

## **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, 2018, 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, 2018 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  
February 21, 2018

**DENINU K'UE FIRST NATION**

## Consolidated Statement of Financial Position

March 31, 2018

	2018	2017
<b>Financial Assets</b>		
Cash, general account	\$ 100,749	\$ -
Cash, IBA account	40,135	39,467
Cash, CRI account	3,932	4,036
Accounts receivable, Note 4	981,289	667,013
Due (to) from related parties, Note 5	-	527,560
Investment in government business enterprises, Note 7	299,900	289,870
	<u>1,426,005</u>	<u>1,527,946</u>
<b>Liabilities</b>		
Bank indebtedness, general account	-	8,810
Accounts payable and accrued liabilities	480,123	646,265
Deferred revenue, Note 6	331,074	337,851
Due (to) from related parties, Note 5	36,511	-
Member IBA payable	-	1,310
	<u>847,708</u>	<u>994,236</u>
Net Financial Assets (Debt)	\$ 578,297	\$ 533,710
<b>Non-Financial Assets</b>		
Prepaid expenses	\$ 17,181	\$ 2,661
Capital Assets, Note 8	18,549	22,449
	<u>\$ 35,730</u>	<u>\$ 25,110</u>
<b>Accumulated surplus</b>		
Fund Balances		
General Operating Fund	\$ 295,577	\$ 246,501
Impact Benefit Agreement Fund	-	-
Capital Asset Fund	18,550	22,449
Investment Fund	299,900	289,870
	<u>\$ 614,027</u>	<u>\$ 558,820</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, 2018

	2018	2017
<b>Revenue</b>		
Contributions		
Government of Canada - Grants, FTPs and Contributions	\$ 427,869	\$ 394,928
Government of the NWT	1,242,325	1,050,672
Akaithcho Territory Government	819,954	1,042,272
Impact Benefit Agreement	315,431	288,617
Other revenues and recoveries	913,271	462,353
Deferred revenue, opening	337,851	358,846
Deferred revenue, closing	(331,074)	(337,851)
Contributions repaid	(3,417)	(8,441)
	<u>3,722,210</u>	<u>3,251,396</u>
<b>Expenditure</b>		
Administration fees	75,518	49,291
Wages and benefits	1,034,904	1,298,728
Interest and penalties on payroll taxes	-	5,274
Contracted services	285,661	314,661
Payout to members	265,330	217,450
Meeting and workshop expenses	173,093	194,585
Materials and supplies	587,690	296,876
Telephone, fax and internet	31,650	23,685
Training - course costs	33,293	129,285
Training - allowances	84	4,299
Travel	157,384	167,756
Rent and utilities	109,567	60,128
Professional fees	328,452	373,106
Equipment rental	52,075	54,445
Office supplies	22,614	15,204
Freight and postage	3,424	5,709
Bank charges and interest	16,008	3,402
Insurance	39,243	964
Miscellaneous	250,542	60,059
Donations	33,654	26,211
Provision for (recovery of) bad debts	172,946	43,252
Amortization expense	3,901	5,209
	<u>3,677,033</u>	<u>3,349,579</u>
Excess (Deficiency) of revenue over expenditures before the undernoted	45,177	(98,183)
<b>Other income (loss)</b>		
Earnings from Deninu K'ue Development Corporation, Note 7	10,030	(143,023)
Earnings from Deninu K'ue Holdings Ltd., Note 7	-	-
Excess of revenue over expenditure for the year	<u>\$ 55,207</u>	<u>\$ (241,206)</u>
<b>Represented by:</b>		
General Operating Fund	\$ 56,338	\$ (109,537)
Impact Benefit Agreement Fund	(11,161)	11,354
Earnings from Deninu K'ue Development Corporation	10,030	(143,023)
	<u>\$ 55,207</u>	<u>\$ (241,206)</u>



## DENINU K'UE FIRST NATION

### Consolidated Statement of Changes in Fund Balances

For the year ended March 31, 2018

	2018	2017
<b>General Operating Fund</b>		
Balance, beginning of year	\$ 246,501	\$ 339,476
Transfer (to) from Capital Asset Fund	3,899	5,208
Transfer (to) from Impact Benefit Agreement Fund	(11,161)	11,354
Excess (Deficiency) of revenue over expenditures for the year	56,338	(109,537)
Balance, end of year	\$ 295,577	\$ 246,501
<b>Impact Benefit Agreement Fund</b>		
Balance, beginning of year	\$ -	\$ -
Transfer (to) from General Operating Fund	(11,161)	11,354
Excess (Deficiency) of revenue over expenditures for the year	11,161	(11,354)
Balance, end of year	\$ -	\$ -
<b>Capital Asset Fund</b>		
Balance, beginning of year	\$ 22,449	\$ 27,657
Transfer (to) from General Operating Fund	(3,899)	(5,208)
Balance, end of year	\$ 18,550	\$ 22,449
<b>Investment Fund</b>		
Balance, beginning of year	\$ 289,870	\$ 432,893
Earnings from Deninu K'ue Development Corp.	10,030	(143,023)
Balance, end of year	\$ 299,900	\$ 289,870

**DENINU K'UE FIRST NATION**

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

For the year ended March 31, 2018

	2018	2017
Excess (Deficiency) of revenue over expenditure for the year	\$ 55,207	\$ (241,206)
Amortization of tangible capital assets	3,900	5,208
Change in prepaid expenses	(14,520)	(1,035)
Purchase of tangible capital assets	-	-
Increase (decrease) in net financial assets	44,587	(237,033)
Net financial assets (debt), beginning of year	533,710	770,743
Net financial assets (debt), end of year	\$ 578,297	\$ 533,710

# DENINU K'UE FIRST NATION

## Consolidated Statement of Cash Flow

For the year ended March 31, 2018

	2018	2017
<b>Operating Activities</b>		
Excess (Deficiency) of revenue over expenditure for the year		
General Operating Fund	\$ 55,207	\$ (241,206)
Adjustments		
Amortization of tangible assets	3,901	5,209
Loss on disposal of assets	-	-
	59,108	(235,997)
Changes in non-cash working capital account balances		
Accounts receivable	(314,277)	10,195
Prepaid expenses	(14,520)	(1,035)
Accounts payable and accrued liabilities	(166,142)	316,832
Due (to) from related parties, Note 5	564,071	(270,290)
Deferred revenue	(6,777)	(20,995)
Member IBA payable	(1,310)	300
	120,153	(200,990)
<b>Capital Activities</b>		
Purchase of tangible capital assets	-	-
<b>Investing Activities</b>		
Deninu K'ue Development Corporation Ltd.	(10,030)	143,023
	(10,030)	143,023
Increase (decrease) in cash during the year	110,123	(57,967)
Cash, beginning of year	34,693	92,660
Cash, end of year	\$ 144,816	\$ 34,693
<b>Represented by:</b>		
Cash, general account	\$ 100,749	\$ (8,810)
Cash, IBA account	40,135	39,467
Cash, CRI account	3,932	4,036
	\$ 144,816	\$ 34,693

## DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2018

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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 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, 2018

### 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 2018	Net 2017
Accounts receivable	\$ 2,070,014	\$ 1,141,636	\$ 928,378	\$ 621,876
GST recoverable	41,647	-	41,647	31,179
Advances to employees	23,547	12,283	11,264	13,958
	\$ 2,135,208	\$ 1,153,919	\$ 981,289	\$ 667,013

# DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2018

## Note 5. Related Party Balances

	2018	2017
Deninu K'ue Development Corporation	\$ -	\$ 504,814
Deninu K'ue Holdings Ltd.	(33,912)	35,326
DKDC Site Services Ltd.	(2,599)	(12,580)
	\$ (36,511)	\$ 527,560

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

## Note 6. Deferred revenue/repayable

	2018	2017
Akaitcho 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
Negotiations funding	-	30,000
INAC		
Governance 2017/2018	43,223	-
	\$ 331,074	\$ 337,851

## DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2018

### 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, 2018 and for the year then ended is as follows:

	2018	2017
<b>Balance Sheet</b>		
Total Assets	\$ 1,682,581	\$ 1,778,277
Total Liabilities	728,628	1,488,407
Total Shareholder's Equity	953,943	289,870
	\$ 1,682,571	\$ 1,778,277
<b>Statement of Earnings</b>		
Total Revenues	\$ 679,411	\$ 618,398
Total Expenses	669,381	761,421
Net earnings (loss) for the year	\$ 10,030	\$ (143,023)
<b>Statement of Cash Flows</b>		
Cash Flows from Operating Activities	\$ 603,893	\$ (1,145)
Cash Flows from Investing Activities	(519,749)	97,839
Cash Flows from Financing Activities	(96,610)	(71,599)
Increase (decrease) in cash	\$ (12,466)	\$ 25,095
<i>Investment in Deninu K'ue Development Corporation</i>		
Share capital	\$ 10	\$ 10
Accumulated surplus (deficit) - opening	289,860	432,883
Current year surplus (deficit)	10,030	(143,023)
	\$ 299,900	\$ 289,870

#### 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, 2018. 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, 2018

**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 2018
Building - trailer	24,200	-	-	24,200	17,970	6,230	-	1,228	19,198	5,002
Furniture and equipment	47,068	-	-	47,068	32,841	14,227	-	1,876	34,717	12,351
Computer equipment	14,214	-	-	14,214	12,222	1,992	-	796	13,018	1,196
	85,482	-	-	85,482	63,033	22,449	-	3,900	66,933	18,549

## DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2018

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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, 2018.

#### 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.