



PAUL TEOH

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the members of Jean Marie River First Nation

I have audited the consolidated financial statements of Jean Marie River First Nation, 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 Jean Marie River First Nation as at March 31, 2018, and the consolidated results of its operations, changes net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountant

Calgary, Alberta
October 24, 2018



JEAN MARIE RIVER FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31	2018	2017
Financial Assets		
Cash (note 2)	\$ 1,113,114	\$ 673,851
Short term investments (note 3)	72,886	72,364
Restricted deposits (note 4)	4,759,583	2,382,659
Accounts receivable (note 5)	186,369	290,220
Contributions receivable (note 6)	973,982	2,601,310
Total Financial Assets	7,105,934	6,020,404
Liabilities		
Accounts payable and accrued liabilities (note 7)	243,161	135,833
Contributions repayable	-	19,782
Deferred contributions (note 8)	4,982,717	4,389,075
Total Liabilities	5,225,878	4,544,690
Net Financial Assets	1,880,056	1,475,714
Non-Financial Assets		
Long term investments (note 9)	989,223	958,350
Tangible capital assets (note 10)	1,946,057	2,054,234
Prepaid expenses and deposits	33,228	126,683
Total Non-Financial Assets	2,968,508	3,139,267
Accumulated Surplus (note 11)	\$ 4,848,564	\$ 4,614,981

Approved on behalf of the Council:

_____ Councillor

_____ Councillor

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

JEAN MARIE RIVER FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31,	2018	2018	2017
	Budget (Unaudited)	Actual	Actual
Revenue			
Contributions - MACA	\$ 3,728,432	\$ 1,930,157	\$ 1,907,051
Contributions - AANDC	96,350	259,937	231,000
Contributions - DFN	63,570	55,611	411,371
Contributions - GNWT	285,014	458,636	445,959
Contributions - others	87,190	-	1,550
Other revenue and recoveries	-	363,654	219,280
Add opening deferred revenue	4,982,714	4,389,075	3,734,206
Less closing deferred revenue	(7,131,714)	(4,982,714)	(4,389,075)
	2,111,556	2,474,356	2,561,342
Expenditure			
Municipal Services:			
Municipal administration	504,415	704,595	650,287
Roads and works	23,311	35,748	20,737
Recreation	14,000	13,773	13,902
Utilities and operating	133,000	273,356	312,256
Water and sewage	485,115	263,042	380,525
Youth programs	41,342	13,207	14,330
AANDC Band Member Services:			
Band support administration	71,350	90,715	83,100
Resource management	-	34,041	-
Summer and youth programs	-	10,200	5,458
Political and institutional development	25,000	24,916	117,286
Dehcho First Nation Funded Programs:			
Literacy programs	-	-	6,493
Language and culture	-	24,000	9,225
Resource management	63,570	104,276	101,103
Youth programs	-	-	26,730
GNWT Funded Programs:			
Education, cultural and employment	26,805	31,495	23,144
Economic Development	77,500	100,002	76,764
Health and social services	276,000	93,046	106,555
Hunters and trappers assistance	29,375	29,375	44,614
Transportation and public works	135,519	101,919	142,368
Resource programs	72,700	110,795	3,418
Others:			
Administration	36,190	180,114	13,203
Community events	16,000	15,706	25,266
Environmental	35,000	11,426	81,800
Loss (Gains) on Disposal of Capital Assets	-	-	31,886
	2,066,192	2,265,747	2,290,450
Operating Surplus (Deficit)	45,364	208,609	270,892
Earnings (loss) from subsidiaries	-	24,974	16,933
Annual Surplus (Deficit)	45,364	233,583	287,825
Accumulated Surplus, beginning of year	4,614,981	4,614,981	4,327,156
Accumulated Surplus, end of year	\$ 4,660,345	\$ 4,848,564	\$ 4,614,981

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

JEAN MARIE RIVER FIRST NATION

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended March 31,	2018	2018	2017
	Budget (Unaudited)	Actual	Actual
Annual Surplus (Deficit)	\$ 45,364	\$ 233,583	\$ 287,825
Acquisition of tangible capital assets	-	(139,311)	(279,080)
Proceeds on sale of tangible capital assets	-	-	10,900
Amortization of tangible capital assets	-	247,488	268,121
Decrease (increase) in long term investments	-	(30,873)	(51,286)
	45,364	310,887	236,480
Decrease (increase) in prepaid expenses and deposits	-	93,455	(10,212)
Increase (Decrease) in Net Financial Assets	45,364	404,342	226,268
Net Financial Assets, beginning of year	1,475,714	1,475,714	1,249,446
Net Financial Assets, end of year	\$ 1,521,078	\$ 1,880,056	\$ 1,475,714

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

JEAN MARIE RIVER FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31,	2018	2017
Cash Flows from Operating Activities		
Cash receipts from government transfers	\$ 4,331,669	\$ 1,984,957
Cash receipts from contributions and recoveries	447,726	123,112
Cash paid to suppliers and employees	(1,817,476)	(2,154,729)
	2,961,919	(46,660)
Cash Flows from Investing Activities		
Decrease (increase) in receivable from related parties	(5,899)	141,734
Decrease (increase) in short term investment	(522)	(696)
	(6,421)	141,038
Capital Transactions		
Purchase of tangible capital assets	(139,311)	(279,080)
Proceeds from disposal of tangible capital assets	-	10,900
	(139,311)	(268,180)
Net Increase (Decrease) in Cash and Cash Equivalents	2,816,187	(173,802)
Cash and Cash Equivalents, beginning of year	3,056,510	3,230,312
Cash and Cash Equivalents, end of year	\$ 5,872,697	\$ 3,056,510
Represented By:		
Cash	\$ 1,113,114	\$ 673,851
Restricted cash	4,759,583	2,382,659
	\$ 5,872,697	\$ 3,056,510

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

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

The Jean Marie River First Nation ("Council") is an Indian Band registered under the *Indian Act*. It provides services to the band members of Jean Marie River First Nation. 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 Jean Marie River.

The Council recognized as a municipality and 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 generally accepted accounting principles for governments 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 Jean Marie River First Nation and Tthets' Ehk' E Deli Society along with its following subsidiary and associated companies using the modified equity method.

	Percentage Owned	Year End
Jean Marie River Development Corporation Ltd.	100%	March 31, 2018
Deh Cho Helicopters Regional Limited Partnership	14.3%	May 31, 2017

(c) Fund Accounting

The Jean Marie River First Nation 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) 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.

JEAN MARIE RIVER FIRST NATION

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

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:		
- Office and community	4%	Declining Balance
- Playgrounds	10%	Declining Balance
- Staff houses	10%	Declining Balance
- Youth/Elder Centre	10%	Declining Balance
Land improvements	2.5%	Declining Balance
Landfills and lagoon	5%	Declining Balance
Mobile equipment	30%	Declining Balance
Office computer and equipment	30%	Declining Balance
Office furniture	20%	Declining Balance
Shop equipment	10%	Declining Balance
Street lights	10%	Declining Balance

(g) Allocation of Expenditure

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

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

1. Significant Accounting Policies (Continued)

(h) Long Term Investments

The Council's long term investments have been accounted for on a modified equity basis. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the Council and inter-organizational transactions and balances are not eliminated. Further, the business enterprise's accounting principles are not adjusted to conform with those of the Council and inter-organizational transactions and balances are not eliminated.

(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.

JEAN MARIE RIVER FIRST NATION

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. Cash

	2018	2017
Bank current account	\$ 1,110,874	\$ 629,776
Cash on hand	2,240	44,075
	<u>\$ 1,113,114</u>	<u>\$ 673,851</u>

3. Short Term Investments

The short term investments consist of guaranteed income certificates bearing interest ranging from 0.45% to 0.55% per annum.

4. Restricted Deposits

	2018	2017
CIBC Business Interest Account - Community Public Infrastructure	\$ 3,080,751	\$ 1,130,135
CIBC Business Interest Account - Federal Gas Tax	1,205,052	784,422
CIBC Business Interest Account - Reserve Account	473,780	468,102
	<u>\$ 4,759,583</u>	<u>\$ 2,382,659</u>

Interests 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.

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

4. Restricted Deposits (Continued)

	Community Public Infrastructure	Federal Gas Tax Funding	Reserve Account	Total
Deferred contributions	\$ 3,465,388	\$ 1,093,605	\$ -	\$ 4,558,993
Less contributions receivable	(640,000)	(75,000)	-	(715,000)
Required balance	2,825,388	1,018,605	-	3,843,993
Restricted cash deposits	3,080,751	1,205,052	473,780	4,759,583
Deposit surplus (deficiency)	\$ 255,363	\$ 186,447	\$ 473,780	\$ 915,590

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

5. Accounts Receivable

	2018	2017
Trade and other	\$ 396,775	\$ 340,170
GST refundable	33,407	47,806
	430,182	387,976
Less allowances for doubtful accounts for trade and other	(243,813)	(97,756)
	\$ 186,369	\$ 290,220

6. Contributions Receivable

	2018	2017
Dehcho First Nations	\$ 57,904	\$ 172,063
Indigenous and Northern Affairs Canada	153,878	130,210
Government of NWT	853,426	2,299,037
	1,027,708	2,601,310
Less allowances for contributions receivable	(53,726)	-
	\$ 973,982	\$ 2,601,310

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

7. Accounts Payable and Accrued Liabilities

	2018	2017
Trade and other	\$ 215,062	\$ 72,412
Accrued wages and benefits	24,608	32,233
Remittances payable	3,491	31,188
	<u>\$ 243,161</u>	<u>\$ 135,833</u>

8. Deferred Contributions

	2018	2017
Community Public Infrastructure	\$ 3,465,388	\$ 2,972,041
Federal Gas Tax Funding	1,093,605	1,013,824
GNWT - DHSS - Health & Wellness	118,719	124,446
DFN - AAROM	11,489	-
DFN - Negotiations	38,570	120,240
DFN - Royalties	145,946	148,340
AANDC - Policy and Consultation	109,000	-
AANDC - Skills Link	-	10,184
	<u>\$ 4,982,717</u>	<u>\$ 4,389,075</u>

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

9. Long Term Investments

Jean Marie River Development Corporation Ltd.

The Council owns 100% of Jean Marie River Development Corporation Ltd., a private company incorporated under the *Business Corporation Act* of Northwest Territories on June 11, 1991. The Corporation's principal activities are property rental and construction.

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	\$ 609,317	\$ 520,474
Non-current assets	473,928	286,551
Total assets	1,083,245	807,025
Current liabilities	1,108,517	1,040,159
Non-current liabilities	306,148	104,293
Shareholder's equity (capital deficiency)	\$ (331,420)	\$ (337,427)
Financial Performance		
Revenues	\$ 86,118	\$ 155,152
Expenses	80,109	155,032
Net earnings (loss)	\$ 6,009	\$ 120
Investments:		
Investment at cost	\$ 200	\$ 200
Receivable from Corporation	876,550	870,651
Accumulated equity earnings	(326,306)	(337,629)
Investment in Corporation	\$ 550,444	\$ 533,222

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

9. 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	15,313
Non-current liabilities	4,650	4,796
Total partners' equity	\$ 2,780,384	\$ 2,684,813
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	\$ 16,813
Investments:		
Investment at cost	\$ 5,000	\$ 5,000
Accumulated equity earnings	433,779	445,128
Distributions of earnings	-	(25,000)
Investment in Partnership	\$ 438,779	\$ 425,128
Total Investments	\$ 989,223	\$ 958,350

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

10. Tangible Capital Assets

			2018	2017
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 3,476,433	\$ 2,058,275	\$ 1,418,158	\$ 1,403,874
Land improvements	142,677	28,078	114,599	117,537
Landfills and lagoon	409,223	381,981	27,242	28,675
Mobile equipment	2,110,017	1,795,353	314,664	423,681
Office furniture and equipment	104,573	49,342	55,231	62,508
Shop equipment	24,906	12,058	12,848	14,276
Street lights	7,295	3,980	3,315	3,683
	<u>\$ 6,275,124</u>	<u>\$ 4,329,067</u>	<u>\$ 1,946,057</u>	<u>\$ 2,054,234</u>

11. Accumulated Surplus

	2018	2017
Unrestricted		
General Operating Fund	\$ 1,913,284	\$ 1,602,397
Enterprise Fund	989,223	958,350
Equity in Tangible Capital Assets	1,946,057	2,054,234
	<u>\$ 4,848,564</u>	<u>\$ 4,614,981</u>

12. Government Transfers

	2018	2017
Government of NWT - MACA	\$ 1,930,157	\$ 1,907,051
Government of NWT	458,636	445,959
Aboriginal Affairs and Northern Development Canada	259,937	231,000
Dehcho First Nations	55,611	411,371
	<u>\$ 2,704,341</u>	<u>\$ 2,995,381</u>

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

13. Expenditure by Object

	2018	2018	2017
	Budget	Actual	Actual
Advertising and promotion	\$ 1,500	\$ 2,173	\$ 2,128
Administration	35,500	22,747	24,992
Amortization	-	247,488	268,121
Bad debts	-	154,591	20,843
Bank charges and interest	1,415	1,969	1,398
Community events	-	10,854	16,715
Contracted services	388,070	249,574	206,244
Contributions repaid (net)	-	617	(5,434)
Donations	-	3,200	-
Equipment rental	10,000	20,293	14,807
Freight and postage	1,000	6,920	4,204
Honoraria	47,000	42,177	31,600
Insurance	135,678	85,137	92,368
Materials and supplies	53,648	110,241	106,701
Meeting and workshop	16,793	1,711	1,475
Miscellaneous	-	3,328	13,458
Mobile equipment costs	40,490	98,781	136,672
Office	77,342	21,524	15,876
Power	256,781	239,682	264,939
Professional fees	12,500	26,056	25,355
Rent and utilities	24,700	49,575	66,728
Repairs and maintenance	-	40,694	28,624
Telephone and Internet	18,000	36,299	38,193
Training and scholarships	18,205	19,179	35,700
Travel and accommodation	10,000	93,678	111,329
Wages and benefits	917,570	677,259	735,528
Total Expenditure	\$ 2,066,192	\$ 2,265,747	\$ 2,258,564

JEAN MARIE RIVER FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

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, the Department of Transportation of the Government of the Northwest Territories and the Department of Municipal and Community Affairs of the Government of the Northwest Territories. The nature and extent of this revenue is of such significance that the Council is economically dependent on this source of revenue.

15. Comparative Figures

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

16. 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.