

Financial Statements of

**K'ATLODEECHE FIRST NATION**

March 31, 2014

## INDEPENDENT AUDITORS' REPORT

**To the Members of K'atlodeeche First Nation,**

We have audited the accompanying financial statements of K'atlodeeche First Nation, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, changes in net assets 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 public sector accounting standards, 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 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 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***

K'atlodeeche First Nation owns 100% of Naegha Zlia Inc., 100% of Ehda Cho Store and has a 50% partnership stake in Evergreen Forestry Limited Partnership. The financial statements of these companies were reviewed, not audited. Consequently, we are unable to determine whether any adjustments might be necessary to the statement of financial position, statements of operations and change in net financial assets had these subsidiaries been subject to audit rather than review procedures.

**Independent Auditors' Report (continued)**

During the review of Ehdah Cho Store, we were not able verify Deposits account on the balance sheet or the store fees expense account. Accordingly, we are not able to determine whether any adjustments might be necessary to deposits, store fees or accumulated surplus.

**Opinion**

Except as noted in the above paragraph, in our opinion, the financial statements present fairly, in all material respects, the financial position of K'atlodeeche First Nation as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



ASHTON  
Chartered Accountants  
Business Advisors

Hay River, NT  
November 10, 2014

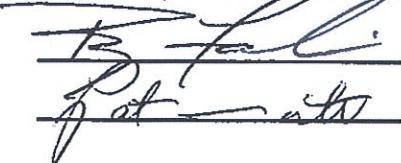
# K'ATLODEECHE FIRST NATION

## Statement of Financial Position

March 31, 2014

	2014	2013
<b>Financial Assets</b>		
Cash and cash equivalents (Note 3)	\$ 3,805,733	\$ 4,728,057
Short Term Investments (Note 4)	762,167	707,513
Accounts receivable (Note 6)	678,735	546,322
Due (to) from related parties (Note 15)	1,206,804	1,080,804
Investment in Ehdah Cho Store (Note 7)	2,371,777	2,077,234
Investment in Evergreen Forestry Ltd. Partnership (Note 8)	105,758	96,660
Investment (net assets) in Naegha Zchia Inc. (Note 9)	(1,127,261)	(1,701,688)
	7,803,713	7,534,902
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 11)	\$ 468,214	\$ 382,895
Deferred revenue (Note 12)	3,470,794	4,502,927
Long-term debt (Note 14)	896,717	902,572
Government of Canada, TLE loan (Note 14)	1,702,869	1,702,869
	6,538,594	7,491,263
<b>Net Financial Assets (Debt)</b>	<b>1,265,119</b>	<b>43,639</b>
<b>Non-Financial Assets</b>		
Capital assets (Note 10)	\$ 5,365,951	\$ 3,328,259
Prepaid expenses	34,169	27,239
Deferred costs (Note 2(e))	1,702,869	1,702,869
	7,102,989	5,058,367
<b>Accumulated Surplus</b>	<b>\$ 8,368,108</b>	<b>\$ 5,102,006</b>

Approved by the Chiefs and council:



Chief

Councillor

# K'ATLODEECHE FIRST NATION

## Statement of Operations

For the year ended March 31, 2014

	2014 Actual	2013 Actual
<b>Revenue</b>		
Government of Canada - AANDC	\$ 1,011,498	\$ 467,770
Government of NWT - MACA	2,079,849	2,060,656
Government of NWT - Other	1,220,393	1,104,493
Deh Cho First Nation	316,123	271,492
Deh Cho Health and Social Services	397,323	385,693
Government of Canada - Other	-	146,953
Administration fee	171,723	154,018
Rental and other	741,704	848,601
Interest	113,170	65,291
Deferred revenue, opening	4,502,928	4,279,117
Deferred revenue, closing	(3,470,793)	(4,502,928)
Contributions repaid or repayable	(444)	-
Transfer between projects	218,432	(71,546)
	7,301,906	5,209,610
<b>Expenditure</b>		
Wages and benefits	1,864,373	2,031,113
Administration fees	397,969	138,420
Contracted and consulting services	409,010	641,097
Equipment costs	3,977	364,036
Travel and accommodation	222,078	199,460
Honoraria and grants	164,050	141,432
Meeting and workshop expenses	19,212	19,685
Assistance	35,460	34,991
Rental	52,594	89,565
Student allowances	21,485	8,711
Training and educational costs	36,042	5,428
Provision for bad debts (recovery)	18,531	24,245
Professional fees	68,545	149,966
Insurance, licences and fees	74,804	55,061
Materials and supplies	247,147	197,748
Special events	78,743	59,217
Telephone, internet and fax	64,679	65,852
Office costs	9,657	32,682
Bank charges and interest	4,221	4,697
Interest on long-term debt	52,645	48,550
Donations	28,064	-
Advertising and promotion	9,824	10,751
Repairs and maintenance	122,801	151,013
Utilities	640,239	198,406
Vehicle fuel	57,590	74,523
Miscellaneous	5,730	3,149
Amortization	234,402	232,501
	4,943,872	4,982,299
<b>Surplus (deficit) from operations, Note 22</b>	\$ 2,358,034	\$ 227,311
<b>Other income (expenses)</b>		
Earnings from Ehdah Cho Store	294,543	125,962
Earnings from Evergreen Forestry Limited Partnership	39,098	74,835
Earnings from Naegha Zhia Inc.	574,427	(220,265)
<b>Surplus (deficit)</b>	\$ 3,266,102	\$ 207,843

# K'ATLODEECHE FIRST NATION

## Statement of Change in Net Financial Assets (Debt)

For the year ended March 31, 2014

	2014	2013
Annual Surplus (Deficit)	\$ 3,266,102	\$ 207,843
Purchase of tangible capital assets	(2,272,094)	(497,540)
Amortization of tangible capital assets	234,402	232,502
Change in prepaid expenses	(6,930)	208
	<u>(2,044,622)</u>	<u>(264,830)</u>
Increase in net financial assets	1,221,480	(56,987)
Net financial assets (debt), beginning of year	43,639	100,626
Net financial assets (debt), end of year	\$ 1,265,119	\$ 43,639

# K'ATLODEECHE FIRST NATION

## Statement of Cash Flows

For the year ended March 31, 2014

	2014	2013
<b>Operating</b>		
Annual surplus (deficit):	\$ 3,266,102	\$ 207,843
Amortization of capital assets	234,402	232,502
	3,500,504	440,345
Change in non-cash items on statement of financial position		
Prepaid expenses	(6,930)	208
Accounts receivable	(132,413)	117,902
Accounts payable and accrued liabilities	85,319	(10,634)
Deferred revenue	(1,032,133)	223,810
	2,414,347	771,631
<b>Capital</b>		
Purchase of tangible capital assets	(2,272,094)	(497,540)
<b>Investing</b>		
Change in investments	(54,654)	(27,816)
Investment in Ehdah Cho Store	(294,543)	(345,984)
Investment in Evergreen Forestry Limited Partnership	(9,098)	(74,835)
Investment in Naegha Zhia Inc.	(574,427)	220,265
	(932,722)	(228,370)
<b>Financing</b>		
Repayment of long-term debt	(5,855)	(9,950)
Due (to) from related parties	(126,000)	(238,324)
	(131,855)	(248,274)
Increase (Decrease) in cash and cash equivalents	(922,324)	(202,553)
Cash and cash equivalents, beginning of year	4,728,057	4,930,610
Cash and cash equivalents, end of year	\$ 3,805,734	\$ 4,728,057

**K'ATLODEECE FIRST NATION**  
 Statement of Changes in Fund Balances

March 31, 2014

	General Operating	Water and Sewer	Ottawa Trust Fund	Social Housing Fund	Capital Asset Fund	2014	2013
<b>Surplus (deficit)</b>	<b>\$ 3,157,928</b>	<b>\$ 11,629</b>	<b>\$ 35,363</b>	<b>\$ 61,182</b>	<b>\$ -</b>	<b>\$ 3,266,102</b>	<b>\$ 207,843</b>
Net interfund transfers							
Amortization	234,402	-	-	-	(234,402)	-	-
Capital additions	(2,272,094)	-	-	-	2,272,094	-	-
Disposals of Tangible capital assets	-	-	-	-	-	-	-
Changes in accumulated surplus	1,120,236	11,629	35,363	61,182	2,037,692	3,266,102	207,843
<b>Accumulated Surplus, beginning of year</b>	<b>1,165,103</b>	<b>-</b>	<b>597,944</b>	<b>10,699</b>	<b>3,328,260</b>	<b>5,102,006</b>	<b>4,894,163</b>
<b>Accumulated Surplus, end of year</b>	<b>\$ 2,285,339</b>	<b>\$ 11,629</b>	<b>\$ 633,307</b>	<b>\$ 71,881</b>	<b>\$ 5,365,952</b>	<b>\$ 8,368,108</b>	<b>\$ 5,102,006</b>

# K'ATLODEECHE FIRST NATION

## Notes to the Financial Statements

March 31, 2014

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### **Note 1. Nature of Operations**

The K'atlodeeche First Nation (the "First Nation") is an Indian Band as defined by the Indian Act.

### **Note 2. Basis of Presentation and Significant Accounting Policies**

The basis of presentation and significant accounting policies are as follows:

#### **(a) Basis of Accounting**

These financial statements have been prepared in accordance with generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

#### **(b) Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, change in net financial assets, change in fund balances and cash flows of the reporting entity. This entity is comprised of the operations of K'atlodeeche First Nation plus all organizations that are owned or controlled by the First Nation and are therefore, accountable to the Council for the administration of their financial affairs and resources. Included with the First Nation are the following:

Naegha Zhia Inc.

Ehdah Cho Store

Evergreen Forestry Limited Partnership

#### **(c) Fund Accounting**

The First Nation follows the restricted fund method which results in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. Various funds have been amalgamated for the purpose of presentation in these financial statements. Details of the operations of each fund are set out in supplementary schedules. The following funds are maintained.

- General operating fund - reports the program delivery and administrative activities.
- Tangible capital assets - reports the capital assets of the First Nation together with their related financing
- Ottawa trust fund - reports the assets and operations of the funds owned by the First Nation and held by third parties
- Social housing fund - reports the Social housing assets together with their related financing. Its purpose is to provide affordable housing to the First Nation's members.
- Investment fund - reports investment income generated by owned organizations
- Water & Sewer fund - reports the revenues and expenses related to water and sewer services.

# K'ATLODEECHE FIRST NATION

## Notes to the Financial Statements

March 31, 2014

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### Note 2. Basis of Presentation and Significant Accounting Policies (continued)

#### (d) Measurement Uncertainty

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting policies. The precise determination of many assets and liabilities is dependent on future events.

As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the frame work of the accounting policies.

#### (e) Deferred Costs

Deferred costs relate to the Treaty Land Claims Entitlement Program. These costs are funded by a loan from the federal government for the purpose of negotiation of the First Nation's Treaty Land Entitlement Specific Claim. The costs are recorded as expenses in the year spent. To account for the existence of the loan on the Statement of Financial Position, the cost of negotiation expenses is recorded as Deferred Costs (asset) with an offsetting credit to Long Term Debt. The deferred costs will be written off as the debt is repaid (which is expected to be when the Claim is settled). To account for the funding for the negotiation costs in the Statement of Revenue and Expenses, the loan is recorded as revenue.

#### (f) Tangible Capital Assets

The First Nation adopted Tangible Capital Asset reporting in accordance with the Public Sector of Accounting Board standard PS 3150 of the Canadian Institute of Chartered Accountants. Accrual accounting requires that tangible capital assets be expensed over their useful lives by a charge to depreciation expense. The prior period has been restated to reflect this change.

Tangible capital assets are recorded at cost on the statement of financial position. Cost includes all amounts directly attributable to acquisition, construction, development or betterment of the asset. The assets are amortized over their estimated useful lives at the following rates:

Asset	Method	Rate
Land improvements	Straight line	40 years
Infrastructure	Straight line	40 years
Buildings	Straight line	40 years
Machinery and equipment	Straight line	2-10 years
Office furniture and equipment	Straight line	5-10 years
Computer hardware and software	Straight line	5 years

One-half of the annual amortization is charged in the year of acquisition and none in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Donated assets are capitalized and recorded at their estimated fair market value upon acquisition.

Works of art for display are not included as capital assets. Certain capital assets for which the historical cost information is not available have been recorded at current fair market value discounted by a relevant inflation factor.

# K'ATLODEECHE FIRST NATION

## Notes to the Financial Statements

March 31, 2014

### Note 2. Basis of Presentation and Significant Accounting Policies (continued)

#### (g) Revenue Recognition

Restricted contributions are recognized as they become available under the terms of the applicable funding agreement. Funds received under the funding agreement which relate to a subsequent fiscal period are reflected as deferred revenue in the year of receipt and classified as such on the Statement of Financial Position.

Unrestricted contributions are recognized as revenue of the appropriate fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### (h) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the annual surplus (deficit), provides the change in Net Financial Assets (Debt) for the year.

### Note 3. Cash

	2014	2013
Externally restricted		
CPI Account	\$ 2,226,470	\$ 2,305,801
Gas Tax Account	299,449	665,839
BCF Account	176,879	785,024
Community Capacity Building Fund	84,778	-
Ottawa Trust Funds (Note 5)	737,333	715,137
Internally restricted		
Kamba Carnival	27,042	18,289
NDE Recreation Committee Account	4,240	2,692
Unrestricted		
Chequing Bank Account	249,542	235,275
	<hr/> \$ 3,805,733	<hr/> \$ 4,728,057

### Note 4. Short - Term Investments

	2014	2013
RBC One Year Cashable GIC (0.80% maturity July 2014)	\$ 250,669	\$ 252,375
Sun Life Financial Investments (CPI restricted)	511,498	455,138
Total Short - Term Investments	<hr/> \$ 762,167	<hr/> \$ 707,513

### Note 5. Trust Funds

Aboriginal Affairs and Northern Development Canada holds certain funds in trust for the First Nation. These funds are designated as revenue or capital funds as outlined in Section 64 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. Subject to approval by the Minister of Indian Affairs, the First Nation is permitted to expend its revenue funds for any purpose that will promote the general progress and welfare of the First Nation and its members. The expenditure of capital funds requires the consent of the Minister of Indian Affairs and such expenditures are generally for projects of a capital nature.

# K'ATLODEECHE FIRST NATION

## Notes to the Financial Statements

March 31, 2014

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### Note 6. Accounts Receivable

	2014	2013
Government organizations		
Federal		
Indian and Northern Affairs Canada	\$ 109,818	\$ 104,875
Government of Canada	8,100	30,096
Territorial		
Government of Northwest Territories	234,467	33,888
Government of Northwest Territories Housing Corporation	146,439	96,564
Other government		
Deh Cho First Nations	35,843	80,988
Deh Cho Health and Social Services	55,757	128,969
Deh Cho Future Society	1,500	1,500
Trade receivables		
Trade	311,538	275,690
GST receivable	21,172	21,120
	924,634	773,690
Allowance for doubtful accounts	(245,899)	(227,368)
	\$ 678,735	\$ 546,322

Accounts receivable from related companies are receivable in the normal course of business.

# K'ATLODEECHE FIRST NATION

## Notes to the Financial Statements

March 31, 2014

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### Note 7. Investment in Ehdah Cho Store

Ehdah Cho Store (the "store") is a wholly owned subsidiary of K'atlodeeche First Nation. The store operates as a grocery store and gas bar on the Hay River Reserve in the Northwest Territories.

The investment in Ehdah Cho Store has been accounted for in KFN's financial statements using the modified equity method. Financial statements of Ehdah Cho Store are available upon request.

A financial summary of this entity as at March 31, 2014 and for the year then ended is as follows:

	EHDAH CHO STORE	
	2014	2013
<b>Balance Sheet</b>		
Total Assets	\$ 2,850,021	\$ 2,623,760
Total Liabilities	478,244	546,526
Total Shareholder's Equity	2,371,777	2,077,234
	\$ 2,850,021	\$ 2,623,760
<b>Statement of Earnings</b>		
Total Revenues	\$ 5,862,605	\$ 6,169,543
Total Expenses	5,568,062	5,823,559
Net earnings for the year	\$ 294,543	\$ 345,984
<b>Statement of Cash Flows</b>		
Cash flows from Operating Activities	\$ 365,294	\$ 465,462
Cash Flows from Investing Activities	(244,117)	(1,425)
Cash Flows from Financing activities	151,594	6,818
Increase (decrease) in cash	\$ 272,771	\$ 470,855
<b>A summary of the investment in Ehdah Cho Store is as follows:</b>		
Accumulated surplus - beginning of year	\$ 2,077,234	
Current year net earnings	294,543	
	\$ 2,371,777	

# K'ATLODEECHE FIRST NATION

## Notes to the Financial Statements

March 31, 2014

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### Note 8. Investment in Evergreen Forestry Limited Partnership

Evergreen Forestry Limited Partnership ("the partnership") was formed by virtue of a limited partnership agreement ("the Agreement") to provide forest fire fighting and other forestry services near Hay River, Northwest Territories. The partnership commenced active operations on April 1, 2001.

The partners and their respective interests in the partnership at March 31, 2014 are as follows:

Evergreen Forestry Management Ltd.	General Partner
K'atlodeeche First Nation	50%
Fort Providence Dene Band	50%

The investment in the partnership has been accounted for in KFN's financial statements using the modified equity method. Financial statements of Evergreen Forestry are available upon request.

A financial summary of this entity as at March 31, 2014 and for the year then ended is as follows:

EVERGREEN FORESTRY LIMITED PARTNERSHIP			
	2014	2013	
<b>Balance Sheet</b>			
Total Assets	\$ 284,993	\$ 254,012	
Total Liabilities	73,478	60,693	
<b>Total Partners' Capital</b>	<b>211,515</b>	<b>193,319</b>	
	<u>\$ 284,993</u>	<u>\$ 254,012</u>	
<b>Statement of Earnings</b>			
Total Revenues	\$ 1,302,819	\$ 1,256,457	
Total Expenses	1,224,623	1,166,787	
<b>Net earnings for the year</b>	<b>\$ 78,196</b>	<b>\$ 89,670</b>	
<b>Statement of Cash Flows</b>			
Cash flows from Operating Activities	\$ 63,247	\$ 60,154	
Cash Flows from Investing Activities	(8,046)	(6,403)	
Cash Flows from Financing activities	(60,000)	390	
<b>Increase (decrease) in cash</b>	<b>\$ (4,799)</b>	<b>\$ 54,141</b>	
<b>A summary of the investment in Evergreen Forestry Limited Partnership is as follows:</b>			
Partner's Capital (50%) - beginning of year	\$ 96,660		
Partner withdrawals	(30,000)		
Current year net earnings (50%)	<u>39,098</u>		
	<u><u>\$ 105,758</u></u>		

# K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2014

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## Note 9. Investment in Naegha Zhia Inc.

Naegha Zhia Inc. ("the company") is incorporated under the Business Corporations Act of the Northwest Territories. The company's principal business activity is operating a property rental and a contracting operation on the Hay River Reserve. The company is wholly owned by K'atlodeeche First Nation (KFN).

The investment in the company has been accounted for in KFN's financial statements using the modified equity method. The financial statements of Naegha Zhia Inc. are available upon request.

A financial summary of this entity as at March 31, 2014 and for the year then ended is as follows:

NAEGHA ZHIA INC			
	2014	2013	
<b>Balance Sheet</b>			
Total Assets	\$ 923,537	\$ 757,173	
Total Liabilities	2,050,798	2,458,861	
<u>Total Shareholder's Equity</u>	<u>(1,127,261)</u>	<u>(1,701,688)</u>	
	\$ 923,537	\$ 757,173	
<b>Statement of Earnings</b>			
Total Revenues	\$ 2,414,369	\$ 970,943	
Total Expenses	1,839,942	1,191,208	
<u>Net earnings for the year</u>	<u>\$ 574,427</u>	<u>\$ (220,265)</u>	
<b>Statement of Cash Flows</b>			
Cash flows from Operating Activities	\$ 407,599	\$ (8,896)	
Cash Flows from Investing Activities	-	-	
Cash Flows from Financing activities	(296,731)	(20,797)	
<u>Increase (decrease) in cash</u>	<u>\$ 110,868</u>	<u>\$ (29,693)</u>	
<b>A summary of the investment in Naegha Zhia Inc. is as follows:</b>			
Share capital	\$ 10		
Contributed surplus	894,177		
Accumulated surplus (Deficit) - opening	(2,595,875)		
Current year surplus	574,427		
	<u>\$ (1,127,261)</u>		

## K'ATLODEECHE FIRST NATION

Note 10.  
Schedule of Tangible Capital Assets

As at March 31, 2014

	Original Cost Opening Balance	Additions	Disposals	Original Cost Closing Balance	Accumulated Amortization Beginning of Year	Net Carrying Amount Beginning of year	Deletions	Amortization	Accumulated Amortization End of Year	Net Carrying Amount 2014
Land Improvements	\$ 499,902	\$ 450,004	\$ -	\$ 949,906	\$ 68,177	\$ 431,725	\$ -	\$ 17,343	\$ 85,520	\$ 864,386
Computer equipment	111,461	45,590	-	157,051	109,053	2,408	-	3,773	112,826	44,225
Machinery and equipment	809,990	1,680	-	811,670	379,618	430,372	-	64,880	444,498	367,172
Office furniture and equipment	93,717	14,960	-	108,677	35,888	57,829	-	11,120	47,008	61,669
Buildings	4,563,398	1,034,707	-	5,598,105	2,432,784	2,130,614	-	125,591	2,558,375	3,039,730
Infrastructure	308,792	725,153	-	1,033,945	33,481	275,311	-	11,695	45,176	988,769
	<b>\$ 6,387,260</b>	<b>\$ 2,272,094</b>	<b>\$ -</b>	<b>\$ 8,659,354</b>	<b>\$ 3,059,001</b>	<b>\$ 3,328,259</b>	<b>\$ -</b>	<b>\$ 234,402</b>	<b>\$ 3,293,403</b>	<b>\$ 5,365,951</b>

# K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2014

## Note 11. Accounts Payable and Accrued Liabilities

	2014	2013
Accounts payable and accrued liabilities	\$ 427,415	\$ 330,202
Due to government agencies		
Government of the NWT	5,713	13,193
Government of NWT - finance department	-	7,283
Government of Canada	893	-
Wages and benefits payable	34,193	32,218
	\$ 468,214	\$ 382,896

## Note 12. Deferred Revenue

	2014	2013
<b>Capital Funding</b>		
Community Public Infrastructure	\$ 2,694,247	\$ 2,918,705
Gas Tax	409,132	637,811
Building Canada Plan	162,764	789,214
Community Capacity Building	84,778	88,548
<b>Operations Funding</b>		
06005 Intergovernmental Forums	22,236	22,236
Aurora College	33,102	33,102
Silent witness	-	13,311
Adult education	27,097	-
Community Wellness Initiative	37,438	-
	\$ 3,470,794	\$ 4,502,927

## Note 13. Restricted Deposits

	Required Balance	Cash Balance	Receivable	Excess (Shortfall)
Community Public Infrastructure	\$ 2,694,247	\$ 2,737,968	\$ -	\$ 43,721
Gas Tax	409,132	299,449	109,683	-
Building Canada Plan	162,764	176,879	-	14,115
Community Capacity Building	84,778	84,778	-	-
	\$ 3,350,921	\$ 3,299,074	\$ 109,683	\$ 57,836

# K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2014

## Note 14. Long-Term Debt

	2014	2013
Peace Hills Trust Mortgage, bearing interest at 5.85%, repayable in blended monthly instalments of \$4,875, matures December 2015, secured by a mortgage on 10 housing units, a loan agreement, and a guarantee from the Northwest Territories Housing Corporation.	\$ 896,717	\$ 902,572
Government of Canada loan, interest free, repayable on the settlement of the Specific Land Claim. Secured by a promissory note.	1,702,869	1,702,869
	<hr/> \$ 2,599,586	<hr/> \$ 2,605,441

## Note 15. Due (to) from related parties

	2014	2013
Due from Naegha Zhia Inc.	\$ 1,239,759	\$ 1,113,759
Due to Ehdah Cho Store	(35,219)	(35,219)
Due from Evergreen Forestry Ltd Partnership	2,264	2,264
	<hr/> \$ 1,206,804	<hr/> \$ 1,080,804

Advances from Naegha Zhia Inc. are non-interest bearing and have no set repayment terms. The company is related by a common council.

Advances from Ehdah Cho Store are non-interest bearing and have no set repayment terms. The company is related as it is the sole owner of the store.

Advances from Evergreen Forestry Ltd. Partnership are non-interest bearing and have no set repayment terms. The company is related by a common council.

## Note 16. Related Party Transactions

The following transactions were recorded with related parties under the same terms and conditions as unrelated parties:

	2014	2013
Sales to Naegha Zhia Inc.	\$ 164,178	\$ 13,456
Sales to KFN Store Ltd. (Operating as Ehdah Cho Store)	9,182	3,270
Purchases from Naegha Zhia Inc.	1,883,633	129,112
Purchases from KFN Store Ltd. (Operating as Ehdah Cho Store)	\$ 259,210	\$ 219,199

# K'ATLODEECHE FIRST NATION

## Notes to the Financial Statements

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### **Note 17. Economic Dependence**

The First Nation receives a significant portion of its revenue pursuant to a funding agreement with Aboriginal Affairs and Northern Development Canada (AANDC) and Government of Northwest Territories (GNWT). The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

### **Note 18. Contingent Liabilities**

Under the terms of the contribution agreement between the First Nation, AANDC, GNWT, and certain other agencies, the First Nation may be liable to repay any contributed funds not expended in accordance with the agreement. On the other hand, any deficit, supported by claims eligible for reimbursement under the terms and conditions of the funding agreements, may be reimbursed by the contributor subject to the program's terms and conditions. The First Nation has recorded all known unexpended contribution funds as deferred revenue.

### **Note 19. Commitments**

The First Nation has provided third party guarantees on loans to companies beneficially owned for the members of the First Nation as follows:

- (i) The First Nation has guaranteed long-term debt by Peace Hills Trust to 4604 Northwest Territories Ltd and a revolving line of credit for \$25,000 for the KFN Store Ltd., operating as Ehdah Cho Store. As at March 31, 2014, the loan balance was \$615,892 and the line of credit was \$nil.

### **Note 20. Comparative Amounts**

Certain comparative figures have been reclassified to conform with the current year presentation.

### **Note 21. Financial Instruments**

The First Nation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration.

#### **Credit Risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The First Nation is exposed to credit risk from customers. In order to reduce its credit risk, the First Nation reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The First Nation has a significant number of customers which minimizes concentration of credit risk

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## Note 21. Financial Instruments (continued)

### Fair Value

The First Nation's carrying value of cash and cash equivalents, accounts receivable, commercial line of credits and accounts payable and accrued liabilities approximates its fair value due to the immediate or short term maturity of these instruments.

The carrying value of the long-term debt is less than the fair value because the amounts are non-interest bearing. However, because the long-term debt has no fixed repayment terms, the fair value and the exposure to related risk cannot be determined with any degree of certainty, and the amounts are therefore reported at their carrying value.

### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the First Nation manages exposure through its normal operating and financing activities.

## Note 22. Prior period reallocation

In the prior year, tangible capital asset additions were shown as an expense on the income statement and amortization expense was charged directly to retained earnings. In the current year, purchases of tangible capital assets are charged to the respective capital asset account on the balance sheet and amortization expense is recorded on the income statement. The change has resulted in the following adjustment to net income in the prior year:

Tangible capital asset additions	\$ 497,540
Amortization	<u>(232,501)</u>
	\$ <u>265,039</u>