

## 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, 2022, 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, 2022 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, 2022 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  
December 7, 2023

# DENINU K'UE FIRST NATION

## Statement of Financial Position

March 31, 2022

	2022	2021
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 1,973,035	\$ 1,874,921
Accounts receivable, Note 3	1,463,681	1,516,445
Due from related parties, Note 8	65,752	166,617
	<u>3,502,468</u>	<u>3,557,983</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities, Note 5	484,380	632,725
Deferred revenue, Note 6	1,476,001	752,117
Due to related parties, Note 8	40,167	136,545
	<u>2,000,548</u>	<u>1,521,387</u>
Net Financial Assets (Net Debt)	\$ 1,501,920	\$ 2,036,596
<b>Non-Financial Assets</b>		
Prepaid expenses	\$ 22,865	\$ 3,685
Capital assets, Note 4	43,484	49,501
Investment, Note 7	10	10
	<u>\$ 66,359</u>	<u>\$ 53,196</u>
<b>Accumulated Surplus</b>		
Fund Balances		
General Fund	\$ 1,524,786	\$ 2,040,281
Impact Benefit Agreement Fund	-	-
Capital Asset Fund	43,483	49,501
Investment Fund	10	10
	<u>\$ 1,568,279</u>	<u>\$ 2,089,792</u>

Approved by the Board:

Deni K'ue Board Member

Dave Pit Board Member

# DENINU K'UE FIRST NATION

General Fund

Statement of Revenue and Expenditure

For the year ended March 31, 2022

	2022 (Schedules)	2021
<b>Revenue</b>		
Contributions		
Government of Canada - Grants, FTPs and Contributions	\$ 1,679,367	\$ 1,252,959
Government of the NWT	1,624,510	1,063,014
Akaithcho Territory Government	1,131,622	1,106,495
Other revenues and recoveries	1,837,854	2,120,636
Deferred revenue (current programs), opening	708,509	663,522
Deferred revenue (current programs), closing	(1,305,954)	(752,118)
Contributions repaid	(30,968)	(10,985)
	5,644,939	5,443,523
<b>Expenditure</b>		
Administration fees	539,518	392,950
Wages and benefits	1,288,733	1,532,520
Contracted services	837,782	397,724
Meeting and workshop expenses	335,818	1,210,942
Materials and supplies	648,281	488,726
Telephone, fax and internet	78,427	56,344
Training - course costs	35,088	-
Training - allowances	1,800	-
Travel	320,298	243,112
Rent and utilities	106,631	118,859
Professional fees	375,143	177,850
Equipment rental	262,021	500,017
Office supplies	207,670	54,649
Freight and postage	15,010	23,884
Bank charges and interest	10,519	937
Insurance	23,576	13,834
Advertising and promotion	1,756	-
Miscellaneous	524,958	57,575
Donations	12,681	-
Provision for (recovery of) bad debts	-	4,728
Amortization expense	6,018	7,003
Forgiveness of debt	-	-
	5,631,728	5,281,654
<b>Excess (Deficiency) of revenue over expenditure for the year</b>	<b>\$ 13,211</b>	<b>\$ 161,869</b>

# DENINU K'UE FIRST NATION

## Impact Benefit Agreement Fund Statement of Revenue and Expenditure

For the year ended March 31, 2022

	2022	2021
<b>Revenue</b>		
Contributions		
Impact Benefit Agreement	\$ 314,754	\$ 316,788
	314,754	316,788
<b>Expenditure</b>		
Heritage fund payout to members	242,400	242,640
Contract revenue payout to member	584,155	-
Administration fee	-	-
Wages and benefits	-	-
Travel	3,191	153
Meeting and workshop expenses	300	-
Professional fees	-	-
Materials and supplies	-	1,110
Bank charges and interest	1,776	-
Donations	17,656	17,336
	849,478	261,239
<b>Excess (Deficiency) of revenue over expenditure for the year</b>	<b>\$ (534,724)</b>	<b>\$ 55,549</b>

# **DENINU K'UE FIRST NATION**

## Statement of Changes in Fund Balances

For the year ended March 31, 2022

	2022	2021
<b>General Operating Fund</b>		
Balance, beginning of year	\$ 2,040,281	\$ 1,858,157
Transfer (to) from Capital Asset Fund	6,018	(35,294)
Transfer (to) from Impact Benefit Agreement Fund	(534,724)	55,549
Excess (Deficiency) of revenue over expenditures for the year	13,211	161,869
Balance, end of year	\$ 1,524,786	\$ 2,040,281
<b>Impact Benefit Agreement Fund</b>		
Balance, beginning of year	\$ -	\$ -
Excess (Deficiency) of revenue over expenditures for the year	(534,724)	55,549
Transfer to general fund	534,724	(55,549)
Balance, end of year	\$ -	\$ -
<b>Capital Asset Fund</b>		
Balance, beginning of year	\$ 49,501	\$ 14,207
Transfer (to) from General Operating Fund	(6,018)	35,294
Balance, end of year	\$ 43,483	\$ 49,501
<b>Investment Fund</b>		
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, 2022

	2022	2021
Excess (Deficiency) of revenue over expenditure for the year		
General Fund	\$ 13,211	\$ 161,869
Impact Benefit Agreement Fund	(534,724)	55,549
Amortization of tangible capital assets	6,017	7,003
Change in prepaid expenses	(19,180)	(210)
Purchase of tangible capital assets	-	(42,297)
Increase (decrease) in net financial assets	(534,676)	181,914
Net financial assets (debt), beginning of year	2,036,596	1,854,682
Net financial assets (debt), end of year	\$ 1,501,920	\$ 2,036,596

# DENINU K'UE FIRST NATION

## Statement of Cash Flow

For the year ended March 31, 2022

	2022	2021
<b>Operating Activities</b>		
Excess (Deficiency) of revenue over expenditure for the year		
General Fund	\$ 13,211	\$ 161,869
Impact Benefit Agreement Fund	(534,724)	55,549
Items not affecting cash		
Amortization of tangible assets	6,017	7,003
	(515,496)	224,421
Changes in working capital account balances		
Accounts receivable	52,764	182,326
Prepaid expenses	(19,180)	(210)
Accounts payable and accrued liabilities	(148,345)	103,200
Deferred revenue	723,884	88,595
	93,627	598,332
<b>Capital Transactions</b>		
Purchase of tangible capital assets	-	(42,297)
<b>Investing Activities</b>		
Due to related parties	4,487	(147,196)
Increase (decrease) in cash during the year	98,114	408,839
Cash, beginning of year	1,874,921	1,466,082
Cash, end of year	\$ 1,973,035	\$ 1,874,921

# DENINU K'UE FIRST NATION

Notes to the Financial Statements

March 31, 2022

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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, 2022

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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 2022	Net 2021
Accounts receivable	\$ 2,733,990	\$ (1,417,292)	\$ 1,316,698	\$ 1,403,794
GST recoverable	141,323	-	141,323	106,948
Advances to Employees	5,660	-	5,660	5,703
	\$ 2,880,973	\$ (1,417,292)	\$ 1,463,681	\$ 1,516,445

**DENINU K'UE FIRST NATION**  
Notes to the Financial Statements

March 31, 2022

**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 2022
Buildings	63,399	-	-	63,399	24,431	38,968	-	3,694	28,125	35,274
Furniture and equipment	50,668	-	-	50,668	42,380	8,288	-	1,706	44,086	6,582
Computer equipment	17,312	-	-	17,312	15,066	2,246	-	618	15,684	1,628
	131,379	-	-	131,379	81,877	49,502	-	6,018	87,895	43,484

# DENINU K'UE FIRST NATION

Notes to the Financial Statements

March 31, 2022

## Note 5. Accounts Payable and Accrued Liabilities

	2022	2021
Trade payables	\$ 278,359	\$ 419,189
Government remittances payable	3,550	28,116
NWT payroll tax payable	153,612	128,977
Salaries and benefits payable	48,859	56,443
Contributions repayable	-	-
	<b>\$ 484,380</b>	<b>\$ 632,725</b>

## Note 6. Deferred Revenue/Repayable

	2022	2021
Akaitcho Territory Government		
Covid-19 funding	\$ -	\$ 61,181
On The Land Healing Fund	20,615	14,500
Indigenous Services Canada		
ECCC - Guardians	29,600	29,600
ISC - Indigenous Community Support	12,710	12,709
Northern Participants funding	267,041	-
ISC - Devolution	35,975	-
Housing	250,000	-
ICSP Funding	70,135	-
Covid Funding	55,293	-
GNWT		
Provider Enhancement Grant	5,000	5,000
Women's initiative group	5,000	5,000
GNWT IRMA Base	54,551	54,551
CIMP	2,140	2,140
ECE - Community Employment Support Program	8,682	8,682
ENR - Take Family On The Land	10,000	20,000
ENR - Boreal Caribou	28,580	23,525
Healthy Childrens Initiative	16,830	31,146
HSS-Mental Health & Suicide Prevention	20,642	-
NTHSS-Community Wellness Program	35,012	-
Other		
DeBeers NHX Enviro Coordinator	62,098	62,098
DeBeers GK IBA	400,935	400,935
DeBers Community Workplan	50,990	-
Duc Unlimited - Initiate Discussion	14,910	21,050
	<b>\$ 1,476,001</b>	<b>\$ 752,117</b>

## Note 7. Investment

The First Nation owns all of the issued shares of the Deninu K'ue Development Corporation Ltd. This investment is recorded on the statement of financial position at cost.

# DENINU K'UE FIRST NATION

Notes to the Financial Statements

March 31, 2022

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## Note 8. Due to / from Related Party Balances

	2022	2021
<u>Due from related parties</u>		
Deninu K'ue Development Corporation	32,533	-
Deninu K'ue Holdings Ltd.	33,219	166,617
DKDC Site Services Ltd.	-	-
	65,752	166,617
<u>Due to related parties</u>		
Deninu K'ue Development Corporation	\$ -	\$ 95,290
Deninu K'ue Holdings Ltd.	-	-
DKDC Site Services Ltd.	40,167	41,255
	\$ 40,167	\$ 136,545

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

## 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, 2022.

### 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.

## Note 10. Contingent Liabilities

Deninu K'ue First Nation has entered into contribution agreements with various Territorial and Federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.