Advances to employees	45,487	31,205	14,282	12,476
	\$ 1,261,998	\$ 584,790	\$ 677,208	\$ 670,770

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2016

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 2016
Building - trailer	24,200	-	-	24,200	13,848	10,352	-	2,610	16,458	7,742
Furniture and equipment	47,068	-	-	47,068	28,767	18,301	-	1,864	30,631	16,437
Computer equipment	12,354	1,860	-	14,214	7,847	4,507	-	2,889	10,736	3,478
	83,622	1,860	-	85,482	50,462	33,160	-	7,363	57,825	27,657

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2016

Note 6. Deferred revenue/repayable

	2016	2015
Akaiitcho Territory Government		
ASETS Hay River	\$ 39,200	\$ 39,200
ASETS Fort Resolution	8,009	17,701
ASETS Daycare Renovation	50,000	50,000
AHRDA Childcare	38,779	56,742
AHRDA Summer Students	3,600	6,900
ATG - Chipewyan Language Literacy Program	12,911	24,311
AAROM Boat Storage	13,498	13,498
AAROM Monitoring Program	12,717	13,717
Drywall & Carpentry	3,701	3,701
Strategic Plan	2,465	2,465
Passive Air Sampling	1,400	1,400
Treaty 8 Tribal Corporation		
Loan agreement - Treaty Implementation	101,571	101,571
Interim Measures Agreement	20,000	-
Negotiations funding	30,000	30,000
YKHSSA		
Community Wellness Program	16,469	16,469
Aboriginal Affairs and Northern Development Canada		
CanNor funding	-	61,311
Department of Fisheries		
Little Buffalo Angler Survey	4,526	5,781
	\$ 358,846	\$ 444,767

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2016

Note 7. Investment in Government Business Enterprises

	2016	2015
<i>Investment in Deninu K'ue Development Corporation</i>		
Share capital	\$ 10	\$ 10
Advances from Deninu K'ue First Nation	266,905	285,881
Accumulated surplus (deficit) - opening	74,883	84,212
Current year surplus (deficit)	76,899	(9,329)
	\$ 418,697	\$ 360,774
<i>Investment in Deninu K'ue Holdings Ltd.</i>		
Advances from Deninu K'ue First Nation	\$ (9,634)	\$ (62,370)
Accumulated surplus (deficit) - opening	49,893	18,788
Current year surplus	-	31,105
	\$ 40,259	\$ (12,477)
	\$ 458,956	\$ 348,297

DENINU K'UE DEVELOPMENT CORPORATION

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, building core boxes, and the operation of a Bed & Breakfast.

A financial summary of this entity as at March 31, 2016 and for the year then ended is as follows:

	2016	2015
Balance Sheet		
Total Assets	\$ 1,816,043	\$ 1,918,030
Total Liabilities	1,383,150	1,843,137
Total Shareholder's Equity	432,893	74,893
	\$ 1,816,043	\$ 1,918,030
Statement of Earnings		
Total Revenues	\$ 820,626	\$ 1,921,270
Total Expenses	743,727	1,930,599
Net earnings (loss) for the year	\$ 76,899	\$ (9,329)
Statement of Cash Flows		
Cash Flows from Operating Activities	\$ 339,787	\$ 67,812
Cash Flows from Investing Activities	(169,560)	316,636
Cash Flows from Financing Activities	(100,255)	(400,432)
Increase (decrease) in cash	\$ 69,972	\$ (15,984)

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2016

Note 7. Investment in Government Business Enterprises (continued)

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 financial records of this entity were not available at March 31, 2016. As a result, we were unable to determine the adjustments to Investment in government business enterprises, Investment fund, and current years surplus. The investment has been accounted for at its prior years accumulated surplus balance.

	2016	2015
Balance Sheet		
Total Assets	\$ 80,988	\$ 158,754
Total Liabilities	-	108,861
Total Shareholder's Equity	80,998	49,893
	\$ 80,998	\$ 158,754
Statement of Earnings		
Total Revenues	\$ -	\$ 785,564
Total Expenses	-	754,459
Net earnings for the year	\$ -	\$ 31,105
Statement of Cash Flows		
Cash flows from Operating Activities	\$ -	\$ 61,338
Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities	-	(52,636)
Increase (decrease) in cash	\$ -	\$ 8,702

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2016

Note 8. 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, 2016.

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.