

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

To the Management of Deninu K'ue First Nation

Qualified Opinion

We have audited the accompanying consolidated financial statements of Deninu K'ue First Nation which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section, the financial statements present fairly, in all material respects, the financial position of Deninu K'ue First Nation as at March 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Qualified Opinion

The First Nation has not consolidated the financial statement of subsidiary Deninu K'ue Holdings Limited. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of Deninu K'ue Holdings Limited at March 31, 2019 and the First Nation's share of net income for the year because the financial records were not complete at the time of the audit. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Management has advised us that they are unable to determine the source of a material adjustment to miscellaneous revenue. Accordingly, we have been unable to obtain sufficient audit evidence to form an opinion with respect to this revenue. We were not able to determine whether any adjustments might be necessary to revenues, excess (deficiency) of revenue over expenses, current assets and net assets.

In common with many organizations, Deninu K'ue First Nation has significant cash transactions in the disbursement of funds to its members. The completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these transactions was limited to the amounts recorded in the records of Deninu K'ue First Nation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2019, current assets and net assets as at March 31, 2019.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Independent Auditors' Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



ASHTON
Chartered Accountants
Business Advisors

Hay River, NT
January 30, 2020

DENINU K'UE FIRST NATION

Consolidated Statement of Financial Position

March 31, 2019

	2019	2018
Financial Assets		
Cash, general account	\$ 1,102,287	\$ 100,749
Cash, IBA account	272,087	40,135
Cash, CRI account	-	3,932
Accounts receivable, Note 4	921,147	981,289
Due from related parties, Note 5	90,544	-
Investment in government business enterprises, Note 7	1,152,492	973,625
	3,538,557	2,099,730
Liabilities		
Accounts payable and accrued liabilities	427,604	480,123
Deferred revenue, Note 6	305,187	331,074
Due to related parties, Note 5	275,219	36,511
	1,008,010	847,708
Net Financial Assets (Debt)	\$ 2,530,547	\$ 1,252,022
Non-Financial Assets		
Prepaid expenses	\$ 21,096	\$ 17,179
Capital Assets, Note 8	18,570	18,551
	\$ 39,666	\$ 35,730
Accumulated surplus		
Fund Balances		
General Operating Fund	\$ 2,072,876	\$ 969,302
Impact Benefit Agreement Fund	-	-
Capital Asset Fund	18,570	18,550
Investment Fund	478,767	299,900
	\$ 2,570,213	\$ 1,287,752

Approved by the Board:

Board Member_____
Board Member

DENINU K'UE FIRST NATION

Consolidated Statement of Revenue and Expenses

For the year ended March 31, 2019

	2019	2018
Revenue		
Contributions		
Government of Canada - Grants, FTPs and Contributions	\$ 678,561	\$ 427,869
Government of the NWT	1,340,113	1,242,325
Akaitcho Territory Government	923,810	819,954
Impact Benefit Agreement	314,000	315,431
Other revenues and recoveries	1,570,288	913,271
Deferred revenue, opening	331,074	337,851
Deferred revenue, closing	(305,187)	(331,074)
Contributions repaid	(52,691)	(3,417)
	<u>4,799,968</u>	<u>3,722,210</u>
Expenses		
Administration fees	175,493	75,518
Wages and benefits	1,038,109	1,034,904
Interest and penalties on payroll taxes	-	-
Contracted services	374,002	285,661
Payout to members	224,590	265,330
Meeting and workshop expenses	164,449	173,093
Materials and supplies	461,691	587,690
Telephone, fax and internet	24,974	31,650
Training - course costs	40,702	33,293
Training - allowances	3,000	84
Travel	244,069	157,384
Rent and utilities	91,598	109,567
Professional fees	353,203	328,452
Equipment rental	38,904	52,075
Office supplies	40,433	22,614
Freight and postage	8,513	3,424
Bank charges and interest	11,814	16,008
Insurance	20,628	39,243
Miscellaneous	356,145	250,542
Donations	31,560	33,654
Provision for (recovery of) bad debts	(11,084)	172,946
Amortization expense	3,581	3,901
	<u>3,696,374</u>	<u>3,677,033</u>
Excess (Deficiency) of revenue over expenses before the undernoted	1,103,594	45,177
Other income (loss)		
Earnings from Deninu K'ue Development Corporation, Note 7	178,867	683,755
Earnings from Deninu K'ue Holdings Ltd., Note 7	-	-
Excess of revenue over expenses for the year	<u>\$ 1,282,461</u>	<u>\$ 728,932</u>
Represented by:		
General Operating Fund	\$ 1,094,964	\$ 730,063
Impact Benefit Agreement Fund	8,630	(11,161)
Earnings from Deninu K'ue Development Corporation	178,867	10,030
	<u>\$ 1,282,461</u>	<u>\$ 728,932</u>

DENINU K'UE FIRST NATION

Consolidated Statement of Changes in Fund Balances

For the year ended March 31, 2019

	2019	2018
General Operating Fund		
Balance, beginning of year	\$ 969,302	\$ 246,501
Transfer (to) from Capital Asset Fund	(20)	3,899
Transfer (to) from Impact Benefit Agreement Fund	8,630	(11,161)
Excess (Deficiency) of revenue over expenses for the year	1,094,964	730,063
Balance, end of year	\$ 2,072,876	\$ 969,302
Impact Benefit Agreement Fund		
Balance, beginning of year	\$ -	\$ -
Transfer (to) from General Operating Fund	8,630	(11,161)
Excess (Deficiency) of revenue over expenses for the year	(8,630)	11,161
Balance, end of year	\$ -	\$ -
Capital Asset Fund		
Balance, beginning of year	\$ 18,550	\$ 22,449
Transfer (to) from General Operating Fund	20	(3,899)
Balance, end of year	\$ 18,570	\$ 18,550
Investment Fund		
Balance, beginning of year	\$ 299,900	\$ 289,870
Earnings from Deninu K'ue Development Corp.	178,867	10,030
Balance, end of year	\$ 478,767	\$ 299,900

DENINU K'UE FIRST NATION

Consolidated Statement of Changes in Net Financial Assets (Debt)

For the year ended March 31, 2019

	2019	2018
Excess (Deficiency) of revenue over expenses for the year	\$ 1,282,461	\$ 728,932
Amortization of capital assets	3,581	3,900
Change in prepaid expenses	(3,917)	(14,520)
Purchase of capital assets	(3,600)	-
Increase (decrease) in net financial assets	1,278,525	718,312
Net financial assets (debt), beginning of year	1,252,022	533,710
Net financial assets (debt), end of year	\$ 2,530,547	\$ 1,252,022

DENINU K'UE FIRST NATION

Consolidated Statement of Cash Flow

For the year ended March 31, 2019

	2019	2018
Operating Activities		
Excess (Deficiency) of revenue over expenses for the year		
General Operating Fund	\$ 1,282,461	\$ 728,932
Adjustments		
Amortization of assets	3,581	3,901
Loss on disposal of assets	-	-
	1,286,042	732,833
Changes in non-cash working capital account balances		
Accounts receivable	60,142	(314,277)
Prepaid expenses	(3,917)	(14,520)
Accounts payable and accrued liabilities	(52,519)	(166,142)
Due from related parties, Note 5	148,164	564,071
Deferred revenue	(25,887)	(6,777)
Member IBA payable	-	(1,310)
	1,412,025	793,878
Capital Activities		
Purchase of capital assets	(3,600)	-
Investing Activities		
Deninu K'ue Development Corporation Ltd.	(178,867)	(683,755)
	(178,867)	(683,755)
Increase (decrease) in cash during the year	1,229,558	110,123
Cash, beginning of year	144,816	34,693
Cash, end of year	\$ 1,374,374	\$ 144,816
Represented by:		
Cash, general account	\$ 1,102,287	\$ 100,749
Cash, IBA account	272,087	40,135
Cash, CRI account	-	3,932
	\$ 1,374,374	\$ 144,816

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2019

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.

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, 2019

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 expenses 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 2019	Net 2018
Accounts receivable	\$ 2,009,085	\$ 1,128,681	\$ 880,404	\$ 928,378
GST recoverable	33,185	-	33,185	41,647
Advances to employees	19,841	12,283	7,558	11,264
	\$ 2,062,111	\$ 1,140,964	\$ 921,147	\$ 981,289

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2019

Note 5. Related Party Balances

	2019	2018
<u>Due from related parties</u>		
Deninu K'ue Development Corporation	\$ -	\$ -
Deninu K'ue Holdings Ltd.	90,544	-
DKDC Site Services Ltd.	-	-
	\$ 90,544	\$ -
<u>Due to related parties</u>		
Deninu K'ue Development Corporation	\$ 230,730	\$ -
Deninu K'ue Holdings Ltd.	-	33,912
DKDC Site Services Ltd.	44,489	2,599
	\$ 275,219	\$ 36,511

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

	2019	2018
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
ASETS Summer Students	6,434	-
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
DeBeers		
Bus Services	5,902	-
GNWT		
Provider Enhancement Grant	5,000	-
INAC		
Governance 2017/2018	-	43,223
	\$ 305,187	\$ 331,074

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2019

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, 2019 and for the year then ended is as follows:

	2019	2018
Balance Sheet		
Total Assets	\$ 1,845,841	\$ 1,699,288
Total Liabilities	693,351	725,663
Total Shareholder's Equity	1,152,491	973,625
	\$ 1,845,842	\$ 1,699,288
Statement of Earnings		
Total Revenues	\$ 1,567,742	\$ 1,358,786
Total Expenses	1,388,875	675,031
Net earnings (loss) for the year	\$ 178,867	\$ 683,755
Statement of Cash Flows		
Cash Flows from Operating Activities	\$ 251,874	\$ 623,565
Cash Flows from Investing Activities	(260,331)	(539,421)
Cash Flows from Financing Activities	(34,520)	(96,610)
Increase (decrease) in cash	\$ (42,977)	\$ (12,466)
<i>Investment in Deninu K'ue Development Corporation</i>		
Share capital	\$ 10	\$ 10
Accumulated surplus (deficit) - opening	973,615	289,860
Current year surplus (deficit)	178,867	683,755
	\$ 1,152,492	\$ 973,625

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, 2019. 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.

INSERT CAPITAL ASSET SCHEDULE HERE

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2019

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, 2019.

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.

DENINU K'UE FIRST NATION

Notes to the Consolidated Financial Statements

March 31, 2019

Note 8. 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 2019
Building - trailer	24,200	-	-	24,200	18,452	5,748	-	999	19,451	4,749
Furniture and equipment	47,068	3,600	-	50,668	35,462	11,606	-	2,136	37,598	13,070
Computer equipment	14,214	-	-	14,214	13,017	1,197	-	446	13,463	751
	85,482	3,600	-	89,082	66,931	18,551	-	3,581	70,512	18,570