

Dehcho First Nations Master Trust

Financial Statements

December 31, 2010

Dehcho First Nations Master Trust

Financial Statements

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Independent Auditor's 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, 2010, and the statements of income and distributions and trust income 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 generally accepted accounting principles, 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 auditors' judgement, 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 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 qualified audit opinion.

Basis for Qualified Opinion

Dehcho First Nations Master Trust's financial reporting is completed by an investment advisor in which we are unable to review the original source documents generated or obtain sufficient appropriate audit evidence regarding the operating effectiveness of 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

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves regarding the issues referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Dehcho First Nations Master Trust as at December 31, 2010, and for the year then ended in accordance with Canadian generally accepted accounting principles.

Yellowknife, Canada
April 11, 2011

MackKay LLP
Chartered Accountants

mackay.ca refers to the Canadian firm MackKay LLP

Dehcho First Nations Master Trust

Statement of Income and Distributions

For the year ended December 31,	2010	2009
Receipts		
Dividend income	\$ 125,137	\$ 108,336
Foreign income	26,133	26,272
Interest income	139,934	178,814
Miscellaneous income	189,905	107,969
Secondary income (loss)	30,931	(23,153)
	<hr/>	<hr/>
	512,040	398,238
Disbursements		
Accounting	15,000	15,000
Foreign taxes	3,077	3,342
Investment management board expenses	55,676	71,200
Investment management and trustee fees	165,269	145,726
Legal	19,046	33,608
Overdraft fees	212	89
Professional fees	28,292	32,786
	<hr/>	<hr/>
	286,572	301,751
Income before other items	<hr/>	<hr/>
	225,468	96,487
Other income (expense)		
Gain (loss) on sale of investments	32,416	(523,521)
Return of capital adjustments	8,196	12,076
Unrealized gains (losses)	1,010,544	1,687,219
	<hr/>	<hr/>
	1,051,156	1,175,774
Net income	<hr/>	<hr/>
	\$ 1,276,624	\$ 1,272,261

Dehcho First Nations Master Trust

Statement of Trust Income

For the year ended December 31, 2010

	Balance, beginning of year	Share of net income	2010 Balance, end of year
Master Trust	\$ 10,790	\$ 346,044	\$ 356,834
Community Development Fund	2,600,581	191,382	2,791,963
Economic Development Fund	2,676,234	140,170	2,816,404
Elders' Heritage Fund	527,729	66,197	593,926
Education Fund	1,763,510	81,408	1,844,918
Immediate Opportunities Fund	5,986,829	283,250	6,270,079
Land Acquisition Fund	1,429,524	168,173	1,597,697
	\$ 14,995,197	\$ 1,276,624	\$ 16,271,821
2009	\$ 13,722,936	\$ 1,272,261	\$ 14,995,197

Dehcho First Nations Master Trust

Balance Sheet

December 31, 2010 2009

Assets

Current

Accounts receivable (note 5) \$ 42,022 \$ 35,750

Investments (note 6) 16,269,799 14,984,447

\$ 16,311,821 **\$ 15,020,197**

Liability

Current

Accounts payable and accrued liabilities \$ 40,000 \$ 25,000

Trust capital

Master Trust 356,834 10,790

Community Development Fund 2,791,963 2,600,581

Economic Development Fund 2,816,404 2,676,234

Elders' Heritage Fund 593,926 527,729

Education Fund 1,844,918 1,763,510

Immediate Opportunities Fund 6,270,079 5,986,829

Land Acquisition Fund 1,597,697 1,429,524

16,271,821 **14,995,197**

\$ 16,311,821 **\$ 15,020,197**

Approved by the trustee:

_____ Trustee

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2010

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, Ttheke'deli 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.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2010

3. Significant accounting policies

The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

(a) 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 culture 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 would 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 raw land, to developing an urban reserve, to investment in real estate investments.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2010

3. Significant accounting policies (continued)

(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 investment income 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 on the ex-dividend date. Realized gains and losses from investment transactions are calculated on an average cost basis.

(d) Foreign currency translation

The Trust uses the current rate method to translate some of its foreign currency transactions only if the current rate is known at the time of the transaction. Monetary assets and liabilities are translated at the rate of exchange in effect at year-end and revenue is translated at the average rate of exchange for the year. Exchange gains and losses for monetary assets, liabilities and revenue are included in the statement of revenue and expenditures.

(e) Allocation of Expenses

The Trust allocates expenditures according to the fund from which the board of trustees approves the expenditure. The board of trustees 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.

(f) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2010

4. Future changes to significant accounting policies

International Financial Reporting Standards

In December 2010, the CICA Accounting Standards Board released Part III of the CICA Handbook which summarizes accounting standards for not-for-profit organizations in Canada. Implementation of these standards for not-for-profit organizations that choose not to adopt international financial reporting standards is mandatory for fiscal years beginning on or after January 1, 2012, but earlier adoption is permitted. The Trust has not yet made a choice as to which standard it will adopt on January 1, 2011; accordingly, the impact of the transition to IFRS or standards for not-for-profit organizations in Canada on the Trust's financial statements has not yet been determined

5. Accounts receivable (accrued interest and dividends)

	2010	2009
Community Development Fund	\$ 7,516	\$ 6,480
Economic development Fund	6,969	6,110
Elders' Heritage Fund	1,866	1,470
Education Fund	4,410	3,717
Immediate Opportunities Fund	17,266	14,899
Land Acquisition Fund	3,995	3,074
	<u>\$ 42,022</u>	<u>\$ 35,750</u>

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2010

6. Investments

	Market	2010 Cost	Market	2009 Cost
Community Development Account	\$ 64,016	\$ 8,869	\$ 22,505	\$ 8,868
Economic Development Account	197,217	69,077	147,052	69,076
Elders Heritage Account	25,495	18,704	18,585	7,967
Business Ventures Account	486,332	173,081	362,937	173,079
Master Trust Account	19,852	2,024	12,213	2,020
Community Development Fund	2,801,314	2,132,801	2,591,043	2,130,195
Economic Development Fund	2,642,055	2,186,878	2,482,496	2,184,270
Elders Heritage Fund	788,409	768,069	719,584	771,732
Education Fund	1,527,235	1,248,316	1,414,080	1,255,640
Immediate Opportunities Fund	6,092,409	4,732,682	5,768,518	4,740,414
Land Acquisition Fund	1,625,465	1,291,438	1,445,434	1,292,036
	\$ 16,269,799	\$ 12,631,939	\$ 14,984,447	\$ 12,635,297

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.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2010

7. Capital disclosure

The Trust's objectives when managing capital are:

(a) To safeguard the Trust's ability to continue as a going concern, so that it can continue to fulfil the purpose of each of Trust Funds and provide benefits for peoples of the Dehcho First Nations.

(b) To provide an adequate return on investments of capital by managing long-term investments in each of Trust Funds commensurately with the level of risk.

The Trust manages the capital structure in accordance with the Trust Agreement, and in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Trust monitors capital on the basis of the excess of revenues over expenditures before other items. It is calculated as revenues minus expenditures as follows:

	2010	2009
Revenues	\$ 512,040	\$ 398,238
Expenditures	(286,572)	(301,751)
	<u>\$ 225,468</u>	<u>\$ 96,487</u>

8. Statement of cash flows

Inclusion of a cash flows would not provide any additional information that is not evident from the financial statements already presented. Therefore, a cash flows has not been presented.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2010

9. Financial instruments

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

- (a) Financial risk management objectives and policies
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) Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Trust does not use derivative instruments to reduce its exposure to foreign currency risk.
- (c) 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.
- (d) Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments, and may result from an inability to sell a financial asset quickly at close to its fair value.
- (e) 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.

The table below presents the remaining terms to maturity at fair value, along with the average effective yields for each maturity, for fixed income financial instruments (bonds) exposed to interest rate risk as at December 31, 2010:

	Remaining term to maturity				
	Within 1 yr	1 - 5 yrs	5 - 10 yrs	Over 10 yrs	2010
Fixed income (bonds)	-	1,566,353	1,461,256	150,097	3,177,706
Average effective yields	- %	3.382 %	3.259 %	7.023 %	2.826 %

Dehcho First Nations Master Trust

Schedule of Trust Fund Revenue and Expenditures

For the year ended December 31, 2010

	Master Trust	Community Development Fund	Economic Development Fund	Education Fund	Elders Heritage Fund	Immediate Opportunities Fund	Land Acquisition Fund	Total
Revenues								
Dividend Income	\$ -	\$ 25,217	\$ 19,896	\$ 11,616	\$ 7,350	\$ 43,355	\$ 17,703	\$ 125,137
Foreign Income	-	4,806	5,304	627	2,161	9,574	3,661	26,133
Interest Income	3,679	23,075	25,229	11,420	4,775	62,263	9,494	139,935
Other Income	-	33,423	33,020	17,766	9,486	81,764	14,445	189,904
Secondary Income	30,931	-	-	-	-	-	-	30,931
Total	34,610	86,521	83,449	41,429	23,772	196,956	45,303	512,040
Expenditures								
Bookkeeping	-	2,500	2,500	2,500	2,500	2,500	2,500	15,000
Foreign Taxes	-	568	631	75	260	1,098	445	3,077
IMB Expenses	-	10,591	11,796	416	208	25,898	6,766	55,675
Investment management and trustee Fees	-	31,401	27,828	17,589	9,615	58,262	20,575	165,270
Legal fees	-	3,922	3,922	-	-	8,963	2,239	19,046
Overdraft fees	-	6	6	-	-	198	2	212
Professional fees	-	4,951	4,951	2,829	1,415	11,317	2,829	28,292
Total	-	53,939	51,634	23,409	13,998	108,236	35,356	286,572
Excess of revenues over expenditures before other items								
	34,610	32,582	31,815	18,020	9,774	88,720	9,947	225,468
Unrealized gains (losses)								
Return of capital adjustments	311,434	154,798	100,914	65,687	54,501	179,334	143,876	1,010,544
Gain (loss) on sale of investments	-	1,761	1,485	1,178	916	2,124	732	8,196
	-	2,241	5,956	(3,477)	1,006	13,072	13,618	32,416
Total	311,434	158,800	108,355	63,388	56,423	194,530	158,226	1,051,156
Excess of revenues over expenditures	\$ 346,044	\$ 191,382	\$ 140,170	\$ 81,408	\$ 66,197	\$ 283,250	\$ 168,173	\$1,276,624