

**BEHDZI AHDA' FIRST NATION BAND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

INDEPENDENT AUDITOR'S REPORT

TO THE CHIEF, COUNCIL AND MEMBERSHIP BEHDZI AHDA' FIRST NATION BAND

We have audited the accompanying financial statements of Behdzi Ahda' First Nation Band, which comprise the consolidated statement of financial position as at March 31, 2018 and the consolidated statement of operations, statement of accumulated surplus, statement of change in net financial assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Behdzi Ahda' First Nation Band as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



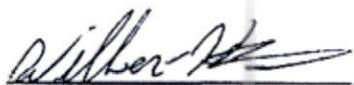
July 26, 2018
Winnipeg, Manitoba

CHARTERED PROFESSIONAL ACCOUNTANTS

BEHDZI AHDA' FIRST NATION BAND
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018

	2018	2017
FINANCIAL ASSETS		
Unrestricted cash and term deposits, note 3	\$ 2,129,470	\$ 2,154,166
Restricted cash and term deposits, note 4	1,601,673	1,418,742
Accounts and loans receivable, Schedule 55	1,654,083	1,492,701
Investment in Berah Gutone Tue" Enterprises Ltd., note 5	50	50
Due from related parties, note 6	<u>783,606</u>	<u>782,035</u>
	<u>\$ 6,168,882</u>	<u>\$ 5,847,694</u>
LIABILITIES		
Accounts payable and accrued, Schedule 56	\$ 486,475	\$ 558,215
Contributions repayable, note 7	5,461	7,034
Deferred revenue, note 8	1,676,018	1,464,719
Due to related parties, note 9	<u>240,607</u>	<u>240,607</u>
	<u>2,408,561</u>	<u>2,270,575</u>
NET FINANCIAL ASSETS	<u>\$ 3,760,321</u>	<u>\$ 3,577,119</u>
NON-FINANCIAL ASSETS		
Tangible capital assets, Schedule 57	\$ 7,483,301	\$ 7,255,830
Prepaid expenses and deposits	<u>40,309</u>	<u>37,859</u>
	<u>7,523,610</u>	<u>7,293,689</u>
ACCUMULATED SURPLUS , Schedule 58	<u>\$ 11,283,931</u>	<u>\$ 10,870,808</u>
CONTINGENCIES , note 10		

Approved on Behalf of the First Nation:





BEHDZI AHDA' FIRST NATION BAND
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2018

	Budget Unaudited	2018 Actual	2017 Actual
REVENUE			
Grants - Government of the Northwest Territories			
Operating	\$ 1,706,565	\$ 1,739,429	\$ 1,796,524
Capital	1,251,055	489,351	441,614
Grants - Federal government			
Aboriginal Affairs and Northern Development			
Canada	1,101,663	1,070,508	961,365
Federal gas tax funding	-	-	2,580
Other	-	-	49,984
Contributions and donations	98,300	160,268	225,670
Ducks Unlimited	-	5,154	1,589
Interest	25,000	16,984	17,966
K'ahsho Development Foundation	-	-	50,000
Management support	-	126,068	130,206
Rental	18,000	18,000	18,000
Sahtu Dene Council	99,395	99,395	72,593
Sahtu Health and Social Services Authority	13,633	13,633	11,377
Sahtu Renewable Resources Board	-	-	2,695
Sahtu Secretariat Inc.	170,000	170,000	87,491
Utilities	52,500	88,328	66,259
Total revenue (Schedule 1)	<u>4,536,111</u>	<u>3,997,118</u>	<u>3,935,913</u>
EXPENSES			
Band government	1,413,974	1,397,754	1,438,475
Community services	187,331	268,669	329,376
Health services	75,727	76,838	55,396
Protective services	22,225	22,225	40,450
Recreation and cultural services	189,381	177,099	224,339
Regional planning and economic development	14,600	19,731	85,122
Resource conservation	170,000	175,154	91,135
Self government	939,552	908,397	802,177
Transportation services	166,845	271,244	259,267
Water and sewer services	379,850	266,884	401,244
Total expenses (Schedule 1)	<u>3,559,485</u>	<u>3,583,995</u>	<u>3,726,981</u>
SURPLUS FOR THE YEAR	<u>\$ 976,626</u>	<u>\$ 413,123</u>	<u>\$ 208,932</u>

The accompanying notes are an integral part of the financial statements

BEHDZI AHDA' FIRST NATION BAND
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
ANNUAL SURPLUS	\$ 413,123	\$ 208,932
Purchase of tangible capital assets	(532,804)	(451,362)
Amortization of tangible capital assets	305,333	331,015
Increase in prepaid expenses	(2,450)	(1,833)
	<u>(229,921)</u>	<u>(122,180)</u>
CHANGE IN NET FINANCIAL ASSETS	183,202	86,752
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>3,577,119</u>	<u>3,490,367</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 3,760,321</u>	<u>\$ 3,577,119</u>

The accompanying notes are an integral part of the financial statements

BEHDZI AHDA' FIRST NATION BAND
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
CASH FLOW FROM OPERATING TRANSACTIONS		
Cash receipts from funding arrangements and customers	\$ 3,983,478	\$ 4,094,552
Cash paid to suppliers, employees and others	(3,302,254)	(3,290,285)
Interest received	16,984	17,966
Interest paid	(5,598)	(2,787)
	<u>692,610</u>	<u>819,446</u>
CASH FLOW FROM CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	<u>(532,804)</u>	<u>(451,362)</u>
CASH FLOW FROM INVESTING TRANSACTIONS		
Purchase of investments/interest reinvested	(15,838)	(17,754)
Change in amounts due from related parties	(1,571)	17,965
	<u>(17,409)</u>	<u>211</u>
INCREASE IN CASH	142,397	368,295
CASH, BEGINNING OF YEAR	<u>1,212,802</u>	<u>844,507</u>
CASH, END OF YEAR	<u>\$ 1,355,199</u>	<u>\$ 1,212,802</u>
 CASH IS COMPRISED OF:		
Unrestricted cash, note 3	\$ 224,180	\$ 262,452
Restricted cash, note 4	<u>1,131,019</u>	<u>950,350</u>
	<u>\$ 1,355,199</u>	<u>\$ 1,212,802</u>

The accompanying notes are an integral part of the financial statements

BEHDZI AHDA' FIRST NATION BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

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 Canadian Institute of Chartered Accountants.

Reporting Entity

The Behdzi Ahda' First Nation reporting entity includes Behdzi Ahda' First Nation and all related entities that are either owned or controlled by the First Nation. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend agreements.

Principles of Consolidation

These consolidated financial statements report on the assets, liabilities and results of operations for all the following entities which are considered to be extensions of the Behdzi Ahda' First Nation Band government operations:

Behdzi Ahda' First Nation Band
Colville Lake Development Fund

All of the above entities were subject to an audit. All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions between them have not necessarily been eliminated on the individual schedules.

Fund Accounting

The Behdzi Ahda' First Nation Band uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. These funds have been amalgamated for the purpose of presentation in the consolidated financial statements. The Behdzi Ahda' First Nation Band maintains the following funds:

- (i) Operating fund which reports the general activities of the First Nation Administration.
- (ii) Capital fund which reports the tangible capital assets of the First Nation not included in other funds, together with their related financing.
- (iii) Water and sewer services fund which reports the water and sewer activities of the First Nation Administration.

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 provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets normally include tangible capital assets, prepaid expenses and inventories of supplies.

Cash

Cash and cash equivalents include cash on hand and balances with banks net of outstanding cheques and bank overdrafts.

BEHDZI AHDA' FIRST NATION BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

Significant Accounting Policies - continued

Term Deposit and Investment

The term deposit is recorded at market value. The investments in Berah Gutone Tue" Enterprises Ltd. is recorded at cost.

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Donated assets are recorded at their estimated fair value upon acquisition. Certain tangible capital assets for which historical cost information is not available have been recorded at current fair market values discounted by a relevant inflation factor.

Certain assets which have historical or cultural value including works of art, historical documents as well as historical or cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Assets under construction are not amortized until the asset is available to be put into service.

Amortization is provided for as follows:

	<u>Rate</u>	<u>Method</u>
Land improvements	3 to 30 years	Straight line
Buildings	20 to 50 years	Straight line
Vehicles and equipment	5 to 10 years	Straight line
Computer hardware and software	4 years	Straight line
Roads and streets	30 to 40 years	Straight line
Water and sewer	30 years	Straight line

Net Financial Assets

The First Nation's consolidated financial statements are presented so as to highlight net financial assets or net debt as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities.

Revenue Recognition

All revenue is recorded on an accrual basis whereby amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue.

Funding received under the terms of contribution agreements is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

BEHDZI AHDA' FIRST NATION BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

Significant Accounting Policies - continued

Measurement Uncertainty

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Economic Dependence

The primary source of cash flow is funding from Aboriginal Affairs and Northern Development Canada and the Government of the Northwest Territories. The funding agreement can be cancelled if the First Nation does not observe certain established guidelines. The First Nation's ability to continue viable operations is dependent upon maintaining its current funding agreements.

2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair Value of Financial Instruments

The fair values of cash, term deposit, accounts and loans receivable, loan receivable, accounts payable and accrued liabilities and contributions repayable approximate their carrying values due to their short-term maturity.

The fair values of the amounts due from and to related parties cannot be readily and have not been disclosed due to the fact that the amounts are non-interest bearing, have no terms of repayment and cash flow stream is not determinable.

The fair values of due from and to related parties and investment in Berah Gutone Tue" Enterprises Ltd. cannot be readily determined.

Financial Risk Management - overview

The First Nation has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the First Nation to credit risk consist principally of cash, term deposits, accounts and loans receivables, loans receivables and due from related parties.

BEHDZI AHDA' FIRST NATION BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

Financial Instruments and Financial Risk Management - continued

The maximum exposure of the First Nation to credit risk at year end is:

	2018	2017
Unrestricted cash and term deposits	\$ 2,129,470	\$ 2,154,166
Restricted cash and term deposits	1,601,673	1,418,742
Accounts and loans receivables	1,654,083	1,492,701
Due from related parties	<u>783,606</u>	<u>782,035</u>
	<u>\$ 6,168,832</u>	<u>\$ 5,847,644</u>

Cash and term deposit: The First Nation is not exposed to significant credit risk as the cash and term deposit is primarily held by major financial institutions.

Accounts and loans receivables: The First Nation is not exposed to significant credit risk as no one party accounts for a significant balance and payment in full is typically collected when it is due. The First Nation establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Due from related parties: The First Nation is exposed to normal credit risk which has been mitigated due to offsetting amounts due to certain related parties.

The change in the allowance for doubtful accounts during the year was as follows:

	2018	2017
Balance, beginning of the year	\$ 5,421	\$ 5,421
Provision for receivable impairment	-	-
Amounts written off	-	-
Amounts recovered	<u>-</u>	<u>-</u>
Balance, end of the year	<u>\$ 5,421</u>	<u>\$ 5,421</u>

Liquidity Risk

Liquidity risk is the risk that the First Nation will not be able to meet its financial obligations as they come due.

The First Nation manages liquidity risk by maintaining adequate cash balances and monitoring by management to ensure adequate funding will be received to meet the obligations.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the First Nation's income or the fair values of its financial instruments. The significant market risks the First Nation is exposed to are interest rate risk and foreign currency risk.

BEHDZI AHDA' FIRST NATION BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

Financial Instruments and Financial Risk Management - continued

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to the term deposit.

The interest rate risk on the term deposit is considered to be low because of the short term nature.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The First Nation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

3. UNRESTRICTED CASH AND TERM DEPOSITS

2018

2017

General operations

Guaranteed investment certificate earning interest at 0.45% and maturing December 10, 2018. The balance includes \$1,167,264 principal plus \$1,626 accrued interest (2017 - interest at 0.80%, maturing December 8, 2017, \$1,158,000 principal plus \$2,894 accrued interest)

\$ 1,168,890 **\$ 1,160,894**

Cash

(524,969) **(310,287)**
643,921 **850,607**

Water and sewer

Guaranteed investment certificate earning interest at 0.95% and maturing June 29, 2018. The balance includes \$736,208 principal plus \$192 accrued interest (2017 - interest at 0.68%, maturing May 21, 2017, \$730,154 principal plus \$666 accrued interest)

736,400 **730,820**

Cash

749,149 **572,739**
1,485,549 **1,303,559**

\$ 2,129,470 **\$ 2,154,166**

The First Nation does not have a bank overdraft. The cash for general operations and water and sewer are held in the same bank account.

BEHDZI AHDA' FIRST NATION BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

4. RESTRICTED CASH AND TERM DEPOSITS	2018	2017
CPI Funding		
Guaranteed investment certificate earning interest at 0.45% and maturing December 10, 2018. The balance includes \$467,727 principal plus \$651 accrued interest (2017 - interest at 0.50%, maturing December 8, 2017, \$465,400 principal plus \$727 accrued interest)	\$ 468,378	\$ 466,127
Cash	<u>610,715</u>	<u>478,181</u>
Required balance	1,079,093	944,308
Federal Gas Tax Funding		
Guaranteed investment certificate earning interest at 0.45% and maturing December 10, 2018. The balance includes \$2,272 principal plus \$4 accrued interest (2017 - interest at 0.50%, maturing December 8, 2017, \$2,261 principal plus \$4 accrued interest)	2,276	2,265
Cash	<u>374,775</u>	<u>299,260</u>
Required balance	377,051	301,525
Community Capacity Building Fund - cash	43,191	54,571
Federal government - Personal Credits Redemption - cash	-	2,367
Sahtu Renewable Resources Board - cash	28,297	28,297
MACA - New sewage lagoon - cash	69,872	69,872
Supportive Home Services - cash	<u>4,169</u>	<u>17,802</u>
	<u>\$ 1,601,673</u>	<u>\$ 1,418,742</u>

At year end, the actual CPI bank account (cash) has a balance of \$772,139 resulting in a surplus of \$161,424 (2017 - \$98,654). The actual Federal Gas Tax funding bank account (cash) has a balance of \$358,263 resulting in a shortfall of \$16,512 (2017 - \$35,712). The remaining restricted cash is not held in separate bank accounts.

5. INVESTMENT IN BERAH GUTONE TUE" ENTERPRISES LTD.

The First Nation owns 50 Class A common voting shares (50% ownership) of Berah Gutone Tue" Enterprises Ltd.

BEHDZI AHDA' FIRST NATION BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

6. DUE FROM RELATED PARTIES

2018

2017

Ayoni Keh Land Corporation, non-interest bearing, unsecured loan with no specific terms of repayment, a corporation set up to administer lands within the region with common board membership.

\$ 33,606 **\$ 32,035**

Behdzi Ahda' First Nation Economic Development Trust, non-interest bearing loan with no specific terms of repayment, a Trust set up to administer land claims for the band members.

750,000 **750,000**

\$ 783,606 **\$ 782,035**

7. CONTRIBUTIONS REPAYABLE

Contributions repayable represent unexpended funding which according to the terms of the funding agreement are to be repaid to the issuer as follows:

2018

2017

Government of the Northwest Territories
 Healthy Children Initiative - Summer Pre-School
 Day Camp
 Nutrition North

\$ 5,461 **\$ -**
- **7,034**

\$ 5,461 **\$ 7,034**

BEHDZI AHDA' FIRST NATION BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

8. DEFERRED REVENUE

Deferred revenue consists of amounts received from various sources in excess of eligible amounts expended or for the expenditures that will be incurred in a subsequent fiscal period. This amount is comprised of the following:

	Balance, Beginning of Year	Funding Received	Interest Earned	Funding Expended	Balance, End of Year
Government of the Northwest Territories					
Community Capacity Building Fund Plan (Sch. 23)	\$ 54,571	\$ -	\$ -	\$ 11,380	\$ 43,191
P3 Project Feasibility Analysis (Sch. 52)	18,013	-	-	-	18,013
Community Public Infrastructure Funding (Sch. 59)	944,308	675,000	3,066	543,281	1,079,093
MACA - Sewage Lagoon	69,872	-	-	-	69,872
Sahtu Health and Social Services					
Supportive Living Assistance (Sch. 27)	17,802	-	-	13,633	4,169
Sahtu Renewable Resources Board					
	28,297	-	-	-	28,297
Federal Gas Tax Funding (Sch. 60)	301,525	75,000	526	-	377,051
Ducks Unlimited (Sch. 38)	30,331	-	-	5,154	25,177
AANDC					
Consultation and Policy Development (Sch. 30)	-	103,411	\$ -	72,256	31,155
	<u>\$ 1,464,719</u>	<u>\$ 853,411</u>	<u>\$ 3,592</u>	<u>\$ 645,704</u>	<u>\$ 1,676,018</u>

9. DUE TO RELATED PARTIES

2018

2017

Behdзи Ahda' First Nation Economic Development Trust, non-interest bearing loan with no specific terms of repayment, a Trust set up to administer land claims for the band members.

\$ 240,607 **\$ 240,607**

The balance due to Behdзи Ahda' First Nation Economic Development Trust is unsecured and non-interest bearing with no specific terms of repayment. Since the related party has indicated that it is not their intention to request repayment of these amounts during the next fiscal year, this amount has been classified as a non-current liability in the accompanying consolidated financial statements. The fair value cannot be readily determined and transactions were recorded at the agreed upon value.

Additional related party accounts and loans receivable on Schedule 55 and accounts payable on Schedule 56 are transactions in the normal course of business and are measured at the exchange amount being the amount of consideration established and agreed upon by the related parties.

BEHDZI AHDA' FIRST NATION BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

10. CONTINGENCIES

The First Nation has entered into contribution agreements with Aboriginal Affairs and Northern Development Canada and the Government of the Northwest Territories. Funding received under these contribution agreements is subject to the repayment if the First Nation fails to comply with the terms and conditions of the agreements.

11. EXPENSES BY OBJECT

	2018	2017
Amortization	\$ 305,333	\$ 331,015
Bank charges and interest	5,598	2,787
Consulting and contract work	224,239	189,814
Equipment rental	149,433	143,455
Fuel, street lighting and utilities	586,331	583,634
Honoraria	33,350	18,500
Insurance	43,813	42,128
Office	25,594	47,584
Repairs and maintenance	24,113	28,119
Supplies and other	188,256	289,354
Professional fees	401,467	358,030
Transfers to other programs	60,912	67,186
Travel, meals and accommodation	584,979	629,196
Wages and benefits	<u>950,577</u>	<u>996,179</u>
	<u>\$ 3,583,995</u>	<u>\$ 3,726,981</u>

12. BUDGET INFORMATION

The budget information was prepared by management and approved by Chief and Council and has not been subject to an audit. There are not formal budgets prepared for all departments.