

## INDEPENDENT AUDITOR'S REPORT

To the Members of Lutsel K'e Dene First Nation:

### *Opinion*

We have audited the accompanying financial statements of Lutsel K'e Dene 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, these financial statements present fairly, in all material respects, the financial position of Lutsel K'e Dene 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 derives revenue from the general public in the form of cash receipts and incurs related cash expenses. The completeness of these transactions are not susceptible to satisfactory audit verification. Accordingly, our verification of these revenue and expenses were limited to the amounts recorded in the records of the First Nation and we were unable to determine if further adjustments were required to revenue, expenses, opening accumulated surplus and cash flows from operations for the years ended March 31, 2020 and March 31, 2019.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *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 to the Lutsel K'e Dene First Nation (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 15, 2021

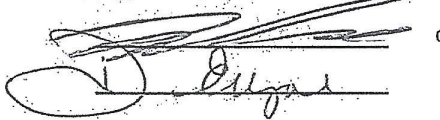
**LUTSEL K'E DENE FIRST NATION**

## Statement of Financial Position

March 31, 2020.

	2020	2019
<b>Financial Assets</b>		
Cash and cash equivalents (Note 3)	5,463,410 \$	4,296,772
Short-term investments (Note 4)	202,023	196,555
Accounts receivable (Note 6)	3,110,689	2,764,335
GST receivable	667,759	553,057
Inventory	21,152	-
Due from related party (Note 11)	22,705	-
Investment in government business enterprise	1,037,028	-
	<b>10,524,766</b>	<b>7,810,719</b>
<b>Liabilities</b>		
Bank indebtedness (Note 3)	\$ 156,215	\$ 358,200
Accounts payable and accrued liabilities (Note 7)	1,288,726	825,195
Deferred revenue (Note 8)	8,037,409	6,212,689
	<b>9,482,350</b>	<b>7,396,084</b>
<b>Net Financial Assets (Debt)</b>	<b>1,042,416</b>	<b>414,635</b>
<b>Non-Financial Assets</b>		
Capital assets (Note 9)	\$ 3,326,055	\$ 3,364,553
Prepaid expenses	5,309	33,916
	<b>3,331,364</b>	<b>3,398,469</b>
<b>Accumulated Surplus</b>	<b>\$ 4,373,780</b>	<b>\$ 3,813,104</b>

Approved by the Chief and Council:



Chief

Councillor

# LUTSEL K'E DENE FIRST NATION

## Statement of Operations and Accumulated Surplus

For the year ended March 31, 2020

	Schedule	2020	2019
<b>Revenue</b>			
Government transfers		\$ 6,370,785	\$ 5,089,144
Contract revenue		52,908	109,518
Water and sewer		131,519	133,064
Other revenue		1,888,055	1,431,126
Deferred revenue, opening		6,215,490	5,220,917
Deferred revenue, closing		(7,912,409)	(6,102,689)
		6,746,347	5,881,080
<b>Expenses</b>			
Administration	1	4,581,636	4,096,224
Community Wellness	2	989,854	461,018
Lands and Environment	3	1,869,218	1,627,437
Training, Education, and Human Resources	4	693,045	779,799
IBA Office	5	655,063	312,970
		8,788,815	7,277,448
Annual surplus (deficit), before the undernoted		(2,042,467)	(1,396,368)
Other revenue (expense)			
IBA Funding		2,603,143	1,682,266
Derecognize contingent liability		-	279,860
		2,603,143	1,962,126
<b>Surplus (deficit)</b>		\$ 560,676	\$ 565,758
<b>Accumulated Surplus, Beginning of year</b>		3,813,104	3,247,346
<b>Accumulated Surplus, End of year</b>		\$ 4,373,780	\$ 3,813,104

## LUTSEL K'E DENE FIRST NATION

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

For the year ended March 31, 2020

	2020	2019
Annual Surplus (deficit)	\$ 560,676	\$ 565,759
Purchase of tangible capital assets	(458,458)	(387,640)
Amortization of tangible capital assets	496,956	447,035
Change in prepaid expenses	28,607	229,722
	67,105	289,117
Increase (decrease) in net financial assets	627,781	854,876
Net financial assets (debt), beginning of year	414,635	(440,241)
Net financial assets (debt), end of year	\$ 1,042,416	\$ 414,635



# LUTSEL K'E DENE FIRST NATION

## Statement of Cash Flows

For the year ended March 31, 2020

	2020	2019
<b>Operating</b>		
Annual surplus (deficit)	\$ 560,676	\$ 565,759
Amortization of capital assets	496,956	447,035
Gain on disposal of tangible capital assets	-	-
	1,057,632	1,012,794
Change in non-cash items on statement of financial position		
Accounts receivable	(346,354)	(9,867)
Prepaid expenses	28,607	229,722
GST recoverable	(114,702)	60,715
Accounts payable and accrued liabilities	463,531	(212,144)
Deferred revenue	1,824,720	548,772
Inventory	(21,152)	-
Investment in government business enterprise	(1,037,028)	-
Contributions repayable	-	(74,162)
Liability for source deductions	-	(279,860)
	1,855,254	1,275,970
<b>Capital</b>		
Purchase of tangible capital assets	(458,458)	(387,640)
	(458,458)	(387,640)
<b>Investing</b>		
Change in investments	(5,468)	(196,555)
	(5,468)	(196,555)
<b>Financing</b>		
Due (to) from related parties	(22,705)	-
	(22,705)	-
Increase (decrease) in cash and cash equivalents	1,368,623	691,775
Cash and cash equivalents, beginning of year	3,938,572	3,246,797
Cash and cash equivalents, end of year	\$ 5,307,195	\$ 3,938,572
Cash resources are composed of:		
Cash	5,463,410	4,296,772
Bank indebtedness	(156,215)	(358,200)
	5,307,195	3,938,572

# **LUTSEL K'E DENE FIRST NATION**

## Statement of Changes in Accumulated Surplus

March 31, 2020

	General		IBA		Capital		2020	2019
		Operating	Reserves	Fund	Asset	Fund		
		Fund						
Surplus (deficit)	\$	560,676	\$	-	\$	-	\$ 560,676	\$ 565,759
Net interfund transfers								
Amortization		496,956		-		(496,956)	-	-
Capital additions		(458,458)		-		458,458	-	-
Transfer to reserves		40,537		(40,537)		-	-	-
Changes in accumulated surplus		639,711		(40,537)		(38,498)	560,676	565,759
Accumulated Surplus, beginning of year		(35,796)		484,347		3,364,553	3,813,104	3,247,345
Accumulated Surplus, end of year	\$	603,915	\$	443,810	\$	3,326,055	\$ 4,373,780	\$ 3,813,104

# LUTSEL K'E DENE FIRST NATION

## Notes to the Financial Statements

March 31, 2020

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### Note 1. Nature of operations

Lutsel K'e Dene First Nation (the "First Nation") was established pursuant to the Indian Act of Canada. The First Nation's Chief and Council administers the affairs of the First Nation. The First Nation is classified as an Indian Band which is a non-taxable entity under the Income Tax Act. Operating activities of the First Nation include the administration and delivery of services to the community of Lutsel K'e, Northwest Territories.

### Note 2. Summary of significant accounting policies

The basis of presentation and significant accounting policies are as follows:

#### (a) Basis of presentation

The 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 (PSAB) of the Chartered Professional Accountants of Canada.

#### (b) Fund accounting

The First Nation follows the restricted fund method which results in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. Various funds have been amalgamated for the purpose of presentation in these financial statements. Details of the operations of each fund are set out in supplementary schedules. The following funds are maintained:

- General Operating Fund - reports the program delivery and administrative activities.
- IBA Reserves Fund - reports the surplus or deficiency of reserve funding.
- Capital Asset Fund - reports the capital assets of the First Nation together with their related financing.

#### (c) Measurement uncertainty

The preparation of financial statement in conformity with Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

#### (d) Cash and cash equivalents

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

#### (e) Revenue recognition

Restricted contributions are recognized as they become available under the terms of the applicable funding agreement. Funds received under the funding agreement which relate to a subsequent fiscal period are reflected as deferred revenue in the year of receipt and classified as such on the Statement of Financial Position.

Unrestricted contributions are recognized as revenue of the appropriate fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.



# LUTSEL K'E DENE FIRST NATION

## Notes to the Financial Statements

March 31, 2020

### Note 2. Basis of presentation and significant accounting policies (continued)

#### (f) Tangible capital assets

Tangible capital assets are recorded at cost on the statement of financial position. Cost includes all amounts directly attributable to acquisition, construction, development or betterment of the asset. The assets are amortized over their estimated useful lives at the following rates:

Expenditures are recorded as tangible capital assets when they have a cost of \$15,000 or greater and a useful life of three or more years.

Asset	Method	Rate
Buildings	Straight line	25-50 years
Infrastructure	Straight line	10-20 years
Leasehold improvements	Straight line	25-40 years
Equipment	Declining balance	20%
Automotive	Declining balance	30%
Floating dock	Declining balance	20%
Computer hardware and software	Declining balance	30-100%

One-half of the annual amortization is charged in the year of acquisition and none in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Donated assets are capitalized and recorded at their estimated fair market value upon acquisition. Works of art for display are not included as capital assets. Certain capital assets for which the historical cost information is not available have been recorded at current fair market value discounted by a relevant inflation factor.

Expenditures that meet the criteria for capitalization as set out in the tangible capital asset accounting policy, but are purchased to run third-party programs are not capitalized if the assets will not be retained by Lutsel K'e Dene First Nation at the completion of the program.

#### (g) Investment in government business enterprise

Lutsel K'e records its investment in Frontier Fishing Lodge using the modified equity method.

Under the modified equity method of accounting, only Lutsel K'e Dene First Nation's investment in the 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 LKDFN. Inter-organizational transactions and balances are not eliminated, except for any profit or loss on the sale between entities of assets that remain within the reporting entity.

#### (h) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the annual surplus (deficit), provides the change in Net Financial Assets (Debt) for the year.

#### (i) Comparative amounts

Certain comparative figures have been reclassified to conform with the current year presentation.