

Dehcho First Nations Master Trust

Financial Statements

December 31, 2013

Dehcho First Nations Master Trust

Financial Statements

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Independent Auditors' Report

To the Trustee of Dehcho First Nations Master Trust

We have audited the accompanying financial statements of Dehcho First Nations Master Trust, which comprise the balance sheet as at December 31, 2013, and the statements of income and distributions, changes of trust capital and 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 accounting standards for not-for-profit organizations, 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the Trust'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 Trust'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 qualified audit opinion.



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Independent Auditors' Report (continued)

Basis for Qualified Opinion

Dehcho First Nations Master Trust's financial reporting is completed by an investment advisor for which we are unable to review the original source documents generated nor obtain sufficient appropriate audit evidence regarding the operating effectiveness of internal controls. Accordingly, our verification of transactions was limited to the amounts recorded in the annual investment statement provided to the Trust and we are unable to determine if any adjustments might be necessary in all financial statements areas.

Qualified Opinion

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Yellowknife, Canada
June 17, 2014

Crowe MacKay LLP
Chartered Accountants

Dehcho First Nations Master Trust

Statement of Income and Distributions

For the year ended December 31,	2013	2012
Receipts		
Dividend income	\$ 189,546	\$ 144,291
Secondary income	4,329	63,467
Foreign income	55,300	40,227
Interest income	145,980	124,338
Other income	84,674	116,241
	479,829	488,564
Distributions		
Accounting	5,136	4,461
Foreign taxes	7,355	4,711
Investment management board expenses	192,634	235,526
Investment management and trustee fees	249,325	99,900
Legal fees	3,014	15,065
Overdraft fees	24	41
Professional fees	13,270	12,031
	470,758	371,735
Excess of receipts over distributions before other items	9,071	116,829
Other receipts (distributions)		
Gain (loss) on sale of investments	279,490	(64,270)
Return of capital adjustments	5,939	6,034
Unrealized gains	662,383	254,515
	947,812	196,279
Excess of receipts over distributions	\$ 956,883	\$ 313,108

Dehcho First Nations Master Trust

Statement of Changes in Trust Capital

For the year ended December 31, 2013

	Balance, beginning of year	Correction of accounting error (Note 6)	Share of net income (loss)	Balance, end of year
Master Trust	\$ 413,099	\$ 8,612	\$ (70)	\$ 421,641
Community Development Fund	2,754,161	(1,907)	54,814	2,807,068
Economic Development Fund	2,766,135	(1,551)	173,827	2,938,411
Elders' Heritage Fund	608,543	14,248	162,022	784,813
Education Fund	1,863,447	(16,431)	20,927	1,867,943
Immediate Opportunities Fund	6,237,106	(2,211)	355,810	6,590,705
<u>Land Acquisition Fund</u>	<u>1,578,332</u>	<u>(760)</u>	<u>189,553</u>	<u>1,767,125</u>
	\$ 16,220,823	\$ -	\$ 956,883	\$ 17,177,706

Dehcho First Nations Master Trust

Balance Sheet

<u>December 31,</u>	<u>2013</u>	<u>2012</u>
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Assets

Current

Accrued interest and dividends receivable (note 4)	\$ 45,378	\$ 45,133
Investments (note 5)	17,148,708	16,190,290
	\$ 17,194,086	\$ 16,235,423

Liability

Current

Accounts payable and accrued liabilities	\$ 16,380	\$ 14,600
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Trust capital

Master Trust	421,641	657,599
Community Development Fund	2,807,068	2,709,998
Economic Development Fund	2,938,411	2,744,363
Elders' Heritage Fund	784,813	595,613
Education Fund	1,867,943	1,828,390
Immediate Opportunities Fund	6,590,705	6,154,233
Land Acquisition Fund	1,767,125	1,530,627
	17,177,706	16,220,823
	\$ 17,194,086	\$ 16,235,423

Approved on behalf of the trust:

Trustee

Dehcho First Nations Master Trust

Statement of Cash Flows

For the year ended December 31,	2013	2012
<u>Operating activities</u>		
Cash paid to suppliers		
	\$ (472,539)	\$ (373,335)
<u>Investing activities</u>		
Purchase of investments	(4,470,638)	(2,997,170)
Proceeds on sale of investments	4,115,944	2,869,547
Return on investment	827,233	500,958
	472,539	373,335
Increase in cash		
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2013

1. Nature of operations

Dehcho First Nations Master Trust (the "Trust") was settled effective March 8, 2006 for the purpose of receiving the Settlement Funds and Economic Development Funding and to enable the Dehcho First Nations to identify and implement economic development opportunities in relation to the Mackenzie Gas Project.

The beneficiaries of the Trust are:

- The Dehcho First Nations,
- Each of the Dehcho First Nations (Acho Dene Koe First Nation, Deh Gah Got'ie First Nation, K'agee Tu First Nation, Natlodeeche First Nation, Liidli Kue First Nation, Na'ahde First Nation, Pehdzeh Ki First Nation, Sambaa K'e Dene Band, Tthekek'edeli First Nation, West Point First Nation, Fort Liard Metis Local 67, Fort Providence Metis Council, Fort Simpson Metis Local 52),
- Members of the Dehcho First Nations, and
- Any other trusts that may be established for the benefit of the Dehcho First Nations pursuant to the terms of this Trust

CIBC Trust Corporation of Canada acts as the Corporate Trustee for the Trust.

2. Trust

Dehcho First Nations Master Trust is unincorporated and these financial statements therefore include only those assets, liabilities, revenues and expenses of the Trust, and do not include all of the assets, liabilities, revenues and expenses of the beneficiaries. Accordingly, no charges have been made in the accounts for salaries or interest accruing to the beneficiaries. No provision has been made for income taxes as income of the Trust is taxed in the hands of the beneficiaries.

3. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Investments

Investments are recorded at fair value. Unrealized gains and losses as a result of fair value adjustments at year end are included in other income for the year.

(b) Revenue recognition

Investment transactions are accounted for as of the trade date, interest income is accrued daily and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated on an average cost basis.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2013

3. Significant accounting policies (continued)

(c) Trust Funds

The Master Trust is for the purpose of receiving Settlement Funds and Economic Development Funding and distribute the funds received to the other six Trust Funds.

The Community Development Fund is to foster development of economic capabilities for the community through community owned enterprises and ventures, which will provide employment, training, and business experience to Members, and develop permanent facilities for the benefits of the community.

The Economic Development Fund is to foster development of economic capabilities for the community through community owned enterprises and ventures, with profit as its primary goal, which will provide employment, training, and business experience to Members, develop permanent facilities for the benefits of the community and create an income for the Dehcho First Nations on a medium to long-term basis.

The Elders' Heritage Fund is viewed as an investment in the Dehcho First Nations cultural future. This Fund will distribute half of its income annually to the Dehcho First Nations for the purposes of the Elders Heritage Fund and invest the other half of the income as capital. Every five years one half of the capital appreciation earned in the Elders' Heritage Fund will be distributed to the Dehcho First Nations for the purposes of the Elders' Heritage Fund.

The Education Fund is to advance the education of the Dehcho people through the provision of scholarships, fellowships, bursaries, grants, loans and other forms of assistance to Members wishing to pursue further education. The Fund could also provide educational institutions, facilities, programs, resources and opportunities for Dehcho First Nations people of all ages and educational achievement. The Fund will last into perpetuity, while maintaining an income for the present and future generations of students, regardless of age.

The Immediate Opportunities Fund is to foster development of economic capabilities among Members of the Dehcho First Nations through loans, investments, grants, loan guarantees and other forms of assistance to community or individually-owned enterprises and ventures, with profit as the primary motive, which will provide employment, training, or business experience to Members, with an emphasis on building occupational and management skills.

The Land Acquisition Fund is meant to have the longest outlook of all of the Dehcho First Nations Funds. Every twenty-five years this Fund will disburse twenty-five percent of the capital appreciation over the previous twenty-five years. These proceeds are to be used in the purchase of real estate, which encompasses anything from undeveloped land, to developing an urban reserve, to investment in real estate.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2013

3. Significant accounting policies (continued)

(d) Foreign currency translation

The Trust uses the temporal method to translate its foreign currency transactions and balances. Under this method, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the rates of exchange in effect on the date the assets were acquired or liabilities incurred, unless such items are carried at fair value in which case they are translated at the exchange rate in effect on the balance sheet date. Revenues and expenses are translated into Canadian dollars at the rate of exchange prevailing on the date the transaction occurred. Depreciation or amortization of assets translated at historical exchange rates is translated at the same exchange rates as the assets to which it relates. Exchange gains or losses arising on translation or settlement of a foreign currency-denominated monetary item or a non-monetary item carried at market are included in operations for the year.

(e) Income taxes

Currently the trust is not recording income taxes as the taxable status of the trust is being determined through the settlement negotiations of the DehCho First Nation with the Government of Canada and a ruling by the Canada Revenue agency regarding its taxable status.

(f) Allocation of Expenses

The Trust allocates expenditures according to the fund from which the board of trustees approves the expenditure. The trustee takes into consideration the nature of the expenditure as well as the reason for the undertaking the expenditure. Common costs including management fees, accounting and other professional fees are prorated based on the asset of each fund (excluding the Elders' Heritage Fund and the Education Fund) at the time that the expenditure is posted to the accounts.

(g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2013

4. Accrued interest and dividends receivable

	2013	2012
Community Development Fund	\$ 8,225	\$ 8,472
Economic Development Fund	7,593	7,493
Elders' Heritage Fund	1,922	2,117
Education Fund	4,849	5,062
Immediate Opportunities Fund	18,552	17,488
Land Acquisition Fund	4,237	4,501
	<hr/>	<hr/>
	\$ 45,378	\$ 45,133
	<hr/>	<hr/>

5. Investments

	Market	2013 Cost	Market	2012 Cost
Unassigned	\$ (245)	\$ -	\$ -	\$ -
Community Development Account	70,884	70,884	70,006	8,869
Economic Development Account	260,029	260,029	256,809	69,077
Elders Heritage Account	33,362	33,362	32,949	7,967
Business Ventures Account	602,622	602,622	595,160	173,546
Master Trust Account	16,800	16,799	16,623	2,039
Community Development Fund	2,819,029	2,689,075	2,762,383	2,131,392
Economic Development Fund	2,704,872	2,466,454	2,536,556	2,185,530
Elders Heritage Fund	872,921	768,689	794,287	787,050
Education Fund	1,649,650	1,499,295	1,544,745	1,256,222
Immediate Opportunities Fund	6,310,164	5,835,989	5,966,172	4,727,965
Land Acquisition Fund	1,808,620	1,598,750	1,614,600	1,329,255
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 17,148,708	\$ 15,841,948	\$ 16,190,290	\$ 12,678,912
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The portfolio as a whole is considered to be a long-term investment as the mandate and purpose of the Trust is to maintain the settlement amounts received from the Government of Canada and distribute only earnings to the beneficiaries.

6. Correction of accounting error

For the year ended December 31, 2012, an error was made in the allocation of net income between the funds; expenses were incorrectly allocated to the education and heritage trust. The net income for 2012 has been re-allocated and a correction has been made to the opening fund balances. The net income and total fund balance remain the same; the changes impact individual fund balances only.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2013

7. Financial instruments

The following sections describe the Trust's financial risk management objectives and policies and the Trust's financial risk exposures.

(a) **Currency risk**

The Investment Management Board reviews the portfolio on a regular basis and instructs the trustee to reallocate funds to match the risk profile as specified in the terms of the trust agreement.

(b) **Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market.

(c) **Liquidity risk**

Liquidity risk is the risk the trust may not be able to meet its obligations. The Trust has a comprehensive plan in place to meet their obligations as they come due which is primarily from cash flow from operations.

(d) **Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Trust is exposed to interest rate risk through its investments.

(e) **Concentration risk**

All of the assets of the trust are comprised of investment holdings held in accounts managed by one brokerage. The brokerage is affiliated with a major Canadian bank.

Dehcho First Nations Master Trust

Schedule of Trust Fund Receipts and Distributions by Fund

For the year ended December 31,
