

INDEPENDENT AUDITOR'S REPORT

To the Management of Deninu K'ue First Nation

Qualified Opinion

We have audited the accompanying financial statements of Deninu K'ue First Nation which comprise the statement of financial position as at March 31, 2020, 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, 2020 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, 2020 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 expenditure, 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, 2020, current assets and net assets as at March 31, 2020.

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 Auditor's 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.

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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
February 9, 2022

DENINU K'UE FIRST NATION

Statement of Financial Position

March 31, 2020

	2020	2019
Financial Assets		
Cash, general account	\$ 984,351	\$ 1,102,287
Cash, IBA account	481,731	272,087
Accounts receivable, Note 3	1,698,771	921,147
Due (to) from related parties, Note 8	52,239	90,544
	<u>3,217,092</u>	<u>2,386,065</u>
Liabilities		
Accounts payable and accrued liabilities, Note 5	529,525	427,604
Deferred revenue, Note 6	663,522	305,187
Due to related parties, Note 8	169,363	275,219
	<u>1,362,410</u>	<u>1,008,010</u>
Net Financial Assets (Net Debt)	<u>\$ 1,854,682</u>	<u>\$ 1,378,055</u>
Non-Financial Assets		
Prepaid expenses	\$ 3,475	\$ 21,096
Capital assets, Note 4	14,207	18,570
Investment, Note 7	10	10
	<u>\$ 17,692</u>	<u>\$ 39,676</u>
Accumulated Surplus		
Fund Balances		
General Fund	\$ 1,858,157	\$ 1,399,151
Impact Benefit Agreement Fund	-	-
Capital Asset Fund	14,207	18,570
Investment Fund	10	10
	<u>\$ 1,872,374</u>	<u>\$ 1,417,731</u>

Approved by the Board:



Board Member



Board Member

DENINU K'UE FIRST NATION

General Fund

Statement of Revenue and Expenditure

For the year ended March 31, 2020

	2020 (Schedules)	2019
Revenue		
Contributions		
Government of Canada - Grants, FTPs and Contribution	\$ 564,729	\$ 678,561
Government of the NWT	1,142,851	1,340,113
Akaithcho Territory Government	1,616,155	923,810
Other revenues and recoveries	3,168,929	1,570,288
Deferred revenue (current programs), opening	5,000	331,074
Deferred revenue (current programs), closing	(663,522)	(305,187)
Contributions repaid	(18,884)	(52,691)
	5,815,258	4,485,968
Expenditure		
Administration fees	149,512	128,393
Wages and benefits	2,197,130	1,038,109
Interest and penalties on payroll taxes	3,825	-
Contracted services	353,365	374,002
Meeting and workshop expenses	243,805	163,649
Materials and supplies	678,889	453,194
Telephone, fax and internet	40,563	24,974
Training - course costs	19,546	40,702
Training - allowances	21,415	3,000
Travel	282,063	241,473
Rent and utilities	107,452	91,598
Professional fees	409,818	353,203
Equipment rental	344,984	38,904
Office supplies	30,133	40,433
Freight and postage	4,571	8,513
Bank charges and interest	711	11,676
Insurance	4,622	20,628
Advertising and promotion	448	-
Miscellaneous	497,766	356,145
Donations	6,636	9,911
Provision for (recovery of) bad debts	27,049	(11,084)
Amortization expense	4,363	3,581
Forgiveness of debt	-	-
	5,428,666	3,391,004
Excess (Deficiency) of revenue over expenditure for the year	\$ 386,592	\$ 1,094,964

DENINU K'UE FIRST NATION

Impact Benefit Agreement Fund
Statement of Revenue and Expenditure

For the year ended March 31, 2020

	2020	2019
Revenue		
Contributions		
Impact Benefit Agreement	\$ 341,951	\$ 314,000
	<u>341,951</u>	<u>314,000</u>
Expenditure		
Payout to members	240,200	224,590
Administration fee	-	47,100
Wages and benefits	-	-
Travel	-	2,596
Meeting and workshop expenses	1,200	800
Professional fees	-	-
Materials and supplies	7,539	8,497
Bank charges and interest	-	138
Donations	24,961	21,649
	<u>273,900</u>	<u>305,370</u>
Excess (Deficiency) of revenue over expenditure for the year	\$ 68,051	\$ 8,630

DENINU K'UE FIRST NATION

Statement of Changes in Fund Balances

For the year ended March 31, 2020

	2020	2019
General Operating Fund		
Balance, beginning of year	\$ 1,399,151	\$ 295,577
Transfer (to) from Capital Asset Fund	4,363	(20)
Transfer (to) from Impact Benefit Agreement Fund	68,051	8,630
<u>Excess (Deficiency) of revenue over expenditures for the year</u>	<u>386,592</u>	<u>1,094,964</u>
Balance, end of year	\$ 1,858,157	\$ 1,399,151
Impact Benefit Agreement Fund		
Balance, beginning of year	\$ -	\$ -
Excess (Deficiency) of revenue over expenditures for the year	68,051	8,630
Transfer to general fund	(68,051)	(8,630)
Balance, end of year	\$ -	\$ -
Capital Asset Fund		
Balance, beginning of year	\$ 18,570	\$ 18,550
Transfer (to) from General Operating Fund	(4,363)	20
Balance, end of year	\$ 14,207	\$ 18,570
Investment Fund		
Balance, beginning of year	\$ 10	\$ 10
Increase (Decrease) during the year	-	-
Balance, end of year	\$ 10	\$ 10

DENINU K'UE FIRST NATION

Statement of Changes in Net Financial Assets (Debt)

For the year ended March 31, 2020

	2020	2019
Excess (Deficiency) of revenue over expenditure for the year		
General Fund	\$ 386,592	\$ 1,094,964
Impact Benefit Agreement Fund	68,051	8,630
Amortization of tangible capital assets	4,363	3,581
Change in prepaid expenses	17,621	(3,917)
Purchase of tangible capital assets	-	(3,600)
Increase (decrease) in net financial assets	476,627	1,099,658
<u>Net financial assets (debt), beginning of year</u>	<u>1,378,055</u>	<u>278,397</u>
<u>Net financial assets (debt), end of year</u>	<u>\$ 1,854,682</u>	<u>\$ 1,378,055</u>

DENINU K'UE FIRST NATION

Statement of Cash Flow

For the year ended March 31, 2020

	2020	2019
Operating Activities		
Excess (Deficiency) of revenue over expenditure for the year		
General Fund	\$ 386,592	\$ 1,094,964
Impact Benefit Agreement Fund	68,051	8,630
Items not affecting cash		
Amortization of tangible assets	4,363	3,581
	459,006	1,107,175
Changes in working capital account balance		
Accounts receivable	(777,624)	60,142
Prepaid expenses	17,621	(3,917)
Accounts payable and accrued liabilities	101,921	(52,519)
Deferred revenue	358,335	(25,887)
	159,259	1,084,994
Capital Transactions		
Purchase of tangible capital assets	-	(3,600)
Investing Activities		
Due to related parties	(67,551)	148,164
Increase (decrease) in cash during the year	91,708	1,229,558
Cash, beginning of year	1,374,374	144,816
Cash, end of year	\$ 1,466,082	\$ 1,374,374
Represented by:		
Cash, general account	\$ 984,351	\$ 1,102,287
Cash, IBA account	481,731	272,087
	\$ 1,466,082	\$ 1,374,374

DENINU K'UE FIRST NATION

Notes to the Financial Statements

March 31, 2020

Note 1. Significant Accounting Policies

Deninu K'ue First Nation's purpose is to manage the financial, cultural, social and educational affairs on behalf of its members in Fort Resolution, Northwest Territories.

Basis of Accounting

The non-consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction 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%
Vehicles	Declining balance	30%

Revenue Recognition

Deninu K'ue First Nation follows the restricted fund accounting for contribution revenue. Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accrual cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

General Fund

Unrestricted contributions are recognized in the General 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 fund accounts for the First Nation's programs and administrative activities.

DENINU K'UE FIRST NATION

Notes to the Financial Statements

March 31, 2020

Note 1. Continued

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.

Measurement Uncertainty

In preparing the non-consolidated financial statements for Deninu K'ue First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the dates of the non-consolidated financial statement 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 these estimates.

Note 2. Economic Dependence

The Deninu K'ue First Nation receives base funding plus specific program funds pursuant to funding arrangements with Indigenous and Northern Affairs 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 3. Accounts Receivable

	Gross Amount	Allowance for Doubtful Accounts	Net 2020	Net 2019
Accounts receivable	\$ 2,732,174	\$ 1,198,888	\$ 1,533,286	\$ 756,844
GST recoverable	86,001	-	86,001	33,185
CRA - balance on account	75,659	-	75,659	123,560
Advances to Employees	3,825	-	3,825	7,558
	\$ 2,897,659	\$ 1,198,888	\$ 1,698,771	\$ 921,147

DENINU K'UE FIRST NATION
Notes to the Financial Statements

March 31, 2020

Note 4. Schedule of 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 2020
Buildings	24,200	-	-	24,200	19,451	4,749	-	815	-	2,797	815	20,266	3,934
Furniture and equipment	50,668	-	-	50,668	37,598	13,070	-	-	-	-	-	40,395	10,273
Computer equipment	14,214	-	-	14,214	13,463	751	-	-	-	-	-	14,214	-
	89,082	-	-	89,082	70,512	18,570	-	-	-	-	-	4,363	74,875
													14,207