

Financial Statements of

K'ATLODEECHE FIRST NATION

March 31, 2016

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, 2016, 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)

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, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



ASHTON
Chartered Accountants
Business Advisors

Hay River, NT
September 13, 2016

K'ATLODEECHE FIRST NATION

Statement of Financial Position

March 31, 2016

	2016	2015
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 4,282,402	\$ 3,127,929
Short Term Investments (Note 4)	250,720	813,546
Accounts receivable (Note 6)	900,811	789,224
Due (to) from related parties (Note 13)	1,199,750	1,153,932
Investment in Government Business Enterprises (Note 7)	1,803,355	1,611,135
	8,437,038	7,495,766
Liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 606,291	\$ 490,101
Deferred revenue (Note 10)	3,272,643	2,881,919
Long-term debt (Note 11)	883,931	890,510
Government of Canada loan (Note 12)	1,877,526	1,795,170
	6,640,391	6,057,700
Net Financial Assets (Debt)	1,796,647	1,438,066
Non-Financial Assets		
Capital assets (Note 9)	\$ 7,032,499	\$ 6,740,831
Prepaid expenses	43,955	46,951
Deferred costs (Note 2(e))	1,877,526	1,795,170
	8,953,980	8,582,952
Accumulated Surplus	\$ 10,750,627	\$ 10,021,018

Approved by the Chiefs and council:

 Chief
 Councillor

K'ATLODEECHE FIRST NATION

Statement of Operations

For the year ended March 31, 2016

	2016	2015
Revenue		
Government of Canada - INAC	\$ 642,794	\$ 674,559
Government of NWT - MACA	2,065,284	2,092,284
Government of NWT - Other	1,448,931	1,075,311
Deh Cho First Nation	432,993	387,073
Deh Cho Health and Social Services	547,625	425,309
Government of Canada - Other	-	141,803
Administration fee	508,740	410,340
Rental and other	1,017,408	538,314
Interest	23,048	87,578
Deferred revenue, opening	2,881,919	3,470,793
Deferred revenue, closing	(3,272,643)	(2,881,919)
Unexpended funding	(79,653)	(75,004)
Transfers between projects	-	-
	6,216,446	6,346,441
Expenditure		
Band Governance	1,397,638	1,433,377
Education	852,298	563,950
Health and social services	884,206	787,773
Sports and Recreation	246,802	185,896
Justice	204,937	202,481
Economic Development	497,759	258,204
Community Infrastructure	611,692	846,688
Social Housing	148,128	148,299
Ottawa Trust Fund & TLE loans	97,964	168,419
Indigenous & Northern Affairs Canada	330,765	306,536
Water & Sewer	406,868	389,776
	5,679,057	5,291,399
Surplus (deficit) from operations	\$ 537,389	\$ 1,055,042
Other income (expenses)		
Earnings from Ehdah Cho Store	302,617	341,419
Earnings from Evergreen Forestry Limited Partnership	1,358	(4,224)
Earnings from Naegha Zhia Inc.	(111,755)	(76,325)
Surplus (deficit)	\$ 729,609	\$ 1,315,912

K'ATLODEECHE FIRST NATION

Statement of Change in Net Financial Assets (Debt)

For the year ended March 31, 2016

	2016	2015
Annual Surplus (Deficit)	\$ 729,609	\$ 1,315,912
Purchase of tangible capital assets	(609,459)	(1,332,094)
Amortization of tangible capital assets	317,791	294,212
Deferred costs	(82,356)	(92,301)
Change in prepaid expenses	2,996	(12,782)
	<u>(371,028)</u>	<u>(1,142,965)</u>
Increase in net financial assets	358,581	172,947
Net financial assets (debt), beginning of year	1,438,066	1,265,119
Net financial assets (debt), end of year	\$ 1,796,647	\$ 1,438,066

K'ATLODEECHE FIRST NATION

Statement of Cash Flows

For the year ended March 31, 2016

	2016	2015
Operating		
Annual surplus (deficit):	\$ 729,609	\$ 1,315,912
Amortization of capital assets	317,791	294,212
	1,047,400	1,610,124
Change in non-cash items on statement of financial position		
Prepaid expenses	2,996	(12,782)
Accounts receivable	(111,587)	(110,489)
Accounts payable and accrued liabilities	116,190	21,887
Deferred revenue	390,724	(588,875)
	1,445,723	919,865
Capital		
Purchase of tangible capital assets	(609,459)	(1,332,094)
Investing		
Change in investments	562,826	(51,379)
Investment in Government Business Enterprises	(192,220)	(260,861)
	370,606	(312,240)
Financing		
Repayment of long-term debt	(6,579)	(6,207)
Due (to) from related parties	(45,818)	52,872
Deferred costs	82,356	92,301
Government of Canada, TLE loan	(82,356)	(92,301)
	(52,397)	46,665
Increase (Decrease) in cash and cash equivalents	1,154,473	(677,804)
Cash and cash equivalents, beginning of year	3,127,929	3,805,733
Cash and cash equivalents, end of year	\$ 4,282,402	\$ 3,127,929

K'ATLODEECHE FIRST NATION
 Statement of Changes in Fund Balances

March 31, 2016

	General Operating	Water and Sewer	Ottawa Trust Fund	Housing Fund	Capital Asset Fund	2016	2015
Surplus (deficit)	\$ 700,756	\$ 13,743	\$ (8,275)	\$ 23,385	\$ -	\$ 729,609	\$ 1,315,912
Net interfund transfers							
Amortization	317,791	-	-	-	(317,791)	-	-
Capital additions	(609,459)	-	-	-	609,459	-	-
Disposals of Tangible capital assets	-	-	-	-	-	-	-
Changes in accumulated surplus	409,088	13,743	(8,275)	23,385	291,668	729,609	1,315,912
Accumulated Surplus, beginning of year	2,862,469	46,124	605,852	102,739	6,403,834	10,021,018	8,705,106
Accumulated Surplus, end of year	\$ 3,271,557	\$ 59,867	\$ 597,577	\$ 126,124	\$ 6,635,502	\$ 10,750,627	\$ 10,021,018

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2016

Note 1. Nature of Operations

The K'atlodeeche 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'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 Zlia 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, 2016

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, 2016

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

	2016	2015
Externally restricted		
CPI Account	\$ 2,069,876	\$ 1,332,805
Gas Tax Account	567,943	628,107
Ottawa Trust Funds (Note 5)	885,096	779,666
Internally restricted		
Kamba Carnival	22,316	47,393
NDE Recreation Committee Account	2,777	3,160
Unrestricted		
Chequing Bank Account	734,394	336,798
	<hr/> \$ 4,282,402	<hr/> \$ 3,127,929

Note 4. Short - Term Investments

	2016	2015
RBC One Year Cashable GIC (0.80% maturity July 2014)	\$ 250,720	\$ 250,668
Sun Life Financial Investments	-	562,878
Total Short - Term Investments	<hr/> \$ 250,720	<hr/> \$ 813,546

Note 5. Trust Funds

Indigenous and Northern Affairs 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 Indigenous and Northern 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 Indigenous and Northern Affairs and such expenditures are generally for projects of a capital nature.

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2016

Note 6. Accounts Receivable

		2016	2015
Government organizations			
Federal			
Indigenous & Northern Affairs Canada	\$ 421,476	\$ 446,168	
Government of Canada	3,530	46,139	
Territorial			
Government of Northwest Territories	315,540	240,859	
Government of Northwest Territories Housing Corporation	159,254	131,797	
Other government			
Deh Cho First Nations	102,445	45,269	
Deh Cho Health and Social Services	7,594	-	
Deh Cho Future Society	-	-	
Trade receivables			
Trade	202,879	241,446	
GST receivable	75,229	-	
		1,287,947	1,151,678
Allowance for doubtful accounts		(387,136)	(362,454)
		\$ 900,811	\$ 789,224

Note 7. Investments in Government Business Enterprises

		2016	2015
<i>Investment in Ehdah Cho Store</i>			
Accumulated surplus - beginning of year	\$ 2,713,196	\$ 2,371,777	
Current year net earnings	302,617	341,419	
	\$ 3,015,813	\$ 2,713,196	
<i>Investment in Evergreen Forestry Limited Partnership</i>			
Partner's Capital (50%) - beginning of year	\$ 101,534	\$ 105,758	
Current year net earnings (50%)	48,358	776	
Withdrawals	(47,000)	(5,000)	
	\$ 102,892	\$ 101,534	
<i>Investment in Naegha Zhia Inc.</i>			
Share capital	\$ 10	\$ 10	
Contributed surplus	894,177	894,177	
Accumulated surplus (Deficit) - opening	(2,097,782)	(2,021,457)	
Current year surplus (deficit)	(111,755)	(76,325)	
	\$ (1,315,350)	\$ (1,203,595)	
	\$ 1,803,355	\$ 1,611,135	

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2016

Note 7. Investments in Government Business Enterprises (continued)

Investment in Ehdah Cho Store

A financial summary of this entity as at March 31, 2016 and for the year then ended is as follows:

	2016	2015
Balance Sheet		
Total Assets	\$ 3,071,938	\$ 3,215,471
Total Liabilities	56,125	502,275
<u>Total Shareholder's Equity</u>	<u>3,015,813</u>	<u>2,713,196</u>
	\$ 3,071,938	\$ 3,215,471
Statement of Earnings		
Total Revenues	\$ 5,865,133	\$ 5,954,854
<u>Total Expenses</u>	<u>5,562,516</u>	<u>5,613,435</u>
Net earnings for the year	\$ 302,617	\$ 341,419
Statement of Cash Flows		
Cash flows from Operating Activities	\$ (57,097)	\$ 346,989
Cash Flows from Investing Activities	(419,000)	(131,890)
Cash Flows from Financing activities	(21,012)	-
Increase (decrease) in cash	\$ (497,109)	\$ 215,099

Investment in Evergreen Forestry Limited Partnership

A financial summary of this entity as at March 31, 2016 and for the year then ended is as follows:

	2016	2015
Balance Sheet		
Total Assets	\$ 264,023	\$ 277,549
Total Liabilities	58,239	74,482
<u>Total Partners' Capital</u>	<u>205,784</u>	<u>203,067</u>
	\$ 264,023	\$ 277,549
Statement of Earnings		
Total Revenues	\$ 1,393,761	\$ 1,527,136
<u>Total Expenses</u>	<u>1,297,044</u>	<u>1,504,844</u>
Net earnings for the year	\$ 96,717	\$ 22,292
Statement of Cash Flows		
Cash flows from Operating Activities	\$ 78,227	\$ 27,260
Cash Flows from Investing Activities	(231,375)	-
Cash Flows from Financing activities	(94,000)	(10,000)
Increase (decrease) in cash	\$ (247,148)	\$ 17,260

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2016

Note 7. Investments in Government Business Enterprises (continued)

Investment in Naegha Zhia Inc.

A financial summary of this entity as at March 31, 2016 and for the year then ended is as follows:

	2016	2015
Balance Sheet		
Total Assets	\$ 778,371	\$ 895,651
Total Liabilities	2,093,712	2,099,237
Total Shareholder's Equity	(1,315,341)	(1,203,586)
	\$ 778,371	\$ 895,651
Statement of Earnings		
Total Revenues	\$ 1,520,498	\$ 1,891,657
Total Expenses	1,632,253	1,967,982
Net earnings for the year	\$ (111,755)	\$ (76,325)
Statement of Cash Flows		
Cash flows from Operating Activities	\$ 117,761	\$ (78,901)
Cash Flows from Investing Activities	(47,694)	(44,682)
Cash Flows from Financing activities	5,757	17,856
Increase (decrease) in cash	\$ 75,824	\$ (105,727)

Note 8. Accounts Payable and Accrued Liabilities

	2016	2015
Accounts payable and accrued liabilities	\$ 533,132	\$ 432,471
Wages and benefits payable	73,159	57,630
	\$ 606,291	\$ 490,101

K'ATLODEECHE FIRST NATION

Note 9.
Schedule of Tangible Capital Assets

As at March 31, 2016

	Original Cost Opening Balance	Additions	Disposals	Original Cost Closing Balance	Amortization Beginning of Year	Accumulated Amortization Beginning of year	Net Carrying Amount	Deletions	Amortization	Accumulated Amortization End of Year	Net Carrying Amount 2016
Land Improvements	\$ 949,906	\$ 109,378	\$ -	\$ 1,059,284	\$ 108,489	\$ 841,417	\$ -	\$ 24,336	\$ 132,825	\$ 926,459	
Computer equipment	163,403	1,500	-	164,903	125,052	38,351	-	11,260	136,312	28,591	
Machinery and equipment	1,005,758	3,250	-	1,009,008	519,527	486,231	-	81,046	600,573	408,435	
Office furniture and equipment	108,677	8,500	-	117,177	58,876	49,801	-	11,292	70,168	47,009	
Buildings	6,689,759	355,254	-	7,015,013	2,707,492	3,982,267	-	164,334	2,871,826	4,143,187	
Infrastructure	1,410,943	161,577	-	1,572,520	68,179	1,342,764	-	25,523	93,702	1,478,818	
	\$ 10,328,446	\$ 609,459	\$ -	\$ 10,937,905	\$ 3,587,615	\$ 6,740,831	\$ -	\$ 317,791	\$ 3,905,406	\$ 7,032,499	

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2016

Note 10. Deferred Revenue

		2016	2015
Capital Funding			
Community Public Infrastructure		\$ 2,151,159	\$ 1,957,794
Gas Tax		753,502	629,591
Community Capacity Building		67,573	67,873
Operations Funding			
Intergovernmental forums		22,236	22,236
Aurora college		33,102	33,102
Community wellness initiative		61,635	64,367
Devolution		32,830	88,075
TLE Shortfall loan		58,711	-
PAS - Tides Canada		24,855	-
Land use and occupancy		19,389	-
Devolution		8,027	-
Ohn'Daa'Ke'Elders Committee		2,384	-
Judith Fabian Group Home		37,240	-
NCAW grant		-	4,500
Outpost camp		-	5,157
TLE loan		-	9,224
		\$ 3,272,643	\$ 2,881,919

Note 11. Long-Term Debt

		2016	2015
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.			
		\$ 883,931	\$ 890,510

Note 12. Government of Canada Loan

		2016	2015
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.		1,780,326	1,697,970
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
		\$ 1,877,526	\$ 1,795,170

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2016

Note 13. Due (to) from related parties

	2016	2015
Due from Naegha Zhia Inc.	\$ 1,261,122	\$ 1,186,887
Due to Ehdah Cho Store	(63,636)	(35,219)
Due from Evergreen Forestry Ltd Partnership	2,264	2,264
	\$ 1,199,750	\$ 1,153,932

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 Indigenous and Northern Affairs Canada (INAC) 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.

this source of revenue.

Note 15. Contingent Liabilities

Under the terms of the contribution agreement between the First Nation, INAC, 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 a revolving line of credit for \$25,000 for the KFN Store Ltd., operating as Ehdah Cho Store. As at March 31, 2016, the balance on the line of credit was \$nil.

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2016

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 in the fiscal year ending March 31, 2015 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.

Note 21. Budget

K'atlodeeche First Nation prepares budget information for each project as required under the individual contribution agreements. The consolidated budgeted revenues and expenses and surplus (deficit) have not been reported in these financial statements as they are not consistent with the format of the financial results as disclosed on the statement of operations and statement of change in net assets.