

Financial Statements of

K'ATLODEECHE FIRST NATION

March 31, 2015

K'ATLODEECHE FIRST NATION

Financial Statements

Year ended March 31, 2015

Management's Responsibility for Financial Reporting	1
Auditors' Report	2-3
Statement of Financial Position	4
Statement of Operations	5
Statement of Change in Net Financial Assets (Debt)	6
Statement of Cash Flows	7
Statement of Changes in Fund Balances	8
Notes to the Financial Statements	9 - 18

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of K'atlodeeche First Nation for the year ended March 31, 2015 are the responsibility of management. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for governments established by the Canadian Institute of Chartered Accountants and necessarily include estimates which are based on management's best judgements.

These financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles as defined by the Public Sector Accounting Handbook and the Canadian Institute of Chartered Accountants Handbook. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

Management is also responsible for implementing and maintaining a system of internal control designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss and financial records are properly maintained to provide reliable information for the preparation of financial statements.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The financial statements have been reviewed and approved by Chief and Council.

Ashton Chartered Accountants, an independent firm of Chartered Accountants, has been engaged to examine the financial statements in accordance with Canadian generally accepted auditing standards. Ashton Chartered Accountants has full and free access to the Council for information purposes. Their report stating the scope of their examination and opinion on the financial statements, follows.

Chief

Date

Councillor

Date

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, 2015, 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 Zhia Inc., 100% of Ehdah 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, 2015 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
September 22, 2015

K'ATLODEECHE FIRST NATION

Statement of Financial Position

March 31, 2015

	2015	2014
		<i>Restated</i>
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 3,127,929	\$ 3,805,733
Short Term Investments (Note 4)	813,546	762,167
Accounts receivable (Note 6)	789,224	678,735
Due (to) from related parties (Note 13)	1,153,932	1,206,804
Investment in Government Business Enterprises (Note 7)	1,611,135	1,350,274
	<u>7,495,766</u>	<u>7,803,713</u>
Liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 490,101	\$ 468,214
Deferred revenue (Note 10)	2,881,919	3,470,794
Long-term debt (Note 11)	890,510	896,717
Government of Canada loan (Note 12)	1,795,170	1,702,869
	<u>6,057,700</u>	<u>6,538,594</u>
Net Financial Assets (Debt)	<u>1,438,066</u>	<u>1,265,119</u>
Non-Financial Assets		
Capital assets (Note 9)	\$ 6,740,831	\$ 5,702,949
Prepaid expenses	46,951	34,169
Deferred costs (Note 2(e))	1,795,170	1,702,869
	<u>8,582,952</u>	<u>7,439,987</u>
Accumulated Surplus	<u>\$ 10,021,018</u>	<u>\$ 8,705,106</u>

Approved by the Chiefs and council:

Chief

Councillor

K'ATLODEECHE FIRST NATION

Statement of Operations

For the year ended March 31, 2015

	2015 Actual	2014 Actual <i>Restated</i>
Revenue		
Government of Canada - AANDC	\$ 674,559	\$ 1,011,498
Government of NWT - MACA	2,092,284	2,079,849
Government of NWT - Other	1,075,311	1,220,393
Deh Cho First Nation	387,073	316,123
Deh Cho Health and Social Services	425,309	397,323
Government of Canada - Other	141,803	-
Administration fee	410,340	171,723
Rental and other	538,314	741,704
Interest	87,578	113,170
Deferred revenue, opening	3,470,793	4,502,928
Deferred revenue, closing	(2,881,919)	(3,470,793)
Unexpended funding	(75,004)	(444)
Transfers between projects	-	218,432
	6,346,441	7,301,906
Expenditure		
Band Governance	1,433,377	1,341,871
Education	563,950	533,159
Health and social services	787,773	744,762
Sports and Recreation	185,896	175,746
Justice	202,481	191,426
Economic Development	258,204	244,106
Community Infrastructure	846,688	800,460
Social Housing	148,299	140,202
Ottawa Trust Fund & TLE loans	168,419	159,224
AANDC	306,536	244,420
Water & Sewer	389,776	368,496
	5,291,399	4,943,872
Surplus (deficit) from operations, Note 22	\$ 1,055,042	\$ 2,358,034
Other income (expenses)		
Earnings from Ehdah Cho Store	341,419	294,543
Earnings from Evergreen Forestry Limited Partnership	(4,224)	39,098
Earnings from Naegha Zhia Inc.	(76,325)	574,427
Surplus (deficit)	\$ 1,315,912	\$ 3,266,102

K'ATLODEECHE FIRST NATION

Statement of Change in Net Financial Assets (Debt)

For the year ended March 31, 2015

	2015	2014
		<i>Restated</i>
Annual Surplus (Deficit)	\$ 1,315,912	\$ 3,266,102
Purchase of tangible capital assets	(1,332,094)	(2,272,094)
Amortization of tangible capital assets	294,212	234,402
Deferred costs	(92,301)	-
Change in prepaid expenses	(12,782)	(6,930)
	(1,142,965)	(2,044,622)
Increase in net financial assets	172,947	1,221,480
Net financial assets (debt), beginning of year	1,265,119	43,639
Net financial assets (debt), end of year	\$ 1,438,066	\$ 1,265,119

K'ATLODEECHE FIRST NATION

Statement of Cash Flows

For the year ended March 31, 2015

	2015	2014 <i>Restated</i>
Operating		
Annual surplus (deficit):	\$ 1,315,912	\$ 3,266,102
Amortization of capital assets	294,212	234,402
	1,610,124	3,500,504
Change in non-cash items on statement of financial position		
Prepaid expenses	(12,782)	(6,930)
Accounts receivable	(110,489)	(132,413)
Accounts payable and accrued liabilities	21,887	85,319
Deferred revenue	(588,875)	(1,032,133)
	919,865	2,414,347
Capital		
Purchase of tangible capital assets	(1,332,094)	(2,272,094)
Investing		
Change in investments	(51,379)	(54,654)
Investment in Government Business Enterprises	(260,861)	(878,068)
	(312,240)	(932,722)
Financing		
Repayment of long-term debt	(6,207)	(5,855)
Due (to) from related parties	52,872	(126,000)
Deferred costs	92,301	-
Government of Canada, TLE loan	(92,301)	-
	46,665	(131,855)
Increase (Decrease) in cash and cash equivalents	(677,804)	(922,324)
Cash and cash equivalents, beginning of year	3,805,733	4,728,057
Cash and cash equivalents, end of year	\$ 3,127,929	\$ 3,805,733

K'ATLODEECHE FIRST NATION

Statement of Changes in Fund Balances

March 31, 2015

	General Operating		Water and Sewer		Ottawa Trust Fund		Social Housing Fund		Capital Asset Fund		2015	2014 <i>restated</i>		
Surplus (deficit)	\$	1,278,014	\$	34,495	\$	(27,455)	\$	30,858	\$	-	\$	1,315,912	\$	3,266,102
Net interfund transfers														
Amortization		294,212		-		-		-		(294,212)		-		-
Capital additions		(1,332,094)		-		-		-		1,332,094		-		-
Disposals of Tangible capital assets		-		-		-		-		-		-		-
Changes in accumulated surplus		240,132		34,495		(27,455)		30,858		1,037,882		1,315,912		3,266,102
Accumulated Surplus, beginning of year		2,622,337		11,629		633,307		71,881		5,365,952		8,705,106		5,439,004
Accumulated Surplus, end of year	\$	2,862,469	\$	46,124	\$	605,852	\$	102,739	\$	6,403,834	\$	10,021,018	\$	8,705,106

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2015

Note 1. Nature of Operations

The K'atloodeeche First Nation ("KFN") is an Indian Band as defined by the Indian Act. Operating activities of KFN include the administration and delivery of services on the Hay River Reserve.

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 consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. The consolidated financial statements have, in management's opinion, been properly prepared with reasonable limits of materiality. The accrual basis of accounting is utilized for all funds. Under this basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recorded when they are incurred.

(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'atloodeeche 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, 2015

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

(d) Measurement Uncertainty

The preparation of these consolidated financial statements in conformity with Canadian Public Sector Accounting Standards 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 date of the financial statements and the amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(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

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.

(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.

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2015

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

(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

	2015	2014
Externally restricted		
CPI Account	\$ 1,332,805	\$ 2,226,470
Gas Tax Account	628,107	299,449
BCF Account	-	176,879
Community Capacity Building Fund	-	84,778
Ottawa Trust Funds (Note 5)	779,666	737,333
Internally restricted		
Kamba Carnival	47,393	27,042
NDE Recreation Committee Account	3,160	4,240
Unrestricted		
Chequing Bank Account	336,798	249,542
	\$ 3,127,929	\$ 3,805,733

Note 4. Short - Term Investments

	2015	2014
RBC One Year Cashable GIC (0.80% maturity July 2014)	\$ 250,668	\$ 250,669
Sun Life Financial Investments (CPI restricted)	562,878	511,498
Total Short - Term Investments	\$ 813,546	\$ 762,167

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, 2015

Note 6. Accounts Receivable

	2015	2014
Government organizations		
Federal		
Indian and Northern Affairs Canada	\$ 446,168	\$ 109,818
Government of Canada	46,139	8,100
Territorial		
Government of Northwest Territories	240,859	234,467
Government of Northwest Territories Housing Corporation	131,797	146,439
Other government		
Deh Cho First Nations	45,269	35,843
Deh Cho Health and Social Services	-	55,757
Deh Cho Future Society	-	1,500
Trade receivables		
Trade	241,446	311,538
GST receivable	-	21,172
	1,151,678	924,634
Allowance for doubtful accounts	(362,454)	(245,899)
	\$ 789,224	\$ 678,735

Note 7. Investments in Government Business Enterprises

	2015	2014
<i>Investment in Ehdah Cho Store</i>		
Accumulated surplus - beginning of year	\$ 2,371,777	\$ 2,077,234
Current year net earnings	341,419	294,543
	\$ 2,713,196	\$ 2,371,777
<i>Investment in Evergreen Forestry Limited Partnership</i>		
Partner's Capital (50%) - beginning of year	\$ 105,758	\$ 96,660
Current year net earnings (50%)	776	39,098
Withdrawals	(5,000)	(30,000)
	\$ 101,534	\$ 105,758
<i>Investment in Naegha Zhia Inc.</i>		
Share capital	\$ 10	\$ 10
Contributed surplus	894,177	894,177
Accumulated surplus (Deficit) - opening	(2,021,457)	(2,595,875)
Current year surplus (deficit)	(76,325)	574,427
	\$ (1,203,595)	\$ (1,127,261)
	\$ 1,611,135	\$ 1,350,274

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2015

Note 7. Investments in Government Business Enterprises (continued)

Investment in Ehdah Cho Store

A financial summary of this entity as at March 31, 2015 and for the year then ended is as follows:

	2015	2014
Balance Sheet		
Total Assets	\$ 3,215,471	\$ 2,850,021
Total Liabilities	502,275	478,244
Total Shareholder's Equity	2,713,196	2,371,777
	\$ 3,215,471	\$ 2,850,021
Statement of Earnings		
Total Revenues	\$ 5,954,854	\$ 5,862,605
Total Expenses	5,613,435	5,568,062
Net earnings for the year	\$ 341,419	\$ 294,543
Statement of Cash Flows		
Cash flows from Operating Activities	\$ 346,989	\$ 365,294
Cash Flows from Investing Activities	(131,890)	(244,117)
Cash Flows from Financing activities	-	151,594
Increase (decrease) in cash	\$ 215,099	\$ 272,771

Investment in Evergreen Forestry Limited Partnership

A financial summary of this entity as at March 31, 2015 and for the year then ended is as follows:

	2015	2014
Balance Sheet		
Total Assets	\$ 277,549	\$ 284,993
Total Liabilities	74,482	94,218
Total Partners' Capital	203,067	190,775
	\$ 277,549	\$ 284,993
Statement of Earnings		
Total Revenues	\$ 1,527,136	\$ 1,297,126
Total Expenses	1,504,844	1,239,670
Net earnings for the year	\$ 22,292	\$ 57,456
Statement of Cash Flows		
Cash flows from Operating Activities	\$ 27,260	\$ 63,247
Cash Flows from Investing Activities	-	(8,046)
Cash Flows from Financing activities	(10,000)	(60,000)
Increase (decrease) in cash	\$ 17,260	\$ (4,799)

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2015

Note 7. Investments in Government Business Enterprises (continued)

A financial summary of this entity as at March 31, 2015 and for the year then ended is as follows:

Investment in Naegha Zhia Inc.

	2015	2014
Balance Sheet		
Total Assets	\$ 895,651	\$ 923,537
Total Liabilities	2,099,237	2,050,798
Total Shareholder's Equity	(1,203,586)	(1,127,261)
	\$ 895,651	\$ 923,537
Statement of Earnings		
Total Revenues	\$ 1,891,657	\$ 2,414,369
Total Expenses	1,967,982	1,839,942
Net earnings for the year	\$ (76,325)	\$ 574,427
Statement of Cash Flows		
Cash flows from Operating Activities	\$ (78,901)	\$ 407,599
Cash Flows from Investing Activities	(44,682)	-
Cash Flows from Financing activities	17,856	(296,731)
Increase (decrease) in cash	\$ (105,727)	\$ 110,868

Note 8. Accounts Payable and Accrued Liabilities

	2015	2014
Accounts payable and accrued liabilities	\$ 350,573	\$ 427,415
Due to government agencies		
Government of the NWT	38,646	5,713
Government of the NWT - finance department	6,894	-
Government of Canada	36,358	893
Wages and benefits payable	57,630	34,193
	\$ 490,101	\$ 468,214

K'ATLODEECHE FIRST NATION

Note 9.

Schedule of Tangible Capital Assets

As at March 31, 2015

	Original Cost Opening Balance	Additions	Disposals	Original Cost Closing Balance	Accumulated Amortization Beginning of Year	Net Carrying Amount Beginning of of year	Deletions	Amortization	Accumulated Amortization End of Year	Net Carrying Amount 2015
Land Improvements	\$ 949,906	\$ -	\$ -	\$ 949,906	\$ 85,520	\$ 864,386	\$ -	\$ 22,969	\$ 108,489	\$ 841,417
Computer equipment	157,051	6,352	-	163,403	112,826	44,225	-	12,226	125,052	38,351
Machinery and equipment	811,670	194,088	-	1,005,758	444,498	367,172	-	75,029	519,527	486,231
Office furniture and equipment	108,677	-	-	108,677	47,008	61,669	-	11,868	58,876	49,801
Buildings	5,598,105	1,091,654	-	6,689,759	2,558,375	3,039,730	-	149,117	2,707,492	3,982,267
Infrastructure	1,370,943	40,000	-	1,410,943	45,176	1,325,767	-	23,003	68,179	1,342,764
	\$ 8,996,352	\$ 1,332,094	\$ -	\$ 10,328,446	\$ 3,293,403	\$ 5,702,949	\$ -	\$ 294,212	\$ 3,587,615	\$ 6,740,831

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2015

Note 10. Deferred Revenue

	2015	2014
Capital Funding		
Community Public Infrastructure	\$ 1,957,794	\$ 2,694,247
Gas Tax	629,591	409,132
Building Canada Plan	-	162,764
Community Capacity Building	67,873	84,778
Operations Funding		
Intergovernmental Forums	22,236	22,236
Aurora College	33,102	33,102
Adult education	64,367	27,097
Community Wellness Initiative	4,500	37,438
NCAW grant	88,075	-
Devolution	5,157	-
Outpost camp	9,224	-
	\$ 2,881,919	\$ 3,470,794

Note 11. Long-Term Debt

	2015	2014
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.	\$ 890,510	\$ 896,717

Note 12. Government of Canada Loan

	2015	2014
Treaty Land Entitlement Claim - Government of Canada loan, interest free, repayable on the date on which the Claim is settled. Secured by a promissory note.	1,697,970	1,605,669
Agriculture Benefits Claim - Government of Canada loan, interest free, repayable on the date on which the Claim is settled. Secured by a promissory note.	97,200	97,200
	\$ 1,795,170	\$ 1,702,869

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2015

Note 13. Due (to) from related parties

	2015	2014
Due from Naegha Zhia Inc.	\$ 1,186,887	\$ 1,239,759
Due to Ehdah Cho Store	(35,219)	(35,219)
Due from Evergreen Forestry Ltd Partnership	2,264	2,264
	\$ 1,153,932	\$ 1,206,804

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 14. 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 15. 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 16. 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.

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2015

Note 17. Comparative Amounts

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

Note 18. Prior period adjustment

During the year it was discovered that costs relating to the Broadband project for the fiscal years ending March 31, 2011 through 2013 were recorded as a current period expense rather than as a capital asset. The financial statements have been restated to record the costs as capital assets. The adjustment has resulted in an increase in both capital assets and invested in capital assets of \$336,997.

Note 19. 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

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.