

Dehcho First Nations Master Trust

Financial Statements

December 31, 2011

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, 2011, and the statements of income and distributions, trust income 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 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 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 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 in our audit 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, the financial statements present fairly, in all material respects, the financial position of Dehcho First Nations Master Trust as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Yellowknife, Canada
May 30, 2012

Mackay LLP
Chartered Accountants

mackay.ca refers to the Canadian firm MacKay LLP

Dehcho First Nations Master Trust

Statement of Income and Distributions

For the year ended December 31,	2011	2010
Receipts		
Dividend income	\$ 177,537	\$ 125,137
Foreign income	41,557	26,133
Interest income	157,250	139,934
Miscellaneous income	144,364	189,905
Secondary income	29,352	30,931
	550,060	512,040
Disbursements		
Accounting	1,000	15,000
Foreign taxes	508	3,077
Investment management and trustee fees	185,827	165,269
Investment management board expenses	101,580	55,676
Legal	3,420	19,046
Overdraft fees	186	212
Professional fees	8,441	28,292
	300,962	286,572
Income before other items	249,098	225,468
Other income (expense)		
Gain on sale of investments	137,403	32,416
Return of capital adjustments	8,613	8,196
Unrealized gains (losses)	(759,220)	1,010,544
	(613,204)	1,051,156
Net income (loss)	\$ (364,106)	\$ 1,276,624

Dehcho First Nations Master Trust

Statement of Trust Income

For the year ended December 31, 2011

	Balance, beginning of year	Share of net income (loss)	Balance, end of year
Master Trust	\$ 356,834	\$ (12,343)	\$ 344,491
Community Development Fund	2,791,963	(81,965)	2,709,998
Economic Development Fund	2,816,404	(72,041)	2,744,363
Elders' Heritage Fund	593,926	1,687	595,613
Education Fund	1,844,918	(16,528)	1,828,390
Immediate Opportunities Fund	6,270,079	(115,846)	6,154,233
Land Acquisition Fund	1,597,697	(67,070)	1,530,627
	\$ 16,271,821	\$ (364,106)	\$ 15,907,715

Dehcho First Nations Master Trust

Balance Sheet

December 31, 2011 2010

Assets

Current

Accounts receivable (note 5) \$ 57,527 \$ 42,022

Investments (note 6) **15,863,188** 16,269,799

\$ 15,920,715 **\$ 16,311,821**

Liability

Current

Accounts payable and accrued liabilities \$ 13,000 \$ 40,000

Trust capital

Master Trust 344,491 356,834

Community Development Fund 2,709,998 2,791,963

Economic Development Fund 2,744,363 2,816,404

Elders' Heritage Fund 595,613 593,926

Education Fund 1,828,390 1,844,918

Immediate Opportunities Fund 6,154,233 6,270,079

Land Acquisition Fund 1,530,627 1,597,697

15,907,715 **16,271,821**

\$ 15,920,715 **\$ 16,311,821**

Approved by the trustee:

 Trustee

Dehcho First Nations Master Trust

Statement of Cash Flows

For the year ended December 31,	2011	2010
Operating activities		
Cash paid to suppliers	\$ (327,962)	\$ (271,572)
	(327,962)	(271,572)
Investing activities		
Purchase of investments	(3,493,419)	(2,610,122)
Proceeds on sale of investments	3,316,178	2,375,926
Return on investment	505,203	505,768
	327,962	271,572
Increase in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2011

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, 2011

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, 2011

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.

4. Future changes to significant accounting policies

Accounting Standards for not-for-profit Organizations

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. The Trust will adopt accounting standards for not-for-profit organizations in Canada effective January 1, 2012. The impact of the transition to these accounting standards has not yet been determined.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2011

5. **Accounts receivable (accrued interest and dividends)**

	2011	2010
Community Development Fund	\$ 10,279	\$ 7,516
Economic development Fund	9,592	6,969
Elders' Heritage Fund	2,559	1,866
Education Fund	5,782	4,410
Immediate Opportunities Fund	23,721	17,266
Land Acquisition Fund	5,594	3,995
	<hr/> \$ 57,527	<hr/> 42,022

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2011

6. Investments

	Market	2011 Cost	Market	2010 Cost
Unassigned	\$ (8,613)	-	\$ -	-
Community Development Account	64,789	8,869	64,016	8,869
Economic Development Account	199,596	69,077	197,217	69,077
Elders Heritage Account	25,802	7,967	25,495	18,704
Business Ventures Account	452,995	173,543	486,332	173,081
Master Trust Account	11,481	2,031	19,852	2,024
Community Development Fund	2,711,124	2,135,917	2,801,314	2,132,801
Economic Development Fund	2,560,472	2,190,039	2,642,055	2,186,878
Elders Heritage Fund	786,313	764,893	788,409	768,069
Education Fund	1,505,841	1,241,965	1,527,235	1,248,316
Immediate Opportunities Fund	5,995,497	4,744,217	6,092,409	4,732,682
Land Acquisition Fund	1,557,891	1,303,169	1,625,465	1,291,438
	\$ 15,863,188	\$ 12,641,687	\$ 16,269,799	\$ 12,631,939

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, 2011

8. 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, 2011:

	Within 1 yr	1 - 5 yrs	5 - 10 yrs	Over 10 yrs	Remaining term to maturity 2011
Fixed income (bonds)	443,132	1,456,626	1,290,295	312,253	3,502,306
Average effective yields	2.848 %	1.804 %	2.121 %	5.035 %	2.341 %

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2011

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:

	2011	2010
Revenues	\$ 550,060	\$ 512,040
Expenditures	(300,962)	(286,572)
	\$ 249,098	\$ 225,468

Dehcho First Nations Master Trust

Schedule of Trust Fund Revenue and Expenditures

For the year ended December 31, 2011

	Master Trust	Community Development Fund	Economic Development Fund	Education Fund	Elders Heritage Fund	Immediate Opportunities Fund	Land Acquisition Fund	Total
Revenues								
Dividend Income	\$ -	\$ 31,430	\$ 27,413	\$ 19,720	\$ 12,346	\$ 58,492	\$ 28,136	\$ 177,537
Foreign Income	-	7,550	8,275	4,797	2,406	14,483	4,046	41,557
Interest Income	5,758	25,766	28,433	12,601	5,519	68,475	10,698	157,250
Other Income	-	25,242	25,558	12,334	6,035	65,657	9,538	144,364
Secondary Income	29,352	-	-	-	-	-	-	29,352
Total	35,110	89,988	89,679	49,452	26,306	207,107	52,418	550,060
Expenditures								
Bookkeeping	-	331	202	(705)	(1,324)	3,156	(660)	1,000
Foreign Taxes	-	-	-	-	-	-	508	508
IMB Expenses	-	20,174	20,123	2,002	1,001	46,630	11,650	101,580
Investment management and trustee Fees	-	34,232	31,591	19,096	10,784	67,149	22,975	185,827
Legal fees	-	704	704	-	-	1,610	402	3,420
Overdraft fees	-	-	-	-	-	160	26	186
Professional fees	-	1,421	1,550	849	397	3,420	804	8,441
Total	-	56,862	54,170	21,242	10,858	122,125	35,705	300,962
Excess of revenues over expenditures before other items	35,110	33,126	35,509	28,210	15,448	84,982	16,713	249,098
Unrealized gains (losses)	(38,840)	(126,899)	(128,606)	(44,254)	(33,196)	(251,031)	(136,392)	(759,218)
Return of capital adjustments	-	1,910	1,554	1,219	961	2,212	757	8,613
Gain (loss) on sale of investments	-	7,988	17,948	(2,922)	17,515	45,779	51,095	137,403
	(38,840)	(117,001)	(109,104)	(45,957)	(14,720)	(203,040)	(84,540)	(613,202)
Excess of revenues over expenditures	\$ (3,730)	\$ (83,875)	\$ (73,595)	\$ (17,747)	\$ 728	\$ (118,058)	\$ (67,827)	\$ (364,104)