

Dehcho First Nations Master Trust
Financial Statements
December 31, 2018

Dehcho First Nations Master Trust

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INDEPENDENT AUDITOR'S REPORT

To the Trustee of Dehcho First Nations Master Trust:

Opinion

We have audited the financial statements of Dehcho First Nations Master Trust, which comprise the statement of financial position as at December 31, 2018, and the statements of change in trust capital, revenues and expenditures, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Dehcho First Nations Master Trust as at December 31, 2018, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing these financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

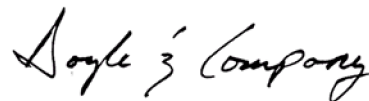
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Edmonton, Alberta
June 19, 2019



Chartered Professional Accountants

Dehcho First Nations Master Trust

Statement of Financial Position

As at December 31, 2018

	2018	2017
	\$	\$
ASSETS		
Current		
Cash	85,893	33,159
Accounts receivable (Note 4)	30,539	31,175
	116,432	64,334
Investments (Note 5)	19,061,605	19,339,019
	19,178,037	19,403,353
LIABILITIES		
Current		
Accounts payable	12,600	12,000
TRUST CAPITAL		
Master Trust	445,763	423,561
Community Development Fund	3,356,775	3,404,684
Economic Development Fund	3,199,116	3,284,599
Elders Heritage Fund	931,059	902,949
Education Fund	2,131,561	2,119,576
Immediate Opportunities Fund	6,944,095	7,128,809
Land Acquisition Fund	2,157,068	2,127,175
	19,165,437	19,391,353
	19,178,037	19,403,353

Approved on behalf of the trust:

_____ Trustee

Dehcho First Nations Master Trust

Statement of Changes in Trust Capital

For the year ended December 31, 2018

	Balance, beginning of year	Share of excess of revenue (deficiency) over expenditures	Balance, end of year
	\$	\$	\$
Master Trust	423,561	22,202	445,763
Community Development Fund	3,404,684	(47,909)	3,356,775
Economic Development Fund	3,284,599	(85,483)	3,199,116
Elders Heritage Fund	902,949	28,110	931,059
Education Fund	2,119,576	11,985	2,131,561
Immediate Opportunities Fund	7,128,809	(184,714)	6,944,095
Land Acquisition Fund	2,127,175	29,893	2,157,068
	19,391,353	(225,916)	19,165,437

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, 2018

	2018	2017
	\$	\$
Revenue		
Dividend income	129,911	125,328
Foreign income	99,298	87,281
Interest income	153,025	126,892
Other income	48,980	59,220
Secondary income (Note 8)	1,221	1,497
	432,435	400,218
Expenditures		
Foreign taxes	12,356	10,776
Interest on bond redemption	2,973	866
Investment management board expenses	247,320	168,903
Investment management fees	114,852	120,293
Professional fees	12,717	18,176
Trustee fees	45,558	50,350
	435,776	369,364
Excess (deficiency) of revenue over expenditures before other revenue	(3,341)	30,854
Other revenue		
Gain on sale of investments	750,806	688,768
Return of capital adjustment	3,756	4,322
Excess of revenue over expenditures before net change to unrealized gains (losses)	754,562	693,090
Net change to investments	(977,137)	(389,729)
	(222,575)	303,361
Excess (deficiency) of revenue over expenditures	(225,916)	334,215

The accompanying notes form part of these financial statements

Dehcho First Nations Master Trust

Statement of Cash Flows

For the year ended December 31, 2018

	2018	2017
	\$	\$
Operating Activities		
Cash received from investments	433,068	409,514
Cash paid to suppliers	(431,420)	(598,289)
	1,648	(188,775)
Investing Activities		
Proceeds received on sale of investments	9,542,195	3,156,834
Purchase of investments	(9,491,109)	(3,083,458)
	51,086	73,376
Increase in Cash During the Year	52,734	(115,399)
CASH - Beginning of year	33,159	148,558
CASH - End of year	85,893	33,159

The accompanying notes form part of these financial statements

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2018

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, Sambaa 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 net change to investments 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, 2018

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, 2018

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, 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, 2018

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

	2018	2017
	\$	\$
Community Development Fund	4,860	5,875
Economic Development Fund	4,238	4,891
Elders Heritage Fund	1,600	1,732
Education Fund	3,059	3,102
Immediate Opportunities Fund	13,017	12,027
Land Acquisition Fund	3,765	3,548
	30,539	31,175

5. Investments

	2018	2018	2017	2017
	Market	Cost	Market	Cost
	\$	\$	\$	\$
Master Trust	17,683	17,683	17,463	17,463
Community Development Fund	3,001,849	2,866,920	3,192,759	2,634,880
Economic Development Fund	2,471,771	2,329,038	2,689,821	2,285,414
Elders Heritage Fund	883,633	822,867	893,497	810,085
Education Fund	1,828,620	1,807,197	1,878,820	1,592,371
Immediate Opportunities Fund	5,530,849	5,269,513	5,935,544	5,343,844
Land Acquisition Fund	2,090,551	1,931,302	2,139,623	1,745,077
	15,824,956	15,044,520	16,747,527	14,429,134
IMB - CDF Account	425,376	425,376	263,887	263,887
IMB - EDF Account	812,685	812,685	633,424	633,424
IMB - EHF Account	111,882	111,882	105,076	105,076
IMB - IOF Account	1,886,706	1,886,706	1,589,105	1,589,105
	3,236,649	3,236,649	2,591,492	2,591,492
	19,061,605	18,281,169	19,339,019	17,020,626

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2018

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, 2018

	Master Trust	Community Development Fund	Economic Development Fund	Elders Heritage Fund	Education Fund	Immediate Opportunities Fund	Land Acquisition Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Dividend income	-	26,677	22,524	9,122	15,346	38,890	17,352	129,911
Foreign income	-	16,736	13,888	6,646	12,985	29,424	19,619	99,298
Interest income	21,982	25,621	26,913	5,417	11,916	50,410	10,766	153,025
Other income	-	8,853	7,691	2,006	4,678	21,669	4,083	48,980
Secondary income	-	92	78	149	139	153	610	1,221
	21,982	77,979	71,094	23,340	45,064	140,546	52,430	432,435
Expenses								
Foreign taxes	-	2,081	1,721	948	1,531	3,364	2,711	12,356
Interest on bond redemption	-	460	384	125	209	1,527	268	2,973
Investment management board expenses	-	50,499	51,033	-	-	116,640	29,148	247,320
Investment management fees	-	21,032	17,504	8,063	12,468	37,996	17,789	114,852
Trustee fees	-	7,972	7,973	2,278	4,556	18,223	4,556	45,558
Professional fees	-	2,230	2,230	636	1,287	5,047	1,287	12,717
	-	84,274	80,845	12,050	20,051	182,797	55,759	435,776
Excess (deficiency) of revenue over expenditures before other revenue	21,982	(6,295)	(9,751)	11,290	25,013	(42,251)	(3,329)	(3,341)
Other revenue								
Gain on sale of investments	-	176,381	125,497	80,592	93,149	163,538	111,649	750,806
Return of capital adjustments	-	585	515	414	481	1,371	390	3,756
Net change to investments	220	(218,580)	(201,744)	(64,186)	(106,658)	(307,372)	(78,817)	(977,137)
	220	(41,614)	(75,732)	16,820	(13,028)	(142,463)	33,222	(222,575)
Excess (deficiency) of revenue over expenditures	22,202	(47,909)	(85,483)	28,110	11,985	(184,714)	29,893	(225,916)

The accompanying notes form part of these financial statements