

Kapawe'no First Nation

Consolidated Financial Statements

March 31, 2021

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Kapawe'no First Nation

Management's Responsibility for Financial Reporting

March 31, 2021

The accompanying consolidated financial statements of Kapawe'no First Nation are the responsibility of management and have been approved by Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Crowe MacKay LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Kapawe'no First Nation and meet when required.

On behalf of Kapawe'no First Nation:



Chief



Finance Director



Date



Date

Independent Auditors' Report

To the Members of Kapawe'no First Nation

Opinion

We have audited the consolidated financial statements of Kapawe'no First Nation (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kapawe'no First Nation as at March 31, 2021, and the results of its consolidated operations, its changes in its consolidated net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Nation taken as a whole. The supplementary information included on the schedules on pages 25 - 72 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 Nation'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 Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Nation to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, Canada
July 22, 2021



Chartered Professional Accountants

Kapawe'no First Nation

Consolidated Statement of Financial Position

March 31 2021 2020

Financial Assets

| | | |
|----------------------------------|--------------|--------------|
| Cash (Note 3) | \$ 8,780,406 | \$ 4,706,170 |
| Accounts receivable (Note 4) | 504,780 | 1,433,357 |
| Band member receivables (Note 5) | 28,705 | 6,914 |
| Trust funds (Note 6) | 5,102,243 | 4,998,079 |
| | 14,416,134 | 11,144,520 |

Liabilities

| | | |
|---------------------------|-----------|-----------|
| Accounts payable | 298,937 | 645,538 |
| Deferred revenue (Note 8) | 4,532,097 | 1,032,046 |
| Long-term debt (Note 9) | 926,766 | 940,851 |
| | 5,757,800 | 2,618,435 |

Net financial assets 8,658,334 8,526,085



Non-financial Assets

| | | |
|--------------------------|------------|------------|
| Capital assets (Note 10) | 11,594,984 | 11,563,808 |
| Prepaid expenses | 4,805 | 14,062 |
| | 11,599,789 | 11,577,870 |

Accumulated Surplus (Note 11) \$ 20,258,122 \$ 20,103,955

Contingent liabilities (Note 12)

Approved on behalf of the Chief and Council

 , Chief
 , Councilor
_____, Councilor

Kapawe'no First Nation

Consolidated Statement of Operations and Accumulated Surplus

| For the year ended March 31, | 2021 Budget | 2021 Actual | 2020 Actual |
|--|----------------------|----------------------|----------------------|
| Revenue | | | |
| Lesser Slave Lake Indian Regional Council (LSLIRC) | \$ 2,213,527 | \$ 2,652,147 | \$ 3,000,174 |
| Indigenous Services Canada - Health | 1,004,279 | 1,949,175 | 855,313 |
| Federal Funding - Department of Natural Resources | 1,499,900 | - | 1,499,900 |
| Province of Alberta | - | 245,682 | 437,792 |
| Interest and investment income | - | 217,345 | 222,814 |
| Other revenue | 2,280,199 | 1,542,770 | 2,202,598 |
| | 6,997,905 | 6,607,119 | 8,218,591 |
| Expenses (Note 17) | | | |
| Education | 461,829 | 519,802 | 392,099 |
| Health | 923,190 | 1,411,530 | 1,001,618 |
| Economic Development | 115,018 | 501,426 | 116,605 |
| Housing | 283,696 | 373,847 | 448,049 |
| Social Services | 483,539 | 422,056 | 609,764 |
| Band Government | 478,426 | 560,120 | 436,942 |
| Community Services | 2,421,405 | 1,690,248 | 2,098,457 |
| Other | 11,098 | 257,917 | 322,968 |
| Amortization | 716,006 | 716,006 | 700,890 |
| | 5,894,207 | 6,452,952 | 6,127,392 |
| Excess of revenue over expenses | 1,103,698 | 154,167 | 2,091,199 |
| Accumulated surplus, beginning of year | 20,103,955 | 20,103,955 | 18,012,756 |
| Accumulated surplus, end of year | \$ 21,207,653 | \$ 20,258,122 | \$ 20,103,955 |

Kapawe'no First Nation

Consolidated Statement of Change in Net Financial Assets

| For the year ended March 31, | 2021 Budget | 2021 Actual | 2020 Actual |
|--|----------------------|---------------------|---------------------|
| Excess of revenue over expenses | \$ 1,103,698 | \$ 154,167 | \$ 2,091,199 |
| Acquisition of tangible capital assets | - | (822,488) | (2,498,221) |
| Amortization of tangible capital assets | 716,006 | 716,006 | 700,889 |
| Disposal of assets | - | 75,307 | 21,975 |
| | 716,006 | (31,175) | (1,775,355) |
| (Acquisition) use of prepaid asset | 9,257 | 9,257 | (16) |
| Increase in net financial assets | 1,828,961 | 132,249 | 315,828 |
| Net financial assets, beginning of year | 8,526,085 | 8,526,085 | 8,210,257 |
| Net financial assets, end of year | \$ 10,355,046 | \$ 8,658,334 | \$ 8,526,085 |

Kapawe'no First Nation**Consolidated Statement of Cash Flow**

| For the year ended March 31, | 2021 | 2020 |
|---|---------------------|---------------------|
| Cash flows from | | |
| Operating activities | | |
| Excess of revenue over expenses | \$ 154,167 | \$ 2,091,199 |
| Items not affecting cash | | |
| Amortization | 716,006 | 700,889 |
| Loss on sale of capital assets | 51,807 | - |
| | 921,980 | 2,792,088 |
| Change in non-cash operating working capital | | |
| Accounts receivable | 928,577 | (565,780) |
| Prepaid expenses | 9,262 | (16) |
| Accounts payable | (346,606) | 438,572 |
| Deferred revenue | 3,500,051 | 48,720 |
| Band member receivables | (21,791) | 11,125 |
| | 4,991,473 | 2,724,709 |
| Capital activities | | |
| Purchase of capital assets | (822,488) | (2,498,221) |
| Proceeds on sale of capital asset | 23,500 | 15,000 |
| | (798,988) | (2,483,221) |
| Financing activities | | |
| Long-term debt | (14,085) | (4,556) |
| Repayment on operating loan | - | (10,000) |
| | (14,085) | (14,556) |
| Investing activities | | |
| Trust contributions | (104,164) | (110,995) |
| Increase in investments | - | (209,751) |
| Proceeds on sale of investment | - | 619,100 |
| | (104,164) | 298,354 |
| Increase in cash and cash equivalents | 4,074,236 | 525,286 |
| Cash and cash equivalents, beginning of year | 4,706,170 | 4,180,884 |
| Cash and cash equivalents, end of year | \$ 8,780,406 | \$ 4,706,170 |

Kapawe'no First Nation

Notes to Consolidated Financial Statements

March 31, 2021

1. Basis of Presentation and Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(a) Reporting entity principles of financial reporting

The First Nation reporting entity includes the First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

The First Nation is a member of the Lesser Slave Lake Indian Regional Council ("LSLIRC") which negotiates funding agreements with the Government of Canada and allocates a proportion to the Nation.

The following entities are included in the consolidated financial statements:

1. 327938 Alberta Ltd.
2. Kapawe'no First Nation Narrows Cultural Resort Inc.
3. Kapawe'no First Nation Oil & Gas Company Limited
4. Kapawe'no First Nation Childcare Society

All inter-entity balances have been eliminated on consolidation.

(b) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Other income is recorded on the accrual basis.

(c) Cash

Cash and cash equivalents include, cash held on deposit at financial institutions.

Kapawe'no First Nation

Notes to Consolidated Financial Statements

March 31, 2021

1. Basis of Presentation and Significant Accounting Policies (continued)

(d) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Kapawe'no First Nation's incremental cost of borrowing.

Amortization is provided for on a straight-line and declining balance basis over their estimated useful lives as follows:

| | |
|--------------------|--------------------------------|
| Buildings | 30 years Straight line |
| Vehicles | 10 years Straight line |
| Computer equipment | 5 years Straight line |
| Office equipment | 5 years Straight line |
| Equipment | 5-30 years Straight line |
| Heavy equipment | 15 years Straight line, 30% DB |

Tangible capital assets are written down when conditions indicate that they no longer contribute to Kapawe'no First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets, including recognized interest in reserve lands and natural resources, as well as assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

(e) Financial instruments

All significant financial assets, financial liabilities and equity instruments of the entity are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

Kapawe'no First Nation

Notes to Consolidated Financial Statements

March 31, 2021

1. Basis of Presentation and Significant Accounting Policies (continued)

(f) Use of estimates and COVID-19 measurement uncertainty

In preparing these financial statements, management made estimates and judgments including consideration for the uncertainties and economic implications of the COVID-19 pandemic on the Nation's operations, financial performance and financial position for the year ended March 31, 2021. The uncertainty surrounding the COVID-19 pandemic could generate, in future reporting periods, a significant risk of material adjustment to the carrying amounts in the financial statements. Estimates not associated with the COVID-19 pandemic are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

2. Impact of COVID-19 Pandemic

The COVID-19 pandemic has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, social distancing, restrictions on business operations and isolation/quarantine periods have caused material disruptions to communities and businesses, resulting in an economic slowdown.

In response, the Nation received from Indigenous Services Canada and other sources, \$2,280,900 in additional funding to assist with implementation of public health measures, income assistance initiatives, and costs related to reopening.

The Nation implemented remote work arrangements for those able to do so, and implemented stringent health and safety procedures and other precautionary measures, guided by public health authorities, to mitigate the spread of COVID-19 and the impact of the pandemic on the Nation's operations and programs.

Effective July 1, 2021, the province of Alberta entered into stage 3 of the Alberta's Open for Summer Plan whereby majority of public health measures have now been lifted. While recovery is underway, the effect of the COVID-19 pandemic remains uncertain and as such it is not possible to estimate the length and severity of the pandemic and the impact on the financial results and condition on the Nation and its operations in future periods.

Kapawe'no First Nation

Notes to Consolidated Financial Statements

March 31, 2021

3. Cash

| | 2021 | 2020 |
|-----------------------|---------------------|---------------------|
| Externally restricted | | |
| Province of Alberta | \$ 132,432 | \$ 153,538 |
| Internally restricted | | |
| Special projects | 2,235,205 | 1,775,163 |
| Unrestricted | | |
| General accounts | 6,412,769 | 2,777,469 |
| | \$ 8,780,406 | \$ 4,706,170 |

4. Accounts receivable

| | 2021 | 2020 |
|---|-------------------|---------------------|
| Lesser Slave Lake Indian Regional Council | \$ 139,754 | \$ 923,470 |
| Indigenous Services Canada - Health | - | 22,047 |
| Government of Canada | 149,990 | 255,715 |
| CMHC | - | 33,225 |
| GST | 42,990 | 14,220 |
| Other | 172,046 | 184,680 |
| | \$ 504,780 | \$ 1,433,357 |

5. Band Member receivables

The amounts receivable from band members are non-interest bearing and are unsecured.

Kapawe'no First Nation

Notes to Consolidated Financial Statements

March 31, 2021

6. Trust funds

| | March 31, 2020 | Income | Withdrawals | March 31, 2021 |
|--------------------------------------|---------------------|-------------------|-------------------|---------------------|
| Ottawa funds held in trust - Capital | \$ 465,788 | \$ - | \$ - | \$ 465,788 |
| Ottawa funds held in trust - Revenue | 485,499 | 11,958 | - | 497,457 |
| Economic Development Trust | 24,351 | 427 | - | 24,778 |
| Other funds held in trust | 4,022,442 | 204,666 | 112,888 | 4,114,220 |
| | \$ 4,998,079 | \$ 217,051 | \$ 112,888 | \$ 5,102,243 |

The trust fund accounts held in Ottawa arise from monies derived from capital and revenue sources which the Crown considers are described in Section 62 of the Indian Act. These funds are held in trust by the Government of Canada and the Crown treats these funds as primarily governed by sections 64 and 69 of the Indian Act.

These funds are treated by Canada as held in trust in the Consolidated Revenue fund of the Government of Canada. The funds attract interest pursuant to Section 61(2) of the Indian Act.

The market value of other funds held in trust at March 31, 2021 is: \$5,536,352 (2020: \$5,283,983).

7. Operating loan

The Nation has access to a revolving line of credit from its financial institution. The line of credit bears interest at the financial institution's prime rate plus 1.25%. At the year end date, the balance was \$nil (2020: nil).

Kapawe'no First Nation

Notes to Consolidated Financial Statements

March 31, 2021

8. Deferred Revenue

| | March 31, 2020 | Funding Received | Revenue Recognized | March 31, 2021 |
|---|----------------|---------------------|-----------------------|-------------------|
| LSLIRC | \$ 480,024 | \$ 4,138,063 | \$ (2,595,332) | \$ 1,965,940 |
| Province of Alberta | 92,942 | 217,891 | (245,682) | 65,151 |
| Health Services - Operations and Management | 8,536 | 463,168 | (195,859) | 275,845 |
| ISC - Health Services - CHR | 34,493 | 38,332 | (27,866) | 44,959 |
| ISC - Health Services - Nursing | 16,475 | - | (16,475) | - |
| ISC - Health Services - NNADAP / Anti- Drug Strategy | 40,512 | - | (40,512) | - |
| ISC - Health Services - Brighter Futures | 33,818 | - | (33,818) | - |
| ISC - Health Services - Mental Health | 995 | 219,212 | (40,453) | 179,754 |
| ISC - Health Services - Solvent Abuse | 8,899 | - | - | 8,899 |
| ISC - Health Services - Medical Transportation | - | 197,206 | (110,934) | 86,272 |
| ISC - Health Services - Diabetes | 9,063 | 22,764 | (14,622) | 17,205 |
| ISC - Health Services - Prenatal Care | 3,970 | 4,976 | (4,687) | 4,259 |
| ISC - Health Services - Home Care | 111,068 | 148,799 | (112,009) | 147,858 |
| ISC - Health Services - HIV | 10,449 | 15,061 | (1,506) | 24,004 |
| ISC - Health Services - Water Safety | - | 14,000 | (10,400) | 3,600 |
| ISC - Health Services - Health Planning and Management | 12,508 | 95,357 | (97,018) | 10,847 |
| ISC - Health Services - Maternal Child Health | - | 110,362 | (47,380) | 62,982 |
| ISC - Health Services - TB Prevention | - | 4,372 | - | 4,372 |
| ISC - Health Services - COVID - Operational | - | 1,053,377 | (750,409) | 302,968 |
| ISC - Health Services - COVID - Capital | - | 639,888 | (238,273) | 401,615 |
| ISC - Health Services - COVID - Mental Wellness | - | 515,069 | (10,522) | 504,547 |
| ISC - Health Services - COVID - AHSOR | - | 53,566 | - | 53,566 |
| ISC - Nursery School | 87,807 | 123,607 | (60,702) | 147,712 |
| Other | 80,487 | 577,900 | (438,645) | 219,742 |
| | \$ 1,032,046 | \$ 8,652,970 | \$ (5,093,104) | \$ 4,532,097 |

Kapawe'no First Nation

Notes to Consolidated Financial Statements

March 31, 2021

9. Long-term debt

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Peace Hills Trust housing loan payable in monthly instalments of \$3,468, including interest at 4.50%, secured by a general security agreement and promissory note of \$800,000. Maturing November 2024. | \$ 607,703 | \$ 621,788 |
| Federal Government Loan Native claims loan, secured by a promissory note, payable on the earlier of next fiscal, or the date the claims settled. The note is interest free unless the Nation defaults on the note, or the note matures. | 290,823 | 290,823 |
| Federal Government Loan Government of Canada loan includes two promissory notes (\$18,223 and \$10,017) payable upon settlement of a specific land claim, default or maturity. The notes are interest free unless the Nation defaults on the notes or the notes come to maturity. | 28,240 | 28,240 |
| | \$ 926,766 | \$ 940,851 |

Kapawe'no First Nation

Notes to Consolidated Financial Statements

March 31, 2021

10. Tangible Capital Assets

| | Cost | | | | Accumulated amortization | | | | |
|--------------------------|----------------------------------|------------|--------------|-------------------------|----------------------------------|--------------|---|-------------------------|------------------------|
| | Balance, beginning of year | Additions | Disposals | Balance, end of year | Balance, beginning of year | Amortization | Accumulated amortization on disposals | Balance, end of year | 2021 net book value |
| Buildings | \$ 19,041,659 | \$ 209,706 | \$ (104,787) | \$ 19,146,578 | \$ 9,699,009 | \$ 552,717 | \$ (29,480) | \$ 10,222,246 | \$ 8,924,332 |
| Vehicles | 987,610 | 263,902 | - | 1,251,512 | 635,977 | 84,780 | - | 720,757 | 530,755 |
| Computer equipment | 123,881 | - | - | 123,881 | 122,256 | 1,625 | - | 123,881 | - |
| Office equipment | 265,987 | - | - | 265,987 | 263,376 | 2,611 | - | 265,987 | - |
| Equipment | 358,154 | 58,314 | - | 416,468 | 325,064 | 20,713 | - | 345,777 | 70,691 |
| Heavy equipment | 1,965,239 | 6,000 | (100,000) | 1,871,239 | 1,471,622 | 53,561 | (100,000) | 1,425,183 | 446,056 |
| Asset under construction | 1,338,582 | 284,568 | - | 1,623,150 | - | - | - | - | 1,623,150 |
| | \$ 24,081,112 | \$ 822,490 | \$ (204,787) | \$ 24,698,815 | \$ 12,517,304 | \$ 716,007 | \$ (129,480) | \$ 13,103,831 | \$ 11,594,984 |

| | Cost | | | | Accumulated amortization | | | | |
|--------------------------|----------------------------------|--------------|-------------|-------------------------|----------------------------------|--------------|---|-------------------------|------------------------|
| | Balance, beginning of year | Additions | Disposals | Balance, end of year | Balance, beginning of year | Amortization | Accumulated amortization on disposals | Balance, end of year | 2020 Net book value |
| Buildings | \$ 17,926,226 | \$ 1,115,433 | \$ - | \$ 19,041,659 | \$ 9,163,423 | \$ 535,586 | \$ - | \$ 9,699,009 | \$ 9,342,650 |
| Vehicles | 1,007,018 | 29,428 | (48,836) | 987,610 | 592,723 | 70,114 | (26,860) | 635,977 | 351,633 |
| Computer equipment | 123,881 | - | - | 123,881 | 119,007 | 3,249 | - | 122,256 | 1,625 |
| Office equipment | 265,987 | - | - | 265,987 | 250,266 | 13,110 | - | 263,376 | 2,611 |
| Equipment | 343,376 | 14,778 | - | 358,154 | 305,764 | 19,300 | - | 325,064 | 33,090 |
| Heavy equipment | 1,965,239 | - | - | 1,965,239 | 1,412,092 | 59,530 | - | 1,471,622 | 493,617 |
| Asset under construction | - | 1,338,582 | - | 1,338,582 | - | - | - | - | 1,338,582 |
| | \$ 21,631,727 | \$ 2,498,221 | \$ (48,836) | \$ 24,081,112 | \$ 11,843,275 | \$ 700,889 | \$ (26,860) | \$ 12,517,304 | \$ 11,563,808 |

Kapawe'no First Nation

Notes to Consolidated Financial Statements

March 31, 2021

11. Accumulated Surplus

| | 2021 | 2020 |
|--|----------------------|----------------------|
| Operating fund - unrestricted | \$ 1,933,393 | \$ 2,388,693 |
| Operating fund - internally restricted | 2,235,205 | 1,775,163 |
| Capital asset fund | 10,987,281 | 10,942,020 |
| Trust funds | 5,102,243 | 4,998,079 |
| | \$ 20,258,122 | \$ 20,103,955 |

12. Contingent Liabilities

Government contributions related to programs of the Nation are subject to conditions regarding the expenditure of funds. The Nation's accounting records are subject to audit by the funding agencies. Should any instances be identified in which the amounts charged to the projects are not in accordance with the agreed terms and conditions, amounts would be refundable to the respective funding agencies. Adjustments to the financial statements as a result of these ministerial audits will be recorded in the period in which they become known.

13. Budget Information

The unaudited budget data presented in these consolidated financial statements is based upon the 2021 operating budget approved by Council.

Amortization was not contemplated on development of the budget and has been recognized at the amount expensed for the current year.

14. Economic Dependence

Kapawe'no First Nation receives a significant portion of its revenue pursuant to funding agreements with Lesser Slave Lake Indian Regional Council and Indigenous Services Canada - Health.

15. Financial Instruments

The Nation's financial instruments consist of cash, accounts receivable, band member receivables, trust funds, accounts payable and accrued liabilities, and long-term debt. Unless otherwise noted, the carrying value of its financial instruments approximates fair value.

It is management's opinion that the Nation is not exposed to significant currency risk from its financial instruments. The Nation is subject to credit risk with respect to accounts receivable. Credit risk arises from the possibility that the entities may experience financial difficulty and be unable to fulfil their obligations. The large amount of annual funding received from the Government of Canada minimizes credit risk.

COVID-19 (see note 2) has resulted in an increase in risk of these financial instruments. The Nation cannot predict changes in these risks or the impact on operating results. Such changes related to the COVID-19 pandemic, could have a material effect in the Nation's operations and financial condition.

Kapawe'no First Nation

Notes to Consolidated Financial Statements

March 31, 2021

16. Comparative Figures

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

17. Expenses

| For the year ended March 31 | 2021 Budget | 2021 Actual | 2020 Actual |
|-----------------------------|----------------|----------------|----------------|
| Administration | \$ 134,902 | \$ 227,076 | \$ 238,378 |
| Amortization | 716,006 | 716,006 | 700,890 |
| Bad debts (recovered) | - | - | 45,432 |
| Fixed expenses | - | 168,504 | 20,628 |
| Insurance | 69,741 | 121,401 | 87,038 |
| Interest and bank charges | 6,117 | 34,931 | 37,248 |
| Materials and supplies | 101,023 | 289,366 | 178,255 |
| Meeting and travel | 81,870 | 136,932 | 59,327 |
| Office | 106,371 | 63,361 | 86,450 |
| Operations and maintenance | 542,105 | 475,879 | 585,523 |
| Professional fees | 69,621 | 110,876 | 114,360 |
| Program costs | 2,833,346 | 2,511,929 | 1,687,684 |
| Special events | 23,346 | 153 | 584 |
| Subcontractors | - | 7,850 | 37,382 |
| Telephone | 42,435 | 42,427 | 36,793 |
| Training | 13,728 | 14,526 | 29,803 |
| Utilities | 77,226 | 268,618 | 291,223 |
| Vehicles and equipment | 99,096 | 125,304 | 90,815 |
| Wages and benefits | 977,274 | 1,137,813 | 1,799,579 |
| | \$ 5,894,207 | \$ 6,452,952 | \$ 6,127,392 |

Kapawe'no First Nation

Notes to Consolidated Financial Statements

March 31, 2021

18. Segmented information

The Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by function. The segment revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounts Policies as described in Note 1. The segment results for the period are as follows:

| | 2021 Budget | Education 2021 Actual | 2020 Actual | 2021 Budget | Health 2021 Actual | 2020 Actual | Economic Development 2021 Budget | 2021 Actual | 2020 Actual |
|-------------------------------------|----------------|-----------------------------|----------------|----------------|--------------------------|----------------|--|----------------|----------------|
| Revenues | | | | | | | | | |
| LSLIRC | \$ 869,116 | \$ 567,323 | \$ 357,601 | \$ - | \$ - | \$ 125,000 | \$ 195,248 | \$ 125,127 | \$ 127,004 |
| Indigenous Services Canada - Health | - | - | - | 1,004,279 | 1,994,080 | 879,756 | - | - | - |
| Province of Alberta | - | - | 50,000 | - | - | - | - | - | - |
| Transfers | - | - | (27,593) | (58,587) | (123,607) | (111,736) | - | (67,214) | (33,876) |
| Other revenue | 246,747 | 7,123 | 12,091 | 5,500 | 6,940 | 19,226 | - | 483,161 | 26,362 |
| Total revenue | 1,115,863 | 574,446 | 392,099 | 951,192 | 1,877,413 | 912,246 | 195,248 | 541,074 | 119,490 |
| Expenses | | | | | | | | | |
| Wages and benefits | 100,242 | 92,600 | 116,558 | 423,231 | 431,534 | 353,152 | 13,096 | 69,230 | 8,351 |
| Insurance | 5,326 | 5,781 | 6,310 | - | 15,638 | 17,885 | - | 10,640 | 6,006 |
| Operations and maintenance | - | - | - | 105,334 | 67,816 | 92,375 | - | 124,412 | 270 |
| Program costs | 306,225 | 311,044 | 121,918 | 275,112 | 629,887 | 222,293 | 26,068 | 15,354 | 13,801 |
| Other expenses | 50,036 | 110,377 | 147,313 | 119,513 | 266,655 | 315,913 | 75,854 | 281,790 | 88,177 |
| Total expenses | 461,829 | 519,802 | 392,099 | 923,190 | 1,411,530 | 1,001,618 | 115,018 | 501,426 | 116,605 |
| Annual surplus (deficit) | \$ 654,034 | \$ 54,644 | \$ - | \$ 28,002 | \$ 465,883 | \$ (89,372) | \$ 80,230 | \$ 39,648 | \$ 2,885 |

Kapawe'no First Nation

Notes to Consolidated Financial Statements

March 31, 2021

18. Segmented information (continued)

| | 2021 Budget | Housing 2021 Actual | 2020 Actual | 2021 Budget | Social Services 2021 Actual | 2020 Actual | 2021 Budget | Band Government 2021 Actual | 2020 Actual |
|-------------------------------------|----------------|---------------------------|----------------|----------------|-----------------------------------|----------------|----------------|-----------------------------------|----------------|
| Revenues | | | | | | | | | |
| LSLIRC | \$ - | \$ 227,972 | \$ 129,342 | \$ 273,636 | \$ 521,304 | \$ 449,468 | \$ 320,178 | \$ 320,178 | \$ 314,575 |
| Indigenous Services Canada - Health | - | - | - | - | (59,905) | (24,443) | - | - | - |
| Transfers | - | 53,288 | 198,468 | 58,587 | (32,072) | 16,923 | - | (185,493) | (352,174) |
| Other revenue | 186,522 | 41,657 | 122,779 | 620,615 | 57,490 | 193,502 | 142,696 | 431,767 | 468,268 |
| Total revenue | 186,522 | 322,917 | 450,589 | 952,838 | 486,817 | 635,450 | 462,874 | 566,452 | 430,669 |
| Expenses | | | | | | | | | |
| Wages and benefits | - | - | 1,589 | 157,039 | 150,966 | 229,887 | 274,088 | 283,248 | 323,214 |
| Insurance | 57,801 | 74,203 | 41,654 | - | 2,439 | 2,547 | - | - | - |
| Operations and maintenance | 204,696 | 170,741 | 349,462 | 43,786 | 41,746 | 35,725 | 7,200 | 5,498 | 6,497 |
| Program costs | - | - | - | 129,991 | 101,583 | 255,611 | - | - | - |
| Other expenses | 21,199 | 128,903 | 55,344 | 152,723 | 125,322 | 85,994 | 197,138 | 271,374 | 107,231 |
| Total expenses | 283,696 | 373,847 | 448,049 | 483,539 | 422,056 | 609,764 | 478,426 | 560,120 | 436,942 |
| Annual surplus (deficit) | \$ (97,174) | \$ (50,930) | \$ 2,540 | \$ 469,299 | \$ 64,761 | \$ 25,686 | \$ (15,552) | \$ 6,332 | \$ (6,273) |

Kapawe'no First Nation

Notes to Consolidated Financial Statements

March 31, 2021

18. Segmented information (continued)

| | 2021 Budget | Community Services 2021 Actual | 2020 Actual | 2021 Budget | Amortization 2021 Actual | 2020 Actual | 2021 Budget | Other 2021 Actual | 2020 Actual |
|-------------------------------------|----------------|--------------------------------------|----------------|----------------|--------------------------------|----------------|----------------|-------------------------|----------------|
| Revenues | | | | | | | | | |
| LSLIRC | \$ 555,349 | \$ 888,689 | \$ 1,497,184 | - | \$ - | \$ - | \$ - | \$ 1,553 | - |
| Indigenous Services Canada - Health | - | 15,000 | - | - | - | - | - | - | - |
| Province of Alberta | - | - | - | - | - | - | - | 245,682 | 387,792 |
| Transfers | - | 355,098 | 309,988 | - | - | - | - | - | - |
| Other revenue | 2,578,019 | 514,634 | 2,810,831 | - | - | - | - | 217,344 | 272,253 |
| Total revenue | 3,133,368 | 1,773,421 | 4,618,003 | - | - | - | - | 464,579 | 660,045 |
| Expenses | | | | | | | | | |
| Wages and benefits | 9,578 | 110,235 | 766,691 | - | - | - | - | - | 139 |
| Amortization | - | - | - | 716,006 | 716,006 | 700,890 | - | - | - |
| Insurance | 6,614 | 12,700 | 12,636 | - | - | - | - | - | - |
| Operations and maintenance | 181,089 | 65,667 | 101,194 | - | - | - | - | - | - |
| Program costs | 2,084,852 | 1,241,428 | 774,533 | - | - | - | 11,098 | 212,634 | 299,527 |
| Other expenses | 139,272 | 260,218 | 443,403 | - | - | - | - | 45,283 | 23,302 |
| Total expenses | 2,421,405 | 1,690,248 | 2,098,457 | 716,006 | 716,006 | 700,890 | 11,098 | 257,917 | 322,968 |
| Annual surplus (deficit) | \$ 711,963 | \$ 83,173 | \$ 2,519,546 | (716,006)\$ | (716,006)\$ | (700,890)\$ | (11,098)\$ | 206,662 \$ | 337,077 |