



PAUL TEOH

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the members of Nahanni Butte Dene Band

I have audited the accompanying consolidated financial statements of Nahanni Butte Dene Band, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows 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

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 entity'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 entity'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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nahanni Butte Dene Band as at March 31, 2018, and the consolidated results of its operations, its changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountant

Calgary, Alberta
October 2, 2018

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NAHANNI BUTTE DENE BAND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31,	2018	2017
Financial Assets		
Cash and cash equivalents	\$ 53,487	\$ 223,338
Restricted deposits (note 2)	1,781,253	1,301,175
Accounts receivable (note 3)	68,809	102,834
Contributions receivable (note 4)	726,317	522,229
Total Financial Assets	2,629,866	2,149,576
Liabilities		
Accounts payable and accrued liabilities (note 5)	114,130	221,185
Contributions repayable (note 6)	44,006	21,804
Deferred contributions (note 7)	2,383,232	1,647,137
Total Liabilities	2,541,368	1,890,126
Net Financial Assets	88,498	259,450
Non-Financial Assets		
Long term investments (note 8)	728,445	733,886
Tangible capital assets (note 9)	3,761,003	3,896,961
Prepaid expenses and deposits	22,469	22,769
Total Non-Financial Assets	4,511,917	4,653,616
Accumulated Surplus	\$ 4,600,415	\$ 4,913,066

Approved on behalf of the Council:

Councillor

Councillor

The accompanying notes and schedules are an integral part of these consolidated financial statements. 4.

NAHANNI BUTTE DENE BAND

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31,	2018	2017	
	Budget (Unaudited)	Actual	Actual
Revenue			
Contributions - MACA	\$ -	\$ 1,997,793	\$ 902,524
Contributions - AANDC	-	92,784	269,469
Contributions - DFN	-	27,010	26,273
Contributions - GNWT	-	235,506	295,880
Other revenue and recoveries	-	237,005	243,164
Add opening deferred revenue	-	1,647,137	1,991,211
Less closing deferred revenue	-	(2,383,232)	(1,647,137)
	-	1,854,003	2,081,384
Expenditure			
Municipal Services:			
Municipal administration	-	830,595	816,588
Utilities and operating	-	253,369	287,764
Recreation	-	14,669	16,588
Water and sewage	-	275,646	294,433
Youth programs	-	28,085	28,924
Band Member Services:			
Band support administration	-	98,813	128,034
Political and institutional development	-	36,440	100,056
Summer and youth work experience	-	83,966	17,700
Resource management	-	-	33,207
Dehcho First Nation Funded Programs:			
Language and culture	-	5,940	-
Resource management	-	32,119	8,977
GNWT Funded Programs:			
Education, cultural and employment	-	12,207	21,469
Health and social services	-	109,519	116,689
Hunters and trappers assistance	-	35,830	53,389
Economic development	-	24,127	-
Environment and natural resources	-	67,462	64,511
Transportation	-	19,419	30,154
Others:			
Office administration	-	214,925	205,535
Other programs	-	955	-
	-	2,144,086	2,224,018
Operating Surplus (Deficit)	-	(290,083)	(142,634)
Earnings (loss) from subsidiaries	-	(22,568)	203,682
Annual Surplus (Deficit)	-	(312,651)	61,048
Accumulated Surplus, beginning of year	4,913,066	4,913,066	4,852,018
Accumulated Surplus, end of year	\$ 4,913,066	\$ 4,600,415	\$ 4,913,066

The accompanying notes and schedules are an integral part of these consolidated financial statements. 5.

NAHANNI BUTTE DENE BAND

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended March 31,	2018	2018	2017
	Budget (Unaudited)	Actual	Actual
Annual Surplus (Deficit)	\$ -	\$(312,651)	\$(142,634)
Acquisition of tangible capital assets	-	(19,530)	(24,316)
Amortization of tangible capital assets	-	155,488	170,087
Decrease (increase) in long term investments	-	5,441	346,044
	-	(171,252)	349,181
Decrease (increase) in prepaid expenses and deposits	-	300	(300)
Increase (Decrease) in Net Financial Assets	-	(170,952)	348,881
Net Financial Assets (Debt), beginning of year	259,450	259,450	(89,431)
Net Financial Assets (Debt), end of year	\$ 259,450	\$ 88,498	\$ 259,450

The accompanying notes and schedules are an integral part of these consolidated financial statements. 6.

NAHANNI BUTTE DENE BAND

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31,	2018	2017
Cash Flows from Operating Activities		
Cash receipts from government transfers	\$ 2,142,626	\$ 1,270,937
Cash receipts from contributions and other recoveries	305,175	159,035
Cash paid to suppliers and employees	(2,100,917)	(2,099,647)
	346,884	(669,675)
Cash flows from Investing Activities		
Decrease (increase) in advance to subsidiary companies	(17,127)	549,726
	(17,127)	549,726
Capital Transactions		
Purchase of tangible capital assets	(19,530)	(24,316)
	(19,530)	(24,316)
Net Increase (Decrease) in Cash and Cash Equivalents	310,227	(144,265)
Cash and Cash Equivalents, beginning of year	1,524,513	1,668,778
Cash and Cash Equivalents, end of year	\$ 1,834,740	\$ 1,524,513
Represented by:		
Cash	\$ 53,487	\$ 223,338
Restricted cash	1,781,253	1,301,175
	\$ 1,834,740	\$ 1,524,513

The accompanying notes and schedules are an integral part of these consolidated financial statements. 7.

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

The Nahanni Butte Dene Band (the "Council") is an Indian Band registered under the *Indian Act*. It provides services to the band members of Nahanni Butte Dene Band. It is also recognized by Department of Municipal and Community Affairs, the Government of NWT, as the designated authority responsible for the provision of municipal services to the Community of Nahanni Butte.

The Council is exempt for income tax purposes under Section 149 of the *Income Tax Act*.

1. Significant Accounting Policies

(a) Basis of Preparation

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

(b) Reporting Entity

The consolidated financial statements includes the accounts of Nahanni Butte Dene Band and Nahanni Butte Dene Band Society and its following subsidiary and associated companies using the modified equity method.

	Percentage Owned	Year End
Naha Dehe Development Corporation	100%	March 31, 2018
Nahanni Butte General Store Ltd.	50%	March 31, 2018
Deh Cho Helicopters Regional Limited Partnership	14.3%	May 31, 2017

(c) Fund Accounting

The Nahanni Butte Dene Band follows the deferral method of accounting for capital contributions. Externally restricted contributions are recognized as revenue when the related capital expenditures are incurred. Contributions received in advance of making the related expenditures is recorded as deferred revenue.

The General Operating Fund reports the core operating accounts of the Council and other programs in accordance with contribution agreements with funding agencies.

The Enterprise Fund reports the assets, liabilities, revenue and expenditure relating to investments held by the Council.

(d) Long Term Investments

Long term investments are recorded at amortized costs plus adjustments for accumulated earnings and loss less any permanent decline in value.

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

1. Significant Accounting Policies (Continued)

(e) Revenue Recognition

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipts of goods or services and /or legal obligations to pay.

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. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(f) 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 excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

(i) Tangible Capital Assets

Land and building is stated at nominal value. Purchased tangible capital assets are recorded at cost. Amortization expense is recorded over the estimated useful lives of the assets, using the following method and annual rates:

Buildings:		
- Community office	2%-5%	Declining Balance
- Trailers	10%	Declining Balance
- Garages	4%	Declining Balance
Land improvements	2.5%	Declining Balance
Landfills and lagoon	4%-10%	Declining Balance
Automotive equipment	30%	Declining Balance
Office equipment and furniture	10%-30%	Declining Balance
Heavy equipment	10%	Declining Balance

(ii) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost. There is no significant inventory at year end.

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

1. Significant Accounting Policies (Continued)

(g) Cash and Cash Equivalents

Cash includes cash and demand deposits. Cash equivalents includes highly liquid investments that can be readily converted into cash for a fixed amount and that matures less than three months from the date of acquisition.

(h) Allocation of Expenditure

Certain common expenditure have been allocated to programs based on estimate of services provided.

(i) Financial Instruments - Recognition and Measurement

The Council has elected the following classifications with respect to its financial assets and financial liabilities:

- Cash and restricted cash are classified as assets held-for-trading and is subsequently measured at fair value with gains and losses arising from changes in the fair value recognized in net income in the period in which they arise. The estimated fair value of cash is assumed to approximate its carrying amount.
- Accounts receivable are classified as loans and receivables and are subsequently measured at amortized cost using the effective interest method. The amortized cost using the effective interest method approximates their fair values due to the short term nature.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are subsequently measured at amortized cost using the effective interest method. At inception, the estimated fair values of accounts payable and accrued liabilities are assumed to approximate their carrying amounts.

Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

(j) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

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

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

1. Significant Accounting Policies (Continued)

(k) 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 year. Actual results could differ from those estimates.

2. Restricted Deposits

	2018	2017
Bank account - Community Public Infrastructure (CPI)	\$ 728,679	\$ 183,127
Bank account - Gas Tax Fund (GTF)	943,916	943,018
Bank account - Nahanni Butte Trust	108,658	175,030
	<u>\$ 1,781,253</u>	<u>\$ 1,301,175</u>

Interest on CIBC Business Interest Account are paid monthly at rates ranging from 0.10% to 0.65% per annum depending on monthly average account balance.

	Community Public Infrastructure	Federal Gas Tax Funding	Total
Deferred contributions	\$ 835,889	\$ 1,342,298	\$ 2,178,187
Less contributions receivable	(250,000)	(411,172)	(661,172)
Required balance	585,889	931,126	1,517,015
Restricted cash deposits	728,679	943,916	1,672,595
	<u>\$ 142,790</u>	<u>\$ 12,790</u>	<u>\$ 155,580</u>

Sufficient funds must be deposited to separate bank accounts to correspond with the respective restricted cash balances. Interest earned on these accounts is credited to the appropriate restricted bank accounts.

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

3. Accounts Receivable	2018	2017
Trade and other	\$ 132,349	\$ 168,267
GST refundable	32,742	27,178
	165,091	195,445
Less allowances for doubtful accounts	(96,282)	(92,611)
	\$ 68,809	\$ 102,834

4. Contributions Receivable	2018	2017
Aboriginal Affairs and Northern Development Canada:		
Summer work experience	\$ -	\$ 1,770
Community capacity development	-	10,006
Government of NWT:		
MACA-Federal Gas Tax Funding (2014-15)	87,172	87,172
MACA-Federal Gas Tax Funding (2015-16)	174,000	174,000
MACA-Federal Gas Tax Funding (2016-17)	75,000	75,000
MACA-Federal Gas Tax Funding (2017-18)	75,000	-
MACA-CPI (2016-17)	-	130,000
MACA-CPI (2017-18)	250,000	-
ECE-Wage support	-	14,400
ITI-Garden project	1,000	1,000
ITI-Mineral Resource Development	6,794	-
ITI-Client Services & Community Development	6,780	-
ITI-Spring Carnival	-	480
ITI-SEED Infrastructure	-	3,407
ITI-Aboriginal Day	-	640
ENR-IRMA	33,000	6,000
ENR-Resource Co-Management Workshop	4,500	-
Dehcho First Nations		
AAROM	13,070	11,974
	\$ 726,316	\$ 515,849

5. Accounts Payable and Accrued Liabilities	2018	2017
Trade and other	\$ 68,076	\$ 136,009
Accrued wages and benefits	31,854	63,707
Other taxes payable	14,200	21,469
	\$ 114,130	\$ 221,185

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

6. Contributions Repayable

	2018	2017
Dehcho First Nations	\$ 7,189	\$ 1,249
Aboriginal Affairs and Northern Development Canada	36,817	20,555
	<u>\$ 44,006</u>	<u>\$ 21,804</u>

7. Deferred Contributions

	2018	2017
Government of NWT:		
Community Public Infrastructure	\$ 835,889	\$ 170,379
Federal Gas Tax Funding	1,342,298	1,266,358
Aboriginal Affairs and Northern Development Canada:		
Other:		
Selwyn Fund	-	7,400
Canadian Zinc IBA	200,000	200,000
Great Slave Helicopter's Women's Wellness	1,045	1,000
Great Slave Helicopter's Youth Infrastructure	4,000	2,000
	<u>\$ 2,383,232</u>	<u>\$ 1,647,137</u>

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

8. Long Term Investments

Naha Dehe Development Corporation

The Council owns 100% of Naha Dehe Development Corporation, a private company incorporated under the Business Corporation Act of Northwest Territories on July 9, 2001. The Corporation's principal activities are business management and investment activities. The Company is exempt from income tax under Section 149(1)(e) of the *Income Tax Act*.

The following summarizes the financial position and results of operations of the Corporation as at and for the year ended March 31, 2018.

	2018	2017
Financial Position		
Current assets	\$ 42,271	\$ 36,809
Non-current assets	24,007	26,473
Total assets	66,278	63,282
Current liabilities	93,180	102,046
Non-current liabilities	121,500	121,500
Shareholder's equity (capital deficiency)	\$ (148,402)	\$ (160,264)
Financial Performance		
Revenues	\$ 13,000	\$ 7,059
Expenses	11,862	37,680
Net earnings (loss)	\$ 1,138	\$ (30,621)
Investments:		
Investment at cost	\$ 10	\$ 10
Receivable from Corporation	87,779	87,046
Accumulated equity earnings (deficit)	(159,137)	(160,275)
Investment in Corporation	\$ (71,348)	\$ (73,219)

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

8. Long Term Investments (Continued)

Nahanni Butte General Stores Ltd.

The Council owns 50% of Nahanni Butte General Stores Ltd., a private company incorporated under the *Business Corporation Act of Northwest Territories* on October 15, 1992. The Company owns and operates The Nahanni Butte General Store and Nahanni Butte Inn in Nahanni Butte, Northwest Territories.

The Company is exempt from income taxes under Section 149(1)(e) of the Income Tax Act.

The following summarizes the financial position and results of operations of the Corporation as at and for the year ended March 31, 2018.

	2018	2017
Financial Position		
Current assets	\$ 86,336	\$ 172,794
Non-current assets	651,559	687,210
Total assets	737,895	860,004
Current liabilities	232,545	280,553
Non-current liabilities	28,564	27,944
Total shareholder's equity (capital deficiency)	\$ 476,786	\$ 551,507
Financial Performance		
Revenues	\$ 241,944	\$ 727,481
Expenses	316,663	292,502
Net earnings (loss)	(74,719)	434,979
Net earnings (loss) attributable to the Council	\$ (37,360)	\$ 217,490
Investments:		
Investment at cost	\$ 25,000	\$ 25,000
Receivable from Corporation	197,869	181,475
Accumulated equity earnings (deficit)	138,144	175,504
Investment in Corporation	\$ 361,013	\$ 381,979

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

8. Long Term Investments (Continued).

Deh Cho Helicopters Regional Limited Partnership

The Council owns 5,000 of 35,000 (14.27%) limited partnership units in Deh Cho Helicopters Regional Limited Partnership (DCHRLP). DCHRLP was formed on June 1, 2004 under the Partnership Act of the Northwest Territories.

The Partnership's principal activities are to own and lease a Eurocopter AS350 B2 Helicopter and other helicopter charters through Great Slave Helicopters Ltd. in the Deh Cho areas in Northwest Territories.

The following summarizes the financial position and results of operations of the Corporation as at and for the year ended May 31, 2017.

	2017	2016
Financial Position		
Current assets	\$ 1,888,083	\$ 1,611,342
Non-current assets	927,536	1,093,580
Total assets	2,815,619	2,704,922
Current liabilities	30,585	15,314
Non-current liabilities	4,650	4,796
Total partners' equity	\$ 2,780,384	\$ 2,684,812
Financial Performance		
Revenues	\$ 405,503	\$ 439,571
Expenses	309,931	321,878
Net earnings (loss)	95,572	117,693
Net earnings attributable to the Council	\$ 13,653	\$ 16,812
Investment:		
Investment at cost	\$ 5,000	\$ 5,000
Accumulated equity earnings	433,780	420,126
Investment in Partnership	\$ 438,780	\$ 425,126
Total Investments	\$ 728,445	\$ 733,886

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

9. Tangible Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 2,568,013	\$ 1,503,686	\$ 1,064,327	\$ 1,102,082
Land improvements	2,424,408	297,282	2,127,126	2,181,668
Landfills and lagoon	730,263	583,422	146,841	152,960
Automotive equipment	867,739	856,722	11,017	15,738
Office equipment and furniture	272,113	209,002	63,111	76,288
Heavy equipment	852,662	504,081	348,581	368,225
	<u>\$ 7,715,198</u>	<u>\$ 3,954,195</u>	<u>\$ 3,761,003</u>	<u>\$ 3,896,961</u>

10. Equity in Tangible Capital Assets

	2018	2017
Tangible capital assets	\$ 7,715,198	\$ 7,695,667
Accumulated amortization	(3,954,195)	(3,798,706)
	<u>\$ 3,761,003</u>	<u>\$ 3,896,961</u>

11. Accumulated Surplus (Deficit)

	2018	2017
Unrestricted		
General Operating Fund	\$ 110,967	\$ 282,219
Enterprise Fund	728,445	733,886
Equity in Tangible Capital Assets	3,761,003	3,896,961
	<u>\$ 4,600,415</u>	<u>\$ 4,913,066</u>

12. Government Transfers

	2018	2017
Government of NWT - MACA	\$ 1,997,793	\$ 902,524
Aboriginal Affairs and Northern Development Canada	92,784	269,469
Dehcho First Nations	27,010	26,273
Government of NWT	235,506	295,880
	<u>\$ 2,353,093</u>	<u>\$ 1,494,146</u>

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

13. Expenditure by Object	2018	2017
Advertising and promotion	\$ 748	\$ 50
Administration	1,336	15,429
Amortization	155,488	170,087
Bad debts (recovered)	3,671	69,740
Bank charges and interest	(1,877)	3,215
Community events	3,900	5,000
Contracted services	15,679	17,785
Contributions repaid	35,951	26,937
Donations/Contributions	1,747	3,491
Equipment rental	16,860	21,531
Freight and postage	13,743	7,531
Honoraria	47,175	55,626
Insurance	141,645	140,017
Materials and supplies	154,649	146,445
Meeting and workshop	6,475	9,018
Membership distribution	65,500	66,500
Miscellaneous	17,586	15,823
Mobile equipment costs	3,898	-
Office	7,793	15,425
Professional fees	132,570	49,385
Rent and utilities	281,028	329,055
Repairs and maintenance	28,390	48,471
Telephone and Internet	22,995	21,366
Training and scholarships	2,050	-
Travel and accommodation	153,078	64,161
Wages and benefits	832,008	921,930
	\$ 2,144,086	\$ 2,224,018

14. Economic Dependence

The Council receives a major portion of its revenue from the Aboriginal Affairs and Northern Development Canada of the Government of Canada and the Department of Municipal and Community Affairs of the Government of Northwest Territories. The nature and extent of this revenue is of such significance that the Council is economically dependent on this source of revenue.

NAHANNI BUTTE DENE BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

15. Budget Figures

No budget was prepared by the First Nation in the current year. As such, no budget amounts have been disclosed in the financial statements.

Canadian public sector accounting standards ("PSAB") require disclosure of budget information for comparison to the First Nation's actual revenues and expenses. The consolidated budgeted revenues and expenses, and surplus (deficit) has not been reported in these consolidated financial statements as there was no approved budget. While having no effect on reported revenues, expenses, and surplus (deficit), omission of this information is considered a departure from PSAB.

16. Comparative Figures

Certain figures presented for comparative purposes have been reclassified to conform with current year's presentation.

17. Financial Instruments and Risk Management

The Council's financial instruments are exposed to certain risks, which include credit risk, market risk, interest rate risk and liquidity risk.

Credit Risk - Credit risk refers to the potential that the funding agencies or counter party to a financial instrument will fail to discharge its contractual obligations. The Council is exposed mainly to credit risk from funding agencies' refusal to contribute the full funding due to the Council's non-compliance to the contribution agreements. The Council manages credit risk by ensuring that it complies with the terms and conditions of the contribution agreements.

Liquidity Risk - Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they fall due. The Council manages liquidity risk through the management of its capital structure.

Unless otherwise noted, it is management's opinion that the Council is not exposed to other significant interest, currency and market risks arising from these financial instruments.