

## 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, 2021, 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, 2021 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, 2021 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.

*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.

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 Professional Accountants  
Business Advisors

Hay River, NT  
January 16, 2023

# DENINU K'UE FIRST NATION

## Statement of Financial Position

March 31, 2021

	2021	2020
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 1,874,921	\$ 1,466,082
Accounts receivable, Note 3	1,516,445	1,698,771
Due from related parties, Note 8	166,617	52,239
	<u>3,557,983</u>	<u>3,217,092</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities, Note 5	632,725	529,525
Deferred revenue, Note 6	752,117	663,522
Due to related parties, Note 8	136,545	169,363
	<u>1,521,387</u>	<u>1,362,410</u>
<b>Net Financial Assets (Net Debt)</b>	<b>\$ 2,036,596</b>	<b>\$ 1,854,682</b>
<b>Non-Financial Assets</b>		
Prepaid expenses	\$ 3,685	\$ 3,475
Capital assets, Note 4	49,501	14,207
Investment, Note 7	10	10
	<u>\$ 53,196</u>	<u>\$ 17,692</u>
<b>Accumulated Surplus</b>		
Fund Balances		
General Fund	\$ 2,040,281	\$ 1,858,157
Impact Benefit Agreement Fund	-	-
Capital Asset Fund	49,501	14,207
Investment Fund	10	10
	<u>\$ 2,089,792</u>	<u>\$ 1,872,374</u>

Approved by the Board:

Levi Kn

Board Member

Dave Pit

Board Member

# DENINU K'UE FIRST NATION

General Fund

Statement of Revenue and Expenditure

For the year ended March 31, 2021

	2021 (Schedules)	2020
<b>Revenue</b>		
Contributions		
Government of Canada - Grants, FTPs and Contributions	\$ 1,252,959	\$ 564,729
Government of the NWT	1,063,014	1,142,851
Akaithcho Territory Government	1,106,495	1,616,155
Other revenues and recoveries	2,120,636	3,168,929
Deferred revenue (current programs), opening	663,522	5,000
Deferred revenue (current programs), closing	(752,118)	(663,522)
Contributions repaid	(10,985)	(18,884)
	5,443,523	5,815,258
<b>Expenditure</b>		
Administration fees	392,950	149,512
Wages and benefits	1,532,520	2,197,130
Interest and penalties on payroll taxes	-	3,825
Contracted services	397,724	353,365
Meeting and workshop expenses	1,210,942	243,805
Materials and supplies	488,726	678,889
Telephone, fax and internet	56,344	40,563
Training - course costs	-	19,546
Training - allowances	-	21,415
Travel	243,112	282,063
Rent and utilities	118,859	107,452
Professional fees	177,850	409,818
Equipment rental	500,017	344,984
Office supplies	54,649	30,133
Freight and postage	23,884	4,571
Bank charges and interest	937	711
Insurance	13,834	4,622
Advertising and promotion	-	448
Miscellaneous	57,575	497,766
Donations	-	6,636
Provision for (recovery of) bad debts	4,728	27,049
Amortization expense	7,003	4,363
Forgiveness of debt	-	-
	5,281,654	5,428,666
<b>Excess (Deficiency) of revenue over expenditure for the year</b>	<b>\$ 161,869</b>	<b>\$ 386,592</b>

# **DENINU K'UE FIRST NATION**

Impact Benefit Agreement Fund  
Statement of Revenue and Expenditure

For the year ended March 31, 2021

	<b>2021</b>	<b>2020</b>
<b>Revenue</b>		
Contributions		
Impact Benefit Agreement	\$ 316,788	\$ 341,951
	<u>316,788</u>	<u>341,951</u>
<b>Expenditure</b>		
Payout to members	242,640	240,200
Administration fee	-	-
Wages and benefits	-	-
Travel	153	-
Meeting and workshop expenses	-	1,200
Professional fees	-	-
Materials and supplies	1,110	7,539
Bank charges and interest	-	-
Donations	17,336	24,961
	<u>261,239</u>	<u>273,900</u>
<b>Excess (Deficiency) of revenue over expenditure for the year</b>	<b>\$ 55,549</b>	<b>\$ 68,051</b>

**DENINU K'UE FIRST NATION**

## Statement of Changes in Fund Balances

For the year ended March 31, 2021

	2021	2020
<b>General Operating Fund</b>		
Balance, beginning of year	\$ 1,858,157	\$ 1,399,151
Transfer (to) from Capital Asset Fund	(35,294)	4,363
Transfer (to) from Impact Benefit Agreement Fund	55,549	68,051
Excess (Deficiency) of revenue over expenditures for the year	161,869	386,592
<b>Balance, end of year</b>	<b>\$ 2,040,281</b>	<b>\$ 1,858,157</b>
<b>Impact Benefit Agreement Fund</b>		
Balance, beginning of year	\$ -	\$ -
Excess (Deficiency) of revenue over expenditures for the year	55,549	68,051
Transfer to general fund	(55,549)	(68,051)
<b>Balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Capital Asset Fund</b>		
Balance, beginning of year	\$ 14,207	\$ 18,570
Transfer (to) from General Operating Fund	35,294	(4,363)
<b>Balance, end of year</b>	<b>\$ 49,501</b>	<b>\$ 14,207</b>
<b>Investment Fund</b>		
Balance, beginning of year	\$ 10	\$ 10
Increase (Decrease) during the year	-	-
<b>Balance, end of year</b>	<b>\$ 10</b>	<b>\$ 10</b>

**DENINU K'UE FIRST NATION**

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

For the year ended March 31, 2021

	2021	2020
<b>Excess (Deficiency) of revenue over expenditure for the year</b>		
General Fund	\$ 161,869	\$ 386,592
Impact Benefit Agreement Fund	55,549	68,051
Amortization of tangible capital assets	7,003	4,363
Change in prepaid expenses	(210)	17,621
Purchase of tangible capital assets	(42,297)	-
<b>Increase (decrease) in net financial assets</b>	<b>181,914</b>	<b>476,627</b>
<b>Net financial assets (debt), beginning of year</b>	<b>1,854,682</b>	<b>1,378,055</b>
<b>Net financial assets (debt), end of year</b>	<b>\$ 2,036,596</b>	<b>\$ 1,854,682</b>

# DENINU K'UE FIRST NATION

## Statement of Cash Flow

For the year ended March 31, 2021

	2021	2020
<b>Operating Activities</b>		
Excess (Deficiency) of revenue over expenditure for the year		
General Fund	\$ 161,869	\$ 386,592
Impact Benefit Agreement Fund	55,549	68,051
Items not affecting cash		
Amortization of tangible assets	7,003	4,363
	224,421	459,006
Changes in working capital account balances		
Accounts receivable	182,326	(777,624)
Prepaid expenses	(210)	17,621
Accounts payable and accrued liabilities	103,200	101,921
Deferred revenue	88,595	358,335
	598,332	159,259
<b>Capital Transactions</b>		
Purchase of tangible capital assets	(42,297)	-
<b>Investing Activities</b>		
Due to related parties	(147,196)	(67,551)
Increase (decrease) in cash during the year	408,839	91,708
Cash, beginning of year	1,466,082	1,374,374
Cash, end of year	\$ 1,874,921	\$ 1,466,082

# DENINU K'UE FIRST NATION

## Notes to the Financial Statements

March 31, 2021

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### 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, 2021

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### 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 2021	Net 2020
Accounts receivable	\$ 2,607,410	\$ (1,203,616)	\$ 1,403,794	\$ 1,533,286
GST recoverable	106,948	-	106,948	86,001
CRA - balance on account	-	-	-	75,659
Advances to Employees	5,703	-	5,703	3,825
	\$ 2,720,061	\$ (1,203,616)	\$ 1,516,445	\$ 1,698,771

## DENINU K'UE FIRST NATION

Notes to the Financial Statements

March 31, 2021

### 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 2021
Buildings	24,200	39,199	-	63,399	20,266	3,934	-	4,165	24,431	38,968
Furniture and equipment	50,668	-	-	50,668	40,395	10,273	-	1,986	42,381	8,287
Computer equipment	14,214	3,098	-	17,312	14,214	-	-	852	15,066	2,246
	89,082	42,297	-	131,379	74,875	14,207	-	7,003	81,878	49,501