

**Dehcho First Nations Master Trust**

**Financial Statements**

**December 31, 2012**

## 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, 2012, 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 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.

#### *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*

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, 2012 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 11, 2013

*MacKay LLP*  
Chartered Accountants

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**Dehcho First Nations Master Trust****Statement of Receipts and Distributions**

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| <b>For the year ended December 31,</b>                          | <b>2012</b>       | <b>2011</b>         |
|---|-------------------|---------------------|
| <b>Receipts</b>   |                   |                     |
| Dividend income   | \$ 144,291        | \$ 177,537          |
| Foreign income  | 40,227            | 41,557              |
| Interest income   | 124,338           | 157,250             |
| Other income  | 116,241           | 144,364             |
| Secondary income  | 63,467            | 29,352              |
|   | <b>488,564</b>    | <b>550,060</b>      |
| <b>Distributions</b>  |                   |                     |
| Accounting  | 4,461             | 1,000               |
| Foreign taxes   | 4,711             | 508                 |
| Investment management board expenses                            | 235,526           | 101,580             |
| Investment management and trustee fees                          | 99,900            | 185,827             |
| Legal   | 15,065            | 3,420               |
| Overdraft fees  | 41                | 186                 |
| Professional fees   | 12,031            | 8,441               |
|   | <b>371,735</b>    | <b>300,962</b>      |
| <b>Excess of receipts over distributions before other items</b> | <b>116,829</b>    | <b>249,098</b>      |
| <b>Other receipts (distributions)</b>                           |                   |                     |
| Gain (loss) on sale of investments                              | (64,270)          | 137,403             |
| Return of capital adjustments                                   | 6,034             | 8,613               |
| Unrealized gains (losses)                                       | 254,515           | (759,220)           |
|   | <b>196,279</b>    | <b>(613,204)</b>    |
| <b>Excess (deficit) of receipts over distributions</b>          | <b>\$ 313,108</b> | <b>\$ (364,106)</b> |



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**Dehcho First Nations Master Trust****Statement of Changes in Trust Capital**

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**For the year ended December 31,**

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|                              | Balance,<br>beginning of<br>year | Share of net<br>income | Balance, end<br>of year |
|------------------------------|----------------------------------|------------------------|-------------------------|
| Master Trust                 | \$ 344,491                       | \$ 68,609              | \$ 413,099              |
| Community Development Fund   | 2,709,998                        | 44,163                 | 2,754,161               |
| Economic Development Fund    | 2,744,363                        | 21,772                 | 2,766,135               |
| Elders' Heritage Fund        | 595,613                          | 12,930                 | 608,543                 |
| Education Fund               | 1,828,390                        | 35,057                 | 1,863,447               |
| Immediate Opportunities Fund | 6,154,233                        | 82,873                 | 6,237,106               |
| Land Acquisition Fund        | 1,530,627                        | 47,705                 | 1,578,332               |
|                              | <b>\$ 15,907,715</b>             | <b>\$ 313,108</b>      | <b>\$ 16,220,823</b>    |

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## Dehcho First Nations Master Trust

### Balance Sheet

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|  | December<br>31,<br>2012 | December 31,<br>2011 | January 1,<br>2011   |
|--|-------------------------|----------------------|----------------------|
| <b>Assets</b>                                      |                         |                      |                      |
| <b>Current</b>                                     |                         |                      |                      |
| Accrued interest and dividends receivable (note 5) | \$ 45,133               | \$ 57,527            | \$ 42,022            |
| <b>Investments (note 6)</b>                        | <b>16,190,290</b>       | <b>15,863,188</b>    | <b>16,269,799</b>    |
|  | <b>\$ 16,235,423</b>    | <b>\$ 15,920,715</b> | <b>\$ 16,311,821</b> |

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### Liability

|  |           |           |           |
|--|-----------|-----------|-----------|
| <b>Current</b>                           |           |           |           |
| Accounts payable and accrued liabilities | \$ 14,600 | \$ 13,000 | \$ 40,000 |

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### Trust capital

|                              |                      |                      |                      |
|------------------------------|----------------------|----------------------|----------------------|
| Master Trust                 | 413,099              | 344,491              | 356,834              |
| Community Development Fund   | 2,754,161            | 2,709,998            | 2,791,963            |
| Economic Development Fund    | 2,766,135            | 2,744,363            | 2,816,404            |
| Elders' Heritage Fund        | 608,543              | 595,613              | 593,926              |
| Education Fund               | 1,863,447            | 1,828,390            | 1,844,918            |
| Immediate Opportunities Fund | 6,237,106            | 6,154,233            | 6,270,079            |
| Land Acquisition Fund        | 1,578,332            | 1,530,627            | 1,597,697            |
|                              | <b>16,220,823</b>    | <b>15,907,715</b>    | <b>16,271,821</b>    |
|                              | <b>\$ 16,235,423</b> | <b>\$ 15,920,715</b> | <b>\$ 16,311,821</b> |

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Approved on behalf of the trustee:

\_\_\_\_\_ Trustee

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# Dehcho First Nations Master Trust

## Financial Statements

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December 31, 2012

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**Dehcho First Nations Master Trust****Statement of Cash Flows**

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| <b>For the year ended December 31,</b> | <b>2012</b>      | <b>2011</b>      |
|--|------------------|------------------|
| <b>Operating activities</b>            |                  |                  |
| Cash paid to suppliers                 | \$ (103,574)     | \$ (327,962)     |
|  | <b>(103,574)</b> | <b>(327,962)</b> |
| <b>Investing activities</b>            |                  |                  |
| Purchase of investments                | (2,997,170)      | (3,493,419)      |
| Proceeds on sale of investments        | 2,618,120        | 3,316,178        |
| Return on investment                   | 482,624          | 505,203          |
|  | <b>103,574</b>   | <b>327,962</b>   |
| <b>Increase in cash</b>                | -                | -                |
| <b>Cash, beginning of year</b>         | -                | -                |
| <b>Cash, end of year</b>               | \$ -             | \$ -             |

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## Dehcho First Nations Master Trust

### Notes to the Financial Statements

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December 31, 2012

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#### 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, Smbaa K'e Dene Band, TtheK'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.



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## Dehcho First Nations Master Trust

### Notes to the Financial Statements

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December 31, 2012

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#### 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 raw land, to developing an urban reserve, to investment in real estate investments.

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## Dehcho First Nations Master Trust

### Notes to the Financial Statements

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December 31, 2012

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#### 3. Significant accounting policies (continued)

##### (d) Foreign currency translation

The Trust's foreign investment incomes are translated using the current rate method. Under this method foreign denominated monetary assets and liabilities are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses (other than amortization which is translated at rates pertaining to the related assets) are translated at the yearly average exchange rates. Non-monetary assets and liabilities are translated at the exchange rate at the date of acquisition. Exchange gains or losses arising on the translation are included in the statement of receipts and distributions and changes in trust capital.

##### (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 accounting standards for not-for-profit organizations 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.



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## Dehcho First Nations Master Trust

### Notes to the Financial Statements

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December 31, 2012

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#### 4. Impact of the change in the basis of accounting

Effective January 1, 2012, the Trust elected to adopt the standards in Part III of the CICA Handbook- Accounting Standards for Not-for-Profit Organizations (ASNPO). This framework is in accordance with Canadian GAAP.

These are the first financial statements prepared in accordance with this new framework which has been applied retrospectively. The accounting policies set out above have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information for the year ended December 31, 2011, and in the preparation of an opening balance sheet as at January 1, 2011, which is the Trust's date of transition.

The Trust previously issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by Part V of the CICA Handbook.

The adoption of ASNPO has had no impact on the previously reported assets, liabilities and net assets of the Trust, and accordingly, no adjustments have been recorded in the comparative balance sheet, statement of receipts and distributions and statement of cash flow. Certain of the Trust's presentation and disclosures included in these financial statements reflect the new presentation and disclosure requirements of ASNPO.

#### Elective exemptions

The rules for transition to Canadian accounting standards for not-for-profit organizations normally require that an enterprise prepare its opening balance sheet using the standards that will be followed thereafter. However, certain elective exemptions are available. In preparing the opening balance sheet referred to above, the Trust used none of the elective exemptions.

#### 5. Accrued interest and dividends receivable

|                              | 2012             | 2011             |
|------------------------------|------------------|------------------|
| Community Development Fund   | \$ 8,472         | \$ 10,279        |
| Economic Development Fund    | 7,493            | 9,592            |
| Elders' Heritage Fund        | 2,117            | 2,559            |
| Education Fund               | 5,062            | 5,782            |
| Immediate Opportunities Fund | 17,488           | 23,721           |
| Land Acquisition Fund        | 4,501            | 5,594            |
|                              | <u>\$ 45,133</u> | <u>\$ 57,527</u> |

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## Dehcho First Nations Master Trust

### Notes to the Financial Statements

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December 31, 2012

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#### 6. Investments

|                                  | Market               | 2012<br>Cost | Market               | 2011<br>Cost |
|----------------------------------|----------------------|--------------|----------------------|--------------|
| Unassigned                       | \$ 45,133            | \$ -         | (8,613)              | -            |
| Community Development<br>Account | 70,006               | 8,869        | 64,789               | 8,869        |
| Economic Development<br>Account  | 256,809              | 69,077       | 199,596              | 69,077       |
| Elders Heritage Account          | 32,949               | 7,967        | 25,802               | 7,967        |
| Business Ventures Account        | 595,160              | 173,546      | 452,995              | 173,543      |
| Master Trust Account             | 16,623               | 2,039        | 11,481               | 2,031        |
| Community Development Fund       | 2,753,911            | 2,131,392    | 2,711,124            | 2,135,917    |
| Economic Development Fund        | 2,529,063            | 2,185,530    | 2,560,472            | 2,190,039    |
| Elders Heritage Fund             | 792,170              | 787,050      | 786,313              | 764,893      |
| Education Fund                   | 1,539,683            | 1,256,222    | 1,505,841            | 1,241,965    |
| Immediate Opportunities Fund     | 5,948,684            | 4,727,965    | 5,995,497            | 4,744,217    |
| Land Acquisition Fund            | 1,610,099            | 1,329,255    | 1,557,891            | 1,303,169    |
|                                  | <b>\$ 16,190,290</b> | <b>\$ -</b>  | <b>\$ 15,863,188</b> | <b>-</b>     |

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.



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## Dehcho First Nations Master Trust

### Notes to the Financial Statements

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December 31, 2012

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#### 7. Financial instruments

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

The financial instruments of the Trust and the nature of the risks to which it may be subject are as follows:

(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

Currently 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.

Liquidity risk is the risk the company 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.

(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.

## Decho First Nations Master Trust

### Schedule of Trust Fund Receipts and Distributions by Fund

For the year ended December 31, 2012

|   | Master Trust     | Community Development Fund | Economic Development Fund | Education Fund   | Elders' Heritage Fund | Immediate Opportunities Fund | Land Acquisition Fund | Total             |
|---|------------------|----------------------------|---------------------------|------------------|-----------------------|------------------------------|-----------------------|-------------------|
| <b>Receipts</b>   |                  |                            |                           |                  |                       |                              |                       |                   |
| Dividend Income   | \$ -             | \$ 27,951                  | \$ 21,607                 | \$ 17,826        | \$ 8,649              | \$ 48,002                    | \$ 20,256             | \$ 144,291        |
| Foreign Income  | -                | 6,517                      | 7,097                     | 5,579            | 2,703                 | 13,769                       | 4,562                 | 40,227            |
| Interest Income   | 7,465            | 19,768                     | 22,604                    | 9,778            | 4,479                 | 52,076                       | 8,168                 | 124,338           |
| Other Income  | -                | 21,352                     | 20,118                    | 9,641            | 4,825                 | 52,575                       | 7,730                 | 116,241           |
| Secondary Income  | 63,467           | -                          | -                         | -                | -                     | -                            | -                     | 63,467            |
| <b>Total</b>  | <b>70,932</b>    | <b>75,588</b>              | <b>71,426</b>             | <b>42,824</b>    | <b>20,656</b>         | <b>166,422</b>               | <b>40,716</b>         | <b>488,564</b>    |
| <b>Distributions</b>  |                  |                            |                           |                  |                       |                              |                       |                   |
| Bookkeeping   | -                | 795                        | 792                       | 477              | 303                   | 1,603                        | 491                   | 4,461             |
| Foreign Taxes   | -                | 807                        | 896                       | 576              | 365                   | 1,444                        | 623                   | 4,711             |
| IMB Expenses  | -                | 48,565                     | 48,550                    | 25               | 13                    | 111,119                      | 27,252                | 235,524           |
| Investment management and trustee Fees                          | 1                | 17,958                     | 17,644                    | 10,315           | 4,638                 | 40,213                       | 9,133                 | 99,902            |
| Legal fees  | -                | 3,102                      | 3,102                     | -                | -                     | 7,090                        | 1,771                 | 15,065            |
| Overdraft fees  | -                | -                          | -                         | 17               | -                     | 19                           | 6                     | 42                |
| Professional fees   | -                | 2,077                      | 2,081                     | 1,279            | 709                   | 4,621                        | 1,264                 | 12,031            |
| <b>Total</b>  | <b>1</b>         | <b>73,304</b>              | <b>73,065</b>             | <b>12,689</b>    | <b>6,028</b>          | <b>166,109</b>               | <b>40,540</b>         | <b>371,736</b>    |
| <b>Excess of receipts over distributions before other items</b> | <b>70,931</b>    | <b>2,284</b>               | <b>(1,639)</b>            | <b>30,135</b>    | <b>14,628</b>         | <b>313</b>                   | <b>176</b>            | <b>116,828</b>    |
| <b>Other items</b>  |                  |                            |                           |                  |                       |                              |                       |                   |
| Gain (loss) on sale of investments                              | -                | (14,063)                   | (22,317)                  | (2,142)          | 2,958                 | (35,032)                     | 6,326                 | (64,270)          |
| Return of capital adjustments                                   | -                | 1,365                      | 1,121                     | 975              | 484                   | 1,640                        | 449                   | 6,034             |
| Unrealized gains (losses)                                       | (2,322)          | 54,577                     | 44,607                    | 6,088            | (5,140)               | 115,952                      | 40,754                | 254,516           |
| <b>Total</b>  | <b>(2,322)</b>   | <b>41,879</b>              | <b>23,411</b>             | <b>4,921</b>     | <b>(1,696)</b>        | <b>82,560</b>                | <b>47,529</b>         | <b>196,280</b>    |
| <b>Excess of receipts over distributions</b>                    | <b>\$ 68,609</b> | <b>\$ 44,163</b>           | <b>\$ 21,772</b>          | <b>\$ 35,056</b> | <b>\$ 12,930</b>      | <b>\$ 82,873</b>             | <b>\$ 47,705</b>      | <b>\$ 313,108</b> |