

Consolidated Financial Statements of

DENINU K'UE FIRST NATION

March 31, 2017

DENINU K'UE FIRST NATION

Consolidated Financial Statements

Year ended March 31, 2017

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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, 2017, 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 First Nation. 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, 2017 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, 2017

DENINU K'UE FIRST NATION

Consolidated Statement of Financial Position

March 31, 2017

	2017	2016
Financial Assets		
Cash, general account	\$ -	\$ 47,647
Cash, IBA account	39,467	13,146
Cash, CRI account	4,036	31,867
Accounts receivable, Note 4	667,013	677,208
Due (to) from related parties, Note 5	527,560	257,271
Investment in government business enterprises, Note 7	289,870	432,893
	<u>1,527,946</u>	<u>1,460,032</u>
Liabilities		
Bank indebtedness, general account	8,810	-
Accounts payable and accrued liabilities	646,265	329,433
Deferred revenue, Note 6	337,851	358,846
Member IBA payable	1,310	1,010
	<u>994,236</u>	<u>689,289</u>
Net Financial Assets (Debt)	<u>\$ 533,710</u>	<u>\$ 770,743</u>
Non-Financial Assets		
Prepaid expenses	\$ 2,661	\$ 1,626
Capital Assets, Note 5	22,449	27,657
	<u>\$ 25,110</u>	<u>\$ 29,283</u>
Accumulated surplus		
Fund Balances		
General Operating Fund	\$ 246,501	\$ 339,476
Impact Benefit Agreement Fund	-	-
Capital Asset Fund	22,449	27,657
Investment Fund	289,870	432,893
	<u>\$ 558,820</u>	<u>\$ 800,026</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, 2017

	2017	2016
Revenue		
Contributions		
Government of Canada - Grants, FTPs and Contributions	\$ 394,928	\$ 497,127
Government of the NWT	1,050,672	1,367,197
Akwitcho Territory Government	1,042,272	598,994
Impact Benefit Agreement	288,617	240,509
Other revenues and recoveries	462,353	599,307
Deferred revenue, opening	358,846	484,469
Deferred revenue, closing	(337,851)	(358,844)
Contributions repaid	(8,441)	(15,204)
	3,251,396	3,413,555
Expenditure		
Administration fees	49,291	129,083
Wages and benefits	1,298,728	904,041
Interest and penalties on payroll taxes	5,274	-
Contracted services	314,661	523,048
Payout to members	217,450	220,200
Meeting and workshop expenses	194,585	165,841
Materials and supplies	296,876	218,795
Telephone, fax and internet	23,685	24,417
Training - course costs	129,285	1,660
Training - allowances	4,299	-
Travel	167,756	197,054
Rent and utilities	60,128	70,086
Professional fees	373,106	349,893
Equipment rental	54,445	14,110
Office supplies	15,204	58,969
Freight and postage	5,709	1,015
Bank charges and interest	3,402	2,290
Insurance	964	9,196
Miscellaneous	60,059	229,317
Donations	26,211	23,720
Provision for (recovery of) bad debts	43,252	(26,068)
Amortization expense	5,209	7,363
	3,349,579	3,124,030
Excess (Deficiency) of revenue over expenditures before the undernoted	(98,183)	289,525
Other income (loss)		
Earnings from Deninu K'ue Development Corporation, Note 7	(143,023)	76,899
Earnings from Deninu K'ue Holdings Ltd., Note 7	-	-
Excess of revenue over expenditure for the year	\$ (241,206)	\$ 366,424
Represented by:		
General Operating Fund	\$ (109,537)	\$ 289,525
Impact Benefit Agreement Fund	11,354	-
Earnings from Deninu K'ue Development Corporation	(143,023)	76,899
Earnings from Deninu K'ue Holdings Ltd.	-	-
	\$ (241,206)	\$ 366,424

DENINU K'UE FIRST NATION

Consolidated Statement of Changes in Fund Balances

For the year ended March 31, 2017

	2017	2016
General Operating Fund		
Balance, beginning of year	\$ 339,476	\$ 44,448
Transfer (to) from Capital Asset Fund	5,208	5,503
Transfer (to) from Impact Benefit Agreement Fund	11,354	-
Excess (Deficiency) of revenue over expenditures for the year	(109,537)	289,525
Balance, end of year	\$ 246,501	\$ 339,476
Impact Benefit Agreement Fund		
Balance, beginning of year	\$ -	\$ -
Transfer (to) from General Operating Fund	11,354	-
Excess (Deficiency) of revenue over expenditures for the year	(11,354)	-
Balance, end of year	\$ -	\$ -
Capital Asset Fund		
Balance, beginning of year	\$ 27,657	\$ 33,160
Transfer (to) from General Operating Fund	(5,208)	(5,503)
Balance, end of year	\$ 22,449	\$ 27,657
Investment Fund		
Balance, beginning of year	\$ 432,893	\$ 355,994
Earnings from Deninu K'ue Development Corp.	(143,023)	76,899
Earnings from Deninu K'ue Holdings Ltd.	-	-
Balance, end of year	\$ 289,870	\$ 432,893

DENINU K'UE FIRST NATION

Consolidated Statement of Changes in Net Financial Assets (Debt)

For the year ended March 31, 2017

	2017	2016
Excess (Deficiency) of revenue over expenditure for the year	\$ (241,206)	\$ 366,424
Amortization of tangible capital assets	5,208	7,363
Change in prepaid expenses	(1,035)	18,900
Purchase of tangible capital assets	-	(1,860)
Increase (decrease) in net financial assets	(237,033)	390,827
Net financial assets (debt), beginning of year	770,743	379,916
Net financial assets (debt), end of year	\$ 533,710	\$ 770,743

DENINU K'UE FIRST NATION

Consolidated Statement of Cash Flow

For the year ended March 31, 2017

	2017	2016
Operating Activities		
Excess (Deficiency) of revenue over expenditure for the year		
General Operating Fund	\$ (241,206)	\$ 366,424
Adjustments		
Amortization of tangible assets	5,209	7,363
Loss on disposal of assets	-	-
	(235,997)	373,787
Changes in non-cash working capital account balances		
Accounts receivable	10,195	(6,438)
Prepaid expenses	(1,035)	18,900
Accounts payable and accrued liabilities	316,832	(57,765)
Due (to) from related parties, Note 5	(270,290)	-
Deferred revenue	(20,995)	(85,921)
Member IBA payable	300	(69,435)
	(200,990)	173,128
Capital Activities		
Purchase of tangible capital assets	-	(1,860)
Investing Activities		
Deninu K'ue Development Corporation Ltd.	143,023	(110,659)
	143,023	(110,659)
Increase (decrease) in cash during the year	(57,967)	60,609
Cash, beginning of year	92,660	32,051
Cash, end of year	\$ 34,693	\$ 92,660
Represented by:		
Cash, general account	\$ (8,810)	\$ 47,647
Cash, IBA account	39,467	13,146
Cash, CRI account	4,036	31,867
	\$ 34,693	\$ 92,660

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2017

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, 2017

Note 2. Significant Accounting Policies (continued)

Revenue Recognition

Deninu K'ue 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 2017	Net 2016
Accounts receivable	\$ 1,199,692	\$ 577,816	\$ 621,876	\$ 646,535
GST recoverable	31,179	-	31,179	16,391
Advances to employees	52,163	38,205	13,958	14,282
	\$ 1,283,034	\$ 616,021	\$ 667,013	\$ 677,208

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2017

Note 5. Related Party Balances

	2017	2016
Deninu K'ue Development Corporation	\$ 504,814	\$ 276,790
Deninu K'ue Holdings Ltd.	35,326	(9,634)
DKDC Site Services Ltd.	(12,580)	(9,885)
	\$ 527,560	\$ 257,271

Advances to Deninu K'ue Development Corp. are non-interest bearing and have no set repayment terms. The company is related by a common council.

Advances from Deninu K'ue Holdings Ltd are non-interest bearing and have no set repayment terms. The company is related by a common council.

Advances to Deninu K'ue Site Services are non-interest bearing and have no set repayment terms. The company is related by a common council.

Note 6. Deferred revenue/repayable

	2017	2016
Akaiitcho Territory Government		
ASETS Hay River	\$ 39,200	\$ 39,200
ASETS Fort Resolution	8,009	8,009
ASETS Daycare Renovation	50,000	50,000
AHRDA Childcare	38,779	38,779
AHRDA Summer Students	3,600	3,600
ATG - Chipewyan Language Literacy Program	12,911	12,911
AAROM Boat Storage	13,498	13,498
AAROM Monitoring Program	12,717	12,717
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	20,000
Negotiations funding	30,000	30,000
YKHSSA		
Community Wellness Program	-	16,469
Department of Fisheries		
Little Buffalo Angler Survey	-	4,526
	\$ 337,851	\$ 358,846

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2017

Note 7. Investment in Government Business Enterprises

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, 2017 and for the year then ended is as follows:

	2017	2016
Balance Sheet		
Total Assets	\$ 1,778,277	\$ 1,816,043
Total Liabilities	1,488,407	1,383,150
Total Shareholder's Equity	289,870	432,893
	\$ 1,778,277	\$ 1,816,043
Statement of Earnings		
Total Revenues	\$ 618,398	\$ 820,626
Total Expenses	761,421	743,727
Net earnings (loss) for the year	\$ (143,023)	\$ 76,899
Statement of Cash Flows		
Cash Flows from Operating Activities	\$ (1,145)	\$ 339,787
Cash Flows from Investing Activities	97,839	(169,560)
Cash Flows from Financing Activities	(71,599)	(100,255)
Increase (decrease) in cash	\$ 25,095	\$ 69,972
<i>Investment in Deninu K'ue Development Corporation</i>		
Share capital	\$ 10	\$ 10
Accumulated surplus (deficit) - opening	432,883	355,984
Current year surplus (deficit)	(143,023)	76,899
	\$ 289,870	\$ 432,893

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, 2017. 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.

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2017

Note 8. 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 2017
Building - trailer	24,200	-	-	24,200	16,458	7,742	-	1,512	17,970	6,230
Furniture and equipment	47,068	-	-	47,068	30,631	16,437	-	2,210	32,841	14,227
Computer equipment	14,214	-	-	14,214	10,736	3,478	-	1,486	12,222	1,992
	85,482	-	-	85,482	57,825	27,657	-	5,208	63,033	22,449

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2017

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, 2017.

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.