

Dehcho First Nations Master Trust
Financial Statements
December 31, 2017

Dehcho First Nations Master Trust

CONTENTS

	<u>Page</u>
AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Changes in Trust Capital	3
Statement of Revenues and Expenditures	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 10
Schedule of Trust Fund Revenue and Expenditures by Fund	11

Allan J. Grykuliak, CPA, CA*
Scott T. Mockford, CPA, CA*
Allen Lee, CPA, CMA*
Jason Bondarevich, CPA, CA*
* Operates as a Professional Corporation

11210 - 107 Avenue N.W., 2nd Flr
Edmonton, Alberta T5H 0Y1
Tel (780) 452-2300, Fax (780) 452-2335

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 statement of financial position as at December 31, 2017 and the statements of change in trust capital, revenue and expenditures, 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.

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 Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 preparations 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.

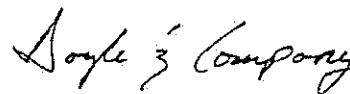
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Dehcho First Nations Master Trust as at December 31, 2017, 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.

Edmonton, Alberta

July 17, 2018



Chartered Professional Accountants

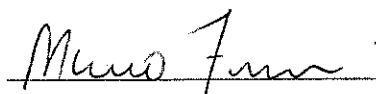
Dehecho First Nations Master Trust

Statement of Financial Position

As at December 31, 2017

	2017	2016
	\$	\$
ASSETS		
Current		
Cash	33,159	148,558
Accounts receivable (Note 4)	31,175	40,471
	64,334	189,029
Investments (Note 5)	19,339,019	18,880,110
	19,403,353	19,069,139
LIABILITIES		
Current		
Accounts payable	12,000	12,001
TRUST CAPITAL		
Master Trust	423,561	423,413
Community Development Fund	3,404,684	3,298,620
Economic Development Fund	3,284,599	3,245,318
Elders Heritage Fund	902,949	927,743
Education Fund	2,119,576	2,036,513
Immediate Opportunities Fund	7,128,809	7,074,593
Land Acquisition Fund	2,127,175	2,050,938
	19,391,353	19,057,138
	19,403,353	19,069,139

Approved on behalf of the trust:

 Trustee

The accompanying notes form part of these financial statements

Dehcho First Nations Master Trust

Statement of Changes in Trust Capital

For the year ended December 31, 2017

	Balance, beginning of year	Share of excess of revenue (deficiency) over expenditures	Balance, end of year
	\$	\$	\$
Master Trust	423,413	148	423,561
Community Development Fund	3,298,620	106,064	3,404,684
Economic Development Fund	3,245,318	39,281	3,284,599
Elders Heritage Fund	927,743	(24,794)	902,949
Education Fund	2,036,513	83,063	2,119,576
Immediate Opportunities Fund	7,074,593	54,216	7,128,809
Land Acquisition Fund	2,050,938	76,237	2,127,175
	19,057,138	334,215	19,391,353

The accompanying notes form part of these financial statements

Dehcho First Nations Master Trust

Statement of Revenues and Expenditures

For the year ended December 31, 2017

	2017	2016
	\$	\$
Revenue		
Dividend income	125,328	133,452
Foreign income	87,281	102,014
Interest income	126,892	122,835
Other income	59,220	58,162
Secondary income	1,497	1,289
	400,218	417,752
Expenditures		
Foreign taxes	10,776	13,488
Interest on bond redemption	866	77
Investment management board expenses	168,903	203,890
Investment management fees	120,293	145,500
Professional fees	18,176	16,863
Trustee fees	50,350	46,029
	369,364	425,847
Excess (deficiency) of revenue over expenditures before other revenue	30,854	(8,095)
Other revenue		
Gain on sale of investments	688,768	167,260
Foreign exchange gain (loss)	-	221,532
Return of capital adjustment	4,322	6,572
Excess (deficiency) of revenue over expenditures before net change to unrealized gains (losses)	693,090	395,364
Net change to unrealized gains (losses)	(389,729)	609,922
	303,361	1,005,286
Excess of revenue over expenditures	334,215	997,191

The accompanying notes form part of these financial statements

Dehcho First Nations Master Trust

Statement of Cash Flows

For the year ended December 31, 2017

	2017	2016
	\$	\$
Operating Activities		
Cash received from investments	409,514	427,921
Cash paid to suppliers	(598,289)	(419,282)
	(188,775)	8,639
Investing Activities		
Proceeds received on sale of investments	3,156,834	2,131,725
Purchase of investments	(3,083,458)	(2,104,989)
	73,376	26,736
Increase in Cash During the Year	(115,399)	35,375
CASH - Beginning of year	148,558	113,183
CASH - End of year	33,159	148,558

The accompanying notes form part of these financial statements

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2017

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:

- i) The Dehcho First Nations,
- ii) 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, Sambia K'e Dene Band, TtheK'edeli First Nation, West Point First Nation, Fort Liard Métis Local 67, Fort Providence Métis Council, Fort Simpson Métis Local 52),
- iii) Members of the Dehcho First Nations, and
- iv) Any other trust 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.

1. Trust

Dehcho First Nations Master Trust is unincorporated and these financial statements therefore include only those assets, liabilities, revenues, and expenditures of the Trust, and do not include all of the assets, liabilities, revenues, and expenditures 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.

2. Significant Accounting Policies

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

(a) Cash and Cash Equivalents

Cash and cash equivalents consist of funds held on deposit at a financial institution and in money market funds that are readily available. These funds are on deposit with CIBC Wood Gundy investment accounts.

(b) 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 revenue (expenditures) for the year.

(c) Revenue Recognition

Investment transactions are accounted for as of the trade date, interest income is accrued daily and dividend income is recognized when paid or payable. 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, 2017

2. Significant Accounting Policies - continued

(d) Trust Funds

The Master Trust is for the purpose of receiving Settlement Funds and Economic Development Funding and redistribute 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 communality of 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 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, 2017

2. Significant Accounting Policies - continued

(e) 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 financial position 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 financial position date. Revenues and expenses are translated into Canadian dollars at the rate of exchange prevailing on the date the transaction occurred. 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.

(f) 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 Nations with the Government of Canada and a ruling by the Canada Revenue agency regarding its taxable status.

(g) 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 undertaking the expenditure. Common costs including management fees, accounting and other professional fees are prorated based on the asset of each fund (excluding the Elder's Heritage Fund and the Education Fund) at the time that the expenditure is posted to the accounts.

(h) Financial Instruments

(i) Measurement of financial instruments

The Trust initially measures all of its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Trust subsequently measures all of its financial assets and liabilities at amortized cost, except in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, restricted cash, accounts receivable, and investments.

Financial liabilities measured at amortized cost include accounts payable.

(ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would be reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2017

3. Measurement Uncertainty

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.

4. Accrued interest and dividends receivable

	2017 \$	2016 \$
Community Development Fund	5,875	7,576
Economic Development Fund	4,891	6,607
Elders Heritage Fund	1,732	2,009
Education Fund	3,102	4,217
Immediate Opportunities Fund	12,027	15,865
Land Acquisition Fund	3,548	4,197
	31,175	40,471

5. Investments

	2017 Market \$	2017 Cost \$	2016 Market \$	2016 Cost \$
Master Trust	17,463	17,463	17,320	17,320
Community Development Fund	3,192,759	2,775,818	3,100,934	2,634,880
Economic Development Fund	2,689,821	2,356,207	2,667,998	2,285,414
Elders Heritage Fund	893,497	730,313	964,928	810,085
Education Fund	1,878,820	1,667,268	1,811,884	1,592,371
Immediate Opportunities Fund	5,935,544	5,374,396	5,955,548	5,343,844
Land Acquisition Fund	2,139,623	1,808,519	2,058,846	1,745,077
	16,747,527	14,729,984	16,577,458	14,428,991
IMB - CDF Account	263,887	263,887	248,469	248,469
IMB - EDF Account	633,424	633,424	556,593	556,593
IMB - EHF Account	105,076	105,076	71,871	71,871
IMB - IOF Account	1,589,105	1,589,105	1,425,719	1,425,719
	2,591,492	2,591,492	2,302,652	2,302,652
	19,339,019	17,321,476	18,880,110	16,731,643

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2017

6. Investment Management Board

The Investment Management Board has four accounts that relate to four of the trust funds: Community Development Fund, Economic Development Fund, Elders Heritage Fund, and Immediate Opportunities Fund. For the purposes of these financial statements, the revenues and expenditures associated with these accounts have been allocated to the related fund.

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 review 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.

8. Secondary Income

The secondary income is the interest earned on the remaining cash balance in each of the CIBC Wood Gundy funds after transferring money to the CIBC Trust funds to cover expenditures.

9. Comparative Figures

Certain comparative figures have been restated to conform with current year's presentation.

Dehcho First Nations Master Trust
Schedule of Trust Fund Revenue and Expenditures by Fund

For the year ended December 31, 2017

	Master Trust	Community Development Fund	Economic Development Fund	Elders Heritage Fund	Education Fund	Immediate Opportunities Fund	Land Acquisition Fund
	\$	\$	\$	\$	\$	\$	\$
Revenue							
Dividend income	-	27,066	21,586	8,667	14,820	37,490	15,698
Foreign income	-	15,309	12,172	5,740	11,322	25,035	17,702
Interest income	5	20,308	21,990	5,239	10,392	60,069	8,889
Other income	-	10,752	9,256	2,550	5,577	26,146	4,939
Secondary income	-	89	78	156	162	295	717
	5	73,524	65,082	22,352	42,273	149,035	47,945
Expenses							
Foreign taxes	-	1,860	1,481	792	1,347	2,857	2,438
Interest on bond redemption	-	138	131	44	73	407	73
Investment management board expenses	-	32,750	37,750	5,364	-	74,333	18,705
Investment management fees	40	22,226	18,758	8,444	13,009	39,711	18,105
Trustee fees	-	8,811	8,811	2,517	5,035	20,140	5,035
Professional fees	-	3,181	3,181	909	1,818	7,270	1,818
	40	68,966	70,112	18,070	21,282	144,718	46,174
Excess (deficiency) of revenue over expenditures before other revenue	(35)	4,558	(5,030)	4,282	20,991	4,317	1,771
Other revenue							
Gain on sale of investments	-	156,418	131,968	41,008	80,290	196,585	82,498
Return of capital adjustments	-	779	692	404	673	1,407	367
Net change to unrealized gains (losses)	183	(55,691)	(88,349)	(70,488)	(18,891)	(148,093)	(8,399)
	183	101,506	44,311	(29,076)	62,072	49,899	74,466
Excess (deficiency) of revenue over expenditures	148	106,064	39,281	(24,794)	83,063	54,216	76,237

The accompanying notes form part of these financial statements