

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.

The logo for Ashton Chartered Accountants, featuring the word "Ashton" in a stylized, cursive script.

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 |
| | <u>8,437,038</u> | <u>7,495,766</u> |
| 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 |
| | <u>6,640,391</u> | <u>6,057,700</u> |
| Net Financial Assets (Debt) | <u>1,796,647</u> | <u>1,438,066</u> |
| 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 |
| | <u>8,953,980</u> | <u>8,582,952</u> |
| Accumulated Surplus | <u>\$ 10,750,627</u> | <u>\$ 10,021,018</u> |

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) |
| | (371,028) | (1,142,965) |
| 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 | Social 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 | \$ 6,695,502 | \$ 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'atloodeche 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'atloodeche 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, 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 |
| | \$ 4,282,402 | \$ 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 | \$ 250,720 | \$ 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 |
| Total Shareholder's Equity | 3,015,813 | 2,713,196 |
| | \$ 3,071,938 | \$ 3,215,471 |
| Statement of Earnings | | |
| Total Revenues | \$ 5,865,133 | \$ 5,954,854 |
| Total Expenses | 5,562,516 | 5,613,435 |
| 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 |
| Total Partners' Capital | 205,784 | 203,067 |
| | \$ 264,023 | \$ 277,549 |
| Statement of Earnings | | |
| Total Revenues | \$ 1,393,761 | \$ 1,527,136 |
| Total Expenses | 1,297,044 | 1,504,844 |
| 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 |

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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 | Accumulated Amortization Beginning of Year | Net Carrying Amount Beginning of year | 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 | 325,254 | - | 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.

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'atlodeeché 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.