

Yellowknives Dene First Nation

Consolidated Financial Statements

March 31, 2016

Independent Auditors' Report

To the Members of Yellowknives Dene First Nation

We have audited the accompanying consolidated financial statements of Yellowknives Dene First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, accumulated surplus, change in net financial assets (debt), cash flows and the related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the First Nation's preparation and fair presentation of the consolidated 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 First Nation'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 consolidated 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

The subsidiary investment, Deton' Cho Corporation, has issued audited financial statements, however, the financial statements of Deton'Cho/Scarlet Security Services Ltd. (51% owned subsidiary), Deton'Cho Nahanni Construction Ltd. (51% owned subsidiary), DCC-NNP Limited Partnership (99.84% owned subsidiary), Aboriginal Diamond Group (33% owned subsidiary), and Kete Whii Ltd (25% owned significantly influenced investee) are reviewed, not audited for the year ended March 31, 2016. The financial statements of Bouwa Whee Catering (100% owned subsidiary) and Deton'Cho Logistics (51% owned subsidiary) were audited, however due to the size of their operations it was not possible to determine if there were any further adjustments necessary. The financial statements of Deton'Cho Mining Supplies Inc. (100% owned subsidiary), Yellowknife River Resorts Inc. (25% owned investment), Deton'Cho Investments North Ltd. (100% owned subsidiary), Deton'Cho Diamonds Inc. (100% owned subsidiary), Deton'Cho Construction Ltd. (100% owned subsidiary), Deton'Cho Training and Conference Centre (100% owned subsidiary), 506588 NWT Ltd. (100% owned subsidiary), 506589 NWT Ltd. (100% owned subsidiary), Deton'Cho Employment Services Ltd. (100% owned subsidiary), Deton'Cho Stantec Ltd. (51% owned subsidiary), Lakeview Limited Partnership (50.05% owned subsidiary) and Canada Dene Diamonds (50.25% owned subsidiary) have been neither reviewed nor audited for the year ended March 31, 2016.

Consequently, we are unable to determine whether any adjustments might be necessary to equity earnings from subsidiaries and investment in these companies, or income and retained earnings of Deton'Cho Corporation.

Furthermore the subsidiary investment, Deton' Cho Corporation Limited Partnership, has issued unaudited financial statements. We were not able to obtain sufficient and appropriate audit evidence about the carrying amount of the investment and equity earnings in Deton' Cho Limited Partnership. Consequently we are unable to determine whether any adjustment to these amounts were necessary.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2016 and the results of its operations, the changes in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Yellowknife, Canada
September 1, 2016

Crowe MacKay LLP
Chartered Accountants

Yellowknives Dene First Nation

Consolidated Statement of Financial Position

As at March 31	2016	2015
Financial Assets		
Cash (Note 4)		
Cash (Note 4)	\$ 5,470,850	\$ 4,615,446
Accounts receivable (Note 5)	812,537	1,419,525
GST receivable	392,317	484,661
Due from the NWT Housing Corporation (NWTHC)	36,817	-
Term deposits (Note 6)	270,496	266,347
Due from subsidiaries (Note 7)	3,825,034	3,913,234
	10,808,051	10,699,213
Liabilities		
Accounts payable and accrued liabilities	782,761	508,502
Deferred revenue (Note 8)	2,648,244	2,324,038
Due to K'alemi Dene School (Note 9)	881,425	1,493,731
Damage deposit payable	24,732	24,065
Due to the NWT Housing Corporation (NWTHC)	-	8,125
Salaries payable (Note 10)	328,921	318,695
Impact benefit agreement payable (Note 11)	300,220	312,450
Contributions repayable (Note 12)	55,655	330,110
Investments in government business enterprises (Note 13)	3,261,117	6,236,397
Loan payable	-	329,180
Obligations under capital lease	3,581	5,153
	8,286,656	11,890,446
Net financial assets (debt)	2,521,395	(1,191,233)
Non-financial Assets		
Tangible capital assets (Note 14)	5,034,827	5,165,447
Prepaid expenses and deposits	57,170	2,120
Inventory	24,223	24,223
	5,116,220	5,191,790
Accumulated Surplus	\$ 7,637,615	\$ 4,000,557
Commitments (15)		
Guarantees (16)		

Approved on behalf of the Chief and Council

 , Chief

 Chief Executive Officer

The accompanying notes are an integral part of the financial statements

Yellowknives Dene First Nation

Consolidated Statement of Operations

For the year ended March 31	2016 Budget	2016 Actual	2015 Actual
Revenue			
Federal Government:			
Indigenous and Northern Affairs Canada	\$ -	\$ 1,403,120	\$ 1,008,776
Other federal contributions	-	176,215	82,508
Health Canada	-	350,153	353,730
Government of the Northwest Territories (GNWT)	-	3,313,857	3,120,433
Contributions from NWT Housing Corporation (NWTHC)	-	664,179	673,123
Akaitcho Territory Government	-	197,748	280,117
IBA Revenue	-	2,030,561	1,763,394
Administration fees	-	285,373	1,443,976
Other contributions	-	196,210	193,527
Municipal services	-	313,364	305,787
Other income	-	755,215	432,844
Transfers	-	164,987	254,194
Rental revenue - housing division	-	(185,831)	(139,102)
Recoveries - housing division	-	(14,320)	9,934
Interest income	-	91,722	95,806
Contributions repayable	-	(24,581)	(110,526)
Transfer to deferred revenue	-	(2,648,244)	(170,636)
Transfer from deferred revenue	-	2,324,038	68,314
	4,187,580	9,393,766	9,666,199
Expenses			
Band Government	2,137,566	3,273,261	2,193,413
Community Services	2,111,820	1,518,443	1,767,490
Economic Development	250,000	1,751,993	1,666,065
Education	632,695	611,042	590,795
Health	-	909,664	933,333
Social Services	738,230	273,980	90,795
Housing	-	399,266	609,791
	5,870,311	8,737,649	7,851,682
Excess of revenue over expenses before other items	(1,682,731)	656,117	1,814,517
Other items			
Writtenown of Weledeh Building Society	-	(88,764)	(91,508)
Loss on disposal of tangible capital assets	-	-	(2,950)
Share of partnership earning (loss)	-	(2,000)	(32,343)
Transfer to tangible capital assets	-	173,530	256,109
Equity earnings (loss)	-	2,977,280	(6,193,513)
Deficit funding by NWTHC for Housing operations	-	-	548,956
Impairment	-	(79,105)	(668,890)
	-	2,980,941	(6,184,139)
Excess (deficiency) of revenue over expenses	\$ (1,682,731)	\$ 3,637,058	\$ (4,369,622)

The accompanying notes are an integral part of the financial statements

Yellowknives Dene First Nation

Consolidated Statement of Accumulated Surplus

For the year ended March 31	2016	2015
Accumulated surplus, beginning of year	\$ 4,000,557	\$ 8,286,335
Excess (deficiency) of revenue over expenses	3,637,058	(4,369,622)
Transfer of rental revenue from NWTHC	-	83,844
Accumulated surplus, end of year	\$ 7,637,615	\$ 4,000,557

The accompanying notes are an integral part of the financial statements

Yellowknives Dene First Nation

Consolidated Statement of Change in Net Financial Assets (Debt)

For the year ended March 31	2016 Budget	2016 Actual	2015
Excess (deficiency) of revenue over expenses	\$ (1,682,731)	\$ 3,637,058	\$ (4,369,622)
Acquisition of tangible capital assets	-	(84,767)	(3,221,869)
Amortization of tangible capital assets	-	215,387	170,603
Proceeds on disposal of tangible capital assets	-	-	7,000
Loss on disposal of tangible capital assets	-	-	2,950
		130,620	(3,041,316)
Acquisition of prepaid asset	(55,050)	(55,050)	-
Use of prepaid asset	-	-	6,789
	(55,050)	(55,050)	6,789
Use of inventory	-	-	1,323
Transfer of rental revenue from NWTHC	-	-	83,844
Increase (decrease) in net financial assets	(1,737,781)	3,712,628	(7,318,982)
Net financial assets, beginning of year	-	(1,191,233)	6,127,749
Net debt, end of year	\$ -	\$ 2,521,395	\$ (1,191,233)

The accompanying notes are an integral part of the financial statements

Yellowknives Dene First Nation

Consolidated Statement of Cash Flows

For the year ended March 31, 2016	2016	2015
Cash flows from Operating activities		
Excess (deficiency) of revenue over expenses	\$ 3,637,058	\$ (4,369,622)
Items not affecting cash		
Amortization	215,387	170,603
Equity (earnings) loss in subsidiary	(2,977,280)	6,193,513
Share of partnership (earnings) loss	2,000	32,343
Written down of Weledeh Building Society	88,764	91,508
Loss on disposal of tangible capital assets	-	2,950
Impairment of advance due from subsidiary	-	83,844
Impairment of advance due from subsidiary	79,105	668,890
	1,045,034	2,874,029
Change in non-cash operating working capital		
Accounts receivable	606,988	(754,392)
Inventory	-	1,323
Prepaid expenses and deposits	(55,050)	6,789
Term deposits	(4,149)	(4,897)
Accounts payable and accrued liabilities	274,258	(203,590)
Deferred revenue	324,206	(2,305,661)
Salaries payable	10,226	(115,249)
Impact benefit agreement payable	(12,230)	(21,050)
Contributions repayable	(274,455)	76,534
Damage deposit payable	667	649
GST receivable	92,344	(129,884)
Due to NWTHC	(44,942)	(209,174)
Due to K'alemi Dene School	(612,306)	1,493,731
	1,350,591	709,158
Capital activities		
Purchase of tangible capital assets	(173,530)	(263,109)
Proceeds on disposal of tangible capital assets	-	7,000
	(173,530)	(256,109)
Financing activities		
Loan payable	(329,180)	(355,761)
Repayment of obligations under capital lease	(1,572)	(6,138)
	(330,752)	(361,899)
Investing activities		
Advance to subsidiaries	9,095	(34,471)
Increase in cash and cash equivalents	855,404	56,679
Cash and cash equivalents, beginning of year	4,615,446	4,558,767
Cash and cash equivalents, end of year	\$ 5,470,850	\$ 4,615,446

The accompanying notes are an integral part of the financial statements

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

1. Nature of operations

Yellowknives Dene First Nation (the "First Nation") is established pursuant to the *Indian Act*. Operating activities of the First Nation includes the administration and delivery of services to the communities of Dettah, NT and N'Dilo, NT. The First Nation is classified as an Indian Band and as such is a non-taxable entity under section 149 of the *Income Tax Act*.

2. Basis of Presentation and Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(a) Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

(b) Principles of consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the Consolidated Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only the Yellowknives Dene First Nation's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of the Yellowknives Dene First Nation.

Organizations consolidated in Yellowknives Dene First Nation's financial statements include:

1. Yellowknives Dene First Nation Housing Division (100% control)
2. Weledeh Building Society. (100% control)

Organizations accounted for on a modified equity basis include:

3. Deton' Cho Corporation (100% control)
4. Deton' Cho Limited Partnership (99.99% partner)

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

2. Basis of Presentation and Significant Accounting Policies (continued)

(c) Revenue recognition

Government transfers

Government transfers are the transfer of monetary assets or tangible capital assets from a government for which the government making the transfer does not:

- receive any goods or services directly in return;
- expect to be repaid in the future; or
- expect a direct financial return.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets.

Operating transfers are recognized as revenue in the period in which the events giving rise to the transaction occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Capital transfers or transfers of restricted funding tangible capital assets are initially recognized as deferred revenue and subsequently recognized as revenue when the related tangible capital assets are acquired or built or eligible expenses incurred.

Contributions

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Funding and contributions from NWTHC are recognized as the funding and contributions are received or receivable.

Other sources of revenues

Administration fee revenue is recognized when the services have been performed and collection is reasonably assured. Certain contributions and government transfers for projects allow for administration fee expenses which are charged to the project when incurred and a corresponding administration fee revenue is recognized.

Water and sewer fees are recognized when services are provided.

Other income which includes donations, rental, and other funding are recognized when received or receivable and collection is reasonably assured.

Transfers are internal reallocations of project funds received or receivable to other eligible projects as specified in the funding agreement.

Rental revenue is recognized when housing units are occupied. An allowance is recognized for any rental amounts owing which are deemed uncollectible.

Interest income is recognized as it is earned.

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

2. Basis of Presentation and Significant Accounting Policies (continued)

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand at the bank, restricted cash, term deposits and restricted term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

(e) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to the acquisition, construction development or betterment of the asset.

The cost, less residual value, of the tangible capital assets are amortized over their estimated useful lives as follows:

Buildings	3% Declining balance
Vehicles	30% Declining balance
Computer equipment	55% Declining balance
Equipment	20% Declining balance

One half the regular amortization is recorded in the year of acquisition for assets using the declining balance method. No amortization is recorded in the year of disposal.

Tangible capital assets are written down when conditions indicate that they no longer contribute to Yellowknives Dene First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

(f) Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services that may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

(g) Employee benefit obligations

Under the conditions of employment, employees qualify for annual leave of varying lengths depending on length of service. Employees also earn severance remuneration based on the number of years of service. The estimated employee leave and termination benefits payable is accrued.

(h) Related party transactions

Related party transactions are in the normal course of operations and have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

2. Basis of Presentation and Significant Accounting Policies (continued)

(i) Inventory

Inventory held for use consists of materials and supplies to be consumed in the process of constructing or maintenance of the buildings or properties administered by NWT Housing Corporation. The cost of inventory is valued on a weighted average basis at the lower of cost and replacement value.

(j) Net debt or net financial assets

The First Nation's financial statements are presented so as to highlight net financial assets (net debt) as the measurement of financial position. The net financial assets (net debt) of the First Nation is determined by its financial assets less its liabilities. Net financial assets (net debt) combined with non-financial assets comprises a second indicator of financial position, accumulated surplus.

(k) Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when: contamination exceeding an environmental standard exists; the First Nation is either directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available as at March 31, 2016.

At each financial reporting date, management reviews the carrying amounts of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made.

The First Nation has concluded that there is no contamination that exceeds environment standards and as a result there are no liabilities for contaminated sites.

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

2. Basis of Presentation and Significant Accounting Policies (continued)

(l) Segment disclosures

Segment financial information for certain departments is provided in Note 22. The accounting policies used in these segments is consistent with those followed in preparation of the non-consolidated financial statements. Revenues not directly attributable to a specific segment are shown in the general government services revenue. The segments include:

Band Government which provides internal support to the Council and other departments that provide direct services to band members;

Community Services which provides basic municipal services to the community and provides additional services that are a benefit to the entire community;

Economic Development which provides support and programs to the community to foster job creation and economic growth;

Education which provides educational services and programs to the community;

Health which provides health services and related programs to the community;

Housing which provides housing services and related programs to the community;

Social Services which provides support services and programs to the community to assist in promoting community justice and to reduce or prevent issues of public concern such as crime and drug and alcohol abuse.

(m) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

3. Future accounting changes

Financial Instruments, Section PS 3450 and related amendments to Financial Statement Presentation, Section PS 1200

PSAB approved new Section PS 3450, Financial Instruments, and related to Section PS 1201, Financial Statement Presentation. The effective date for Section PS 3450 is April 1, 2012 for government organizations and April 1, 2016 for Governments. Earlier adoption is permitted. Governments and government organizations adopt Section PS 3450 in the same fiscal year Section PS 2601, Foreign Currency Translation, is adopted.

The impact of the transition to these accounting standards has not yet been determined.

Related party disclosures, Section PS 2200

PSAB approved Section PS 2200, Related Party Disclosures. This Section is effective for fiscal periods beginning on or after April 1, 2017. Earlier adoption is permitted. This Section defines related parties and establishes disclosures required for related party transactions. It is expected that reasonable efforts would be made to identify related party transactions. This may involve adopting policies and procedures designed to ensure that these transactions are appropriately identified, measured and disclosed in the financial statements. Not all related party relationships or transactions occurring between related parties are required to be disclosed. Disclosure is generally required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated. However, not all of these transactions are reportable under this Section. Only those transactions that have or could have a material financial effect on the financial statements are disclosed.

The impact of the transition to this accounting standard has not yet been determined.

Portfolio Investments, Section PS 3041

PSAB approved Section PS 3041 – Portfolio Investments. This Section is effective when Section PS 1201, Financial Statement Presentation, Section PS 2601, Foreign Currency Translation, and Section PS 3450, Financial Instruments are adopted. This Section establishes standards on how to account for and report portfolio investments in government financial statements.

The impact of the transition to this accounting standard has not yet been determined.

Assets, Section PS 3210

PSAB approved Section PS 3210, Assets. This Section is effective for fiscal periods beginning on or after April 1, 2017. Earlier adoption is permitted. This Section provides guidance on how to apply the definition of assets as set out in Section PS 1000, and establishes standards for disclosure of assets except certain specific types of assets, which are dealt with in other Sections.

The impact of the transition to this accounting standard has not yet been determined.

Contingent Assets, Section PS 3320

PSAB approved Section PS 3320, Contingent Assets. This Section is effective for fiscal periods beginning on or after April 1, 2017. Earlier adoption is permitted. This Section defines and establishes standards for disclosure of contingent assets except certain specific types of contingent assets.

The impact of the transition to this accounting standard has not yet been determined.

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

3 Future accounting changes (continued)

Contractual Rights, Section PS 3380

PSAB approved Section PS 3380, Contractual Rights. This Section is effective for fiscal periods beginning on or after April 1, 2017. Earlier adoption is permitted. This Section defines and establishes standards for disclosure of rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future except certain specific types of contractual rights.

The impact of the transition to this accounting standard has not yet been determined.

Inter-entity Transactions, Section PS 3420

PSAB approved Section PS 3420, Inter-entity Transactions. This Section is effective for fiscal periods beginning on or after April 1, 2017. Earlier adoption is permitted. This Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This section may be applied in conjunction with Related Party Disclosures, Section PS 2200.

The impact of the transition to this accounting standard has not yet been determined.

Restructuring Transactions, Section PS 3430

PSAB approved Section PS 3430, Restructuring Transactions. This Section is effective for fiscal periods beginning on or after April 1, 2018. Earlier adoption is permitted. This Section establishes standards on how to account for and report restructuring transactions such as but not limited to amalgamations of entities or operations within the government entity, amalgamation of local governments, and shared service arrangements entered into by local governments in a region, by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.

The impact of the transition to this accounting standard has not yet been determined.

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

4. Cash

	2016	2015
Externally restricted		
Royal Bank of Canada (RBC) - Gas Tax	\$ 581,256	\$ 478,631
Royal Bank of Canada (RBC) - Community Public Infrastructure	<u>2,090,822</u>	<u>2,002,263</u>
	<u>2,672,078</u>	<u>2,480,894</u>
Unrestricted		
Royal Bank of Canada (RBC)	2,798,772	2,134,552
	<u>\$ 5,470,850</u>	<u>\$ 4,615,446</u>

5. Accounts receivable

	2016	2015
Accounts receivable - trade	\$ 372,344	\$ 715,473
Rent receivable - tenants	949,590	1,148,792
Due from the Government of Canada	512,933	465,912
Due from the Government of the Northwest Territories	<u>685,924</u>	<u>722,924</u>
	<u>2,520,791</u>	<u>3,053,101</u>
Less: Allowance for doubtful accounts	(1,708,254)	(1,633,576)
	<u>\$ 812,537</u>	<u>\$ 1,419,525</u>

6. Term deposits

	2016	2015
RBC 1 year GIC earning interest at 0.50%, matures March 2017	\$ 77,518	\$ 77,018
RBC 5 year GIC earning interest at 2.25%, matures March 2018	168,983	165,264
RBC 1 year GIC earning interest at 0.65%, matures January 2017	<u>23,995</u>	<u>24,065</u>
	<u>\$ 270,496</u>	<u>\$ 266,347</u>

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

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7. Due (to) from subsidiaries

The First Nation has balances due from (to) the following subsidiaries:

Deton' Cho Corporation Ltd. (DCC), 100% control

Deton' Cho Corporation Limited Partnership, 99.99% control

The amount due from Deton' Cho Corporation Ltd. is partially interest bearing and due on demand. \$1,000,000 (2015 - \$1,000,000) of the balance represents an advance related to Diamond Eagle Burs Ltd. (DEB) share purchase, which accrues interest at a rate of prime plus 2% per annum. The remaining amounts of due from Deton' Cho Corporation are non-interest bearing. The amounts due from Deton' Cho Corporation Ltd. are subordinate to the Bank of Montreal demand loan that is guaranteed in favour of Deton' Cho Corporation Ltd.

	2016	2015
Due from Deton' Cho Corporation Ltd. - DEB	\$ 1,747,996	\$ 1,747,996
Due from Deton' Cho Corporation Ltd. - DEB (Allowance)	<u>(747,996)</u>	<u>(747,996)</u>
	1,000,000	1,000,000
Due from Deton' Cho Corporation Ltd. - Deton' Cho Diamonds Inc.	2,600,000	2,600,000
Due from Deton' Cho Corporation Ltd. - DDI (Allowance)	<u>(520,000)</u>	<u>(520,000)</u>
	2,080,000	2,080,000
Due from Deton' Cho Corporation Ltd. - 2014 Dividend	1,250,000	1,250,000
Due from Deton' Cho Corporation Ltd. - Dividend refund	<u>(416,667)</u>	<u>(416,667)</u>
	833,333	833,333
Due from Deton' Cho Corporation Ltd. - Working Capital	1,715,613	1,715,613
Due to Deton' Cho Corporation Ltd. - Rent	(88,200)	-
Due from Deton' Cho Corporation Ltd. - (Allowance)	<u>(1,715,613)</u>	<u>(1,715,613)</u>
	(88,200)	-
Due to Deton' Cho Corporation Limited Partnership	(99)	(99)
	\$ 3,825,034	\$ 3,913,234

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Notes to Consolidated Financial Statements

March 31, 2016

8. Deferred revenue

	March 31, 2015	Funding received, 2016	Revenue recognized, 2016	March 31, 2016
Government of Canada				
Health Canada	\$ -	\$ 329,421	\$ (324,421)	\$ 5,000
Government of the Northwest Territories				
Municipal and Community Affairs - Gas Tax	459,524	-	128,030	587,554
Municipal and Community Affairs - CPI	1,815,292	708,000	(495,303)	2,027,989
Department of Education, Culture, and Employment - Child and Family Resources	49,222	-	(49,222)	-
Department of Health and Social Services	-	133,502	(105,801)	27,701
	2,324,038	841,502	(522,296)	2,643,244
	\$ 2,324,038	\$ 1,170,923	\$ (846,717)	\$ 2,648,244

Deferred revenue consists of amounts received for which project completion dates extending beyond the fiscal year end, or conditions attached to the use of the funds have not yet been met, or an operating advance received from a funding agency for the upcoming fiscal year. These amounts will be recognized in revenue as expenditures are incurred or conditions of funding are satisfied.

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

9. Due to K'alemi Dene School

K'alemi Dene School advanced funds to the First Nation to run the school's day to day operations and pay vendors and suppliers. At March 31, 2016 there is an unspent balance of the funds received from the school. All unspent funds are repayable to the school.

10. Salaries and benefits payable

	2016	2015
Accrued severance payable	\$ 176,896	\$ 160,952
Other payroll liabilities	152,025	157,743
	<hr/> \$ 328,921	<hr/> \$ 318,695

11. Impact benefit agreement

	2016	2015
Member impact benefit agreement payable	\$ 300,220	\$ 312,450

The amount consists of portions of funds received pursuant to Impact Benefit Agreements declared payable to members of the First Nation which remain unpaid at March 31, 2016.

12. Contributions repayable

	2016	2015
Government of Canada - Indigenous and Northern Affairs Canada	\$ 50,924	\$ 143,064
GNWT - Department of Education, Culture and Employment	4,730	4,730
GNWT - Department of Municipal and Community Affairs	-	182,316
	<hr/> \$ 55,654	<hr/> \$ 330,110

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

13. Investments in government business enterprises

YKDFN owns 99.99% of Deton' Cho Corporation Limited Partnership, 100% of Deton' Cho Corporation and 100% of Weledeh Building Society

The First Nation's investments in government business enterprises consist of the following:

	2016	2015
Investment in Deton' Cho Corporation		
1 Class A common share	\$ 1	\$ 1
Share of equity in retained earnings since date of acquisition	(2,823,541)	(5,800,821)
	(2,823,540)	(5,800,820)
Investment in Deton' Cho Corporation Limited Partnership		
9999 Class A common shares (99.99% ownership)	99	99
Share of equity in retained earnings since date of acquisition	(437,676)	(435,676)
	(437,577)	(435,577)
	\$ (3,261,117)	\$ (6,236,397)

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

13. Investments in government business enterprises, continued

	Deton'Cho Corporation	Deton'Cho Limited Partnership	2016 Total	2015 Total
Cash	\$ 5,265,625	\$ -	\$ 5,265,625	\$ 1,320,819
Short term investment	182,343	-	182,343	-
Accounts receivable	8,732,497	-	8,732,497	17,182,176
Income taxes receivable	4,384	-	4,384	26,328
Work in progress	132,805	-	132,805	576,225
Inventory	225,582	-	225,582	653,062
Prepaid expenses	96,380	-	96,380	219,552
Current portion due from related party	6,231	100	6,331	100
Security deposits and funds held in trust	338,886	-	338,886	340,864
Holdbacks receivable	1,018,978	-	1,018,978	1,417,861
Investments	370,990	663,339	1,034,329	872,328
Due from related parties	1,099,556	-	1,099,556	1,097,810
Property and equipment	5,217,064	-	5,217,064	6,109,167
Investment in joint ventures	191,549	-	191,549	190,355
Lands under development	-	-	-	1,800,000
Future income tax	104,877	-	104,877	1,123,319

Total assets	\$ 22,987,747	\$ 663,439	\$ 23,651,186	\$ 32,929,966
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Bank indebtedness	\$ 612,905	\$ -	\$ 612,905	\$ 1,598,643
Accounts payable and accrued liabilities	6,377,640	1,500	6,379,140	18,989,576
Unearned revenue	529,371	-	529,371	-
Security deposits	2,230	-	2,230	2,230
Loan payable	5,227,306	-	5,227,306	1,809,375
Income taxes payable	371,847	-	371,847	166,078
Holdbacks payable	-	-	-	1,071,383
current portion of long-term debt	80,268	-	80,268	303,398
Current portion of capital lease obligation	508,402	-	508,402	361,341
Due to related party	65	1,099,556	1,099,621	1,097,910
Due to Yellowknives Dene First Nation	8,019,855	-	8,019,855	8,028,950
Due to corporate shareholders	1,712,804	-	1,712,804	1,763,366
Long-term debt	110,001	-	110,001	607,683
Capital lease obligation	313,399	-	313,399	1,626,857
Deferred capital contributions	155,343	-	155,343	161,816
Non-controlling interest	1,789,850	-	1,789,850	1,652,796

Total liabilities	25,811,286	1,101,056	26,912,342	39,241,402
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Share capital	1	100	101	101
Equity	(2,823,540)	(437,717)	(3,261,257)	(6,311,537)

Total equity	(2,823,539)	(437,617)	(3,261,156)	(6,311,436)
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Total liabilities and equity	\$ 22,987,747	\$ 663,439	\$ 23,651,186	\$ 32,929,966
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Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

13. Investments in government business enterprises, continued

	Deton'Cho Corporation	Deton'Cho Limited Partnership	2016 Total	2015 Total
Revenue	\$ 108,650,142	\$ -	\$ 108,650,142	\$ 75,396,687
Direct expenses	92,706,134	-	92,706,134	63,417,206
Expenses	10,351,673	2,000	10,353,673	16,932,172
Other (income) expenses	(2,092)	-	(2,092)	874,443
Income tax expense	1,602,802	-	1,602,802	94,839
Non-controlling interest	939,345	-	939,345	-
 Total expenses	 105,597,862	 2,000	 105,599,862	 81,318,660
 Net income (loss)	 \$ 3,052,280	 \$ (2,000)	 \$ 3,050,280	 \$ (5,921,973)

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

14. Tangible Capital Assets

	Cost	Balance, beginning of year	Additions	Disposals	Cost	Balance, beginning of year	Amortization on disposals	Balance, end of year	Accumulated amortization
Buildings	\$ 6,273,053	\$ -	\$ 6,273,053	\$ -	\$ 6,273,053	\$ 1,654,919	\$ 52,441	\$ -	\$ 1,707,360
Vehicles	543,862	82,833	-	626,695	309,965	82,595	-	392,560	4,565,693
Computer equipment	217,776	90,697	-	308,473	205,282	31,813	-	237,095	234,135
Equipment	712,005	-	-	712,005	499,846	48,538	-	548,384	71,378
	\$ 7,746,696	\$ 173,530	\$ -	\$ 7,920,226	\$ 2,670,012	\$ 215,387	\$ -	\$ 2,885,399	\$ 5,034,827
	Cost	Balance, beginning of year	Additions	Disposals	Cost	Balance, beginning of year	Amortization on disposals	Balance, end of year	Accumulated amortization
Buildings	\$ 6,273,053	\$ -	\$ 6,273,053	\$ -	\$ 6,273,053	\$ 1,512,089	\$ 54,067	\$ -	\$ 1,566,156
Vehicles	413,985	199,520	(69,643)	543,862	312,172	57,486	(59,693)	309,965	4,706,897
Computer equipment	201,323	16,453	-	217,776	200,069	5,213	-	205,282	233,897
Equipment	664,869	47,136	-	712,005	446,009	53,837	-	499,846	12,494
	\$ 7,553,230	\$ 263,109	\$ (69,643)	\$ 7,746,696	\$ 2,470,339	\$ 170,603	\$ (59,693)	\$ 2,581,249	\$ 5,165,447

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

15. Commitments

The nature of the First Nation's activities can result in some multi-year contracts whereby it will be obligated to make future payments when the goods or services are received. Significant contractual obligations that can reasonably be estimated are summarized as follows:

	2017	2018
Xerox copier lease	\$ 27,618	\$ 27,618
Xerox copier lease	4,754	-
Deton' Cho Corporation rent	88,200	-
Postage machine lease	1,418	-
	<hr/> \$ 121,990	<hr/> \$ 27,618

16. Guarantees

The First Nation has provided an unlimited guarantee to the First Nations Bank of Canada in favour of Bouwa Whee Catering Ltd. As at March 31, 2016, there is an outstanding balance on the loan of \$546,822.

The First Nation provided an unlimited guarantee to the Bank of Montreal (BMO) in favour of Deton' Cho Corporation for three credit facilities listed below totalling and not to exceed \$5,425,000. The outstanding balance as at March 31, 2016 is \$3,928,542.

Facility #1 is for an operating loan amount of \$1,000,000 bearing interest at BMO prime rate plus 1.50% per annum, repayable monthly, incurring a monthly fee of \$125, and due on demand.

Facility #2 is for a non revolving demand loan and/or a fixed rate fixed term loan amount of \$4,325,000 bearing interest at BMO prime floating rate plus 1.25% per annum, repayable monthly and/or bearing interest at a fixed rate of 3.45% over 3 years subject to change up to and including the advance date unless a rate hold is formalized, maturing in April 2025.

Facility #3 is a loan amount of \$100,000 on a corporate MasterCard, repayable monthly in full. The balance.

The First Nation provided a guarantee to RBC in favour of Deton' Cho Corporation for a maximum secured term-loan of \$2,745,000. As of March 31, 2016 the loan has not been disbursed.

The First Nation provided a guarantee to RBC in favour of Deton' Cho Corporation for a maximum mortgage financing of \$980,000. As of March 31, 2016 the loan has not been disbursed.

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

17. Government Transfers

	2016		
	Operating	Capital	Total
Government of Canada			
Indigenous and Northern Affairs Canada	\$ 1,579,335	\$ -	\$ 1,579,335
Health Canada	350,153	-	350,153
Other	179,964	-	179,964
Total	2,109,452	-	2,109,452
Government of the Northwest Territories			
Other territorial transfers	3,087,903	890,134	3,978,037
Total government transfers	\$ 5,591,313	\$ 890,134	\$ 6,481,447
	2015		
	Operating	Capital	Total
Government of Canada			
Indigenous and Northern Affairs Canada	\$ 1,008,776	\$ -	\$ 1,008,776
Health Canada	353,730	-	353,730
Other	82,508	-	82,508
Total	1,445,014	-	1,445,014
Government of the Northwest Territories			
Other territorial transfers	2,959,498	834,058	3,793,556
Total government transfers	\$ 4,878,156	\$ 834,058	\$ 5,712,214

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

18. Expenses by Object

The following is a summary of expenses by object.

For the year ended March 31		2016 Budget	2016 Actual	2015 Actual
Administration fees	\$ -	\$ 256,317	\$ 177,474	
Advertising	-	15,257	17,909	
Amortization	-	215,387	170,603	
Bad debts	-	74,330	(128,506)	
Basic needs	-	12,223	16,434	
Contract services	-	1,060,247	447,177	
Cultural events	-	124,548	44,290	
Donations	-	26,545	24,050	
Equipment lease	-	150,465	310,494	
Honorariums	-	330,400	241,885	
Impact benefit agreement payouts	-	303,431	375,576	
Insurance	-	111,368	107,958	
Interest and bank charges	-	9,083	25,344	
Language, culture and interpreting	-	124,739	202,350	
Materials and supplies	-	705,612	300,560	
Meals and entertainment	-	60,505	45,099	
Occupancy cost	-	(36,890)	128,040	
Office equipment	-	156,303	13,242	
Office expenses	-	18,682	6,493	
Professional fees	-	221,918	635,077	
Rent	-	153,952	157,923	
Repairs and maintenance	-	139,125	124,734	
Student allowance	-	80,300	66,600	
Training	-	75,629	21,949	
Travel	-	370,484	439,207	
Utilities and telephone	-	297,789	355,080	
Vehicle	-	64,615	76,369	
Wages and benefits	-	3,615,285	3,448,271	
		\$ 5,870,311	\$ 8,737,649	\$ 7,851,682

19. Budget Information

The budget for the First Nation were those approved by Chief and Council on May 11, 2015. The budget was not comprehensive and included only budgeted funding from Indigenous and Northern Affairs Canada and the Government of the Northwest Territories - Department of Municipal and Community Affairs based on its core funding agreements.

The budget for the YKDFN Housing Division were those approved by the NWTHC.

The budget figures are not audited and are intended for information purposes only.

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

20. Accumulated surplus

	2016	2015
Restricted		
IBA Reserves	\$ 3,884,536	\$ 3,884,536
Investment in tangible capital assets	2,161,248	1,872,354
Transfer of rental revenue from NWTHC	83,844	83,844
	<hr/> 6,129,628	5,840,734
Unrestricted		
General operating fund	1,507,987	(1,840,177)
	<hr/> \$ 7,637,615	\$ 4,000,557

21. Economic Dependence

The First Nation receives a significant amount of funding from the Government of Canada and the Government of the Northwest Territories in the form of operating and capital grants. Management is of the opinion that discontinuance of funding would significantly affect operations.

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

22. Segmented information

	Band Government			Community Services			Economic Development		
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual
Revenues									
Aboriginal Affairs and Northern Development Canada	\$ -	\$ 833,775	\$ 605,318	\$ -	\$ 33,225	\$ 68,585	\$ -	\$ 536,120	\$ 334,873
Other federal contributions	-	165,600	30,002	-	4,515	49,006	-	-	3,500
IBA Revenue	-	28,054	45,349	-	17,300	21,400	-	1,860,352	1,634,895
Municipal services	-	14,760	13,645	-	298,603	292,41	-	-	-
Government of the Northwest Territories (GNWT)	-	294,396	105,880	-	1,716,012	1,753,018	-	318,616	322,063
Akaitcho Territory Government	-	115,365	171,130	-	56,670	9,325	-	14,589	46,600
Other revenue	989,835	1,702,180	2,713,084	2,665,050	(134,258)	59,257	-	(756,398)	(761,780)
Total revenue	989,835	3,154,130	3,684,408	2,665,050	1,992,067	2,252,732	-	1,973,279	1,580,151
Expenses									
Wages and benefits	-	1,093,160	990,111	-	460,631	541,945	-	547,628	522,390
Amortization	-	215,386	170,695	-	-	-	-	-	-
Other expenses	2,137,566	1,964,775	1,032,697	2,111,820	1,057,812	1,225,545	250,000	1,204,365	1,143,675
Total expenses	2,137,566	3,273,261	2,193,413	2,111,820	1,518,443	1,767,490	250,000	1,751,993	1,666,065
Other income	(1,147,731)	(119,131)	1,490,995	553,230	473,624	485,242	(250,000)	221,286	(85,914)
Annual surplus (deficit)	\$ (1,147,731)	\$ 2,861,810	\$ (5,242,100)	\$ 553,230	\$ 473,624	\$ 485,242	\$ (250,000)	\$ 221,286	\$ (85,914)

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

22. Segmented information, continued

	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	Health 2016 Actual	2015 Actual	2016 Budget	2016 Actual	Social Services 2016 Actual	2015 Actual
Revenues											
Other federal contributions	\$ -	\$ -	\$ -	\$ 45,000	\$ 27,750	\$ -	\$ 6,100	\$ -	\$ -	\$ 49,395	\$ -
IBA Revenue	-	-	350,153	353,730	-	30,460	32,000	-	-	-	2,000
Health Canada	-	-	12,121	12,300	-	822,141	851,601	-	-	-	-
Government of the Northwest Territories (GNWT)	-	-	-	-	-	-	-	-	-	150,570	75,570
Akaitcho Territory Government	532,695	532,695	11,125	143,719	-	-	53,063	-	-	-	-
Other revenue	-	-	163,014	-	-	39,744	43,219	-	-	130,440	10,000
Total revenue	532,695	581,413	537,499	-	898,445	979,883	-	330,405	87,570	-	-
Expenses											
Wages and benefits	-	340,309	296,814	-	-	595,114	575,636	-	-	156,112	66,107
Other expenses	632,695	270,733	293,981	-	-	314,550	357,697	738,230	117,868	24,688	-
Total expenses	632,695	611,042	590,795	-	-	909,664	933,333	738,230	273,980	90,795	-
Other income	(100,000)	(29,629)	(53,296)	-	-	(11,219)	46,550	(738,230)	-	56,425	(3,225)
Annual surplus (deficit)	\$ (100,000)	\$ (29,629)	\$ (53,296)	-	-	\$ (11,219)	\$ 46,550	\$ (738,230)	\$ 56,425	\$ (3,225)	-

Yellowknives Dene First Nation

Notes to Consolidated Financial Statements

March 31, 2016

22. Segmented information, continued

	2016 Budget	2016 Actual	2015 Actual	2015 Budget	2016 Budget	2016 Actual	2015 Actual	Consolidated totals 2016 Budget	2016 Actual	2015 Actual
Revenues										
Aboriginal Affairs and Northern Development Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,403,120	\$ 1,008,776	
Other federal contributions								176,215	82,508	
IBA Revenue								2,030,561	1,763,394	
Health Canada								350,153	353,730	
Municipal services								313,363	305,786	
Government of the Northwest Territories (GNWT)								3,313,856	3,120,432	
Akaitcho Territory Government								197,749	280,118	
Other revenue				464,027	543,957	4,187,580	1,608,749	2,751,456		
Total revenue				464,027	543,957	4,187,580	9,393,766	9,666,200		
Expenses										
Wages and benefits				422,330	455,268	-		3,615,284	3,448,271	
Amortization				(23,064)	154,523	5,870,311		215,386	170,605	
Other expenses								4,906,979	4,232,806	
Total expenses				399,266	609,791	5,870,311		8,737,649	7,851,682	
Other income					64,761	(65,834)	(1,682,731)	656,117	1,814,518	
Annual surplus (deficit)						548,956	-	2,980,941	(6,184,139)	
								3,637,058	\$ (4,369,621)	