

Financial Statements of

K'ATLODEECHE FIRST NATION

March 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Members of K'atodeeche First Nation,

We have audited the accompanying financial statements of K'atodeeche First Nation, which comprise the statement of financial position as at March 31, 2018, 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'atodeeche 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, 2018 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
August 14, 2018

K'ATLODEECHE FIRST NATION



Statement of Financial Position

March 31, 2018

	2018	2017
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 3,245,786	\$ 2,585,013
Short Term Investments (Note 4)	29,996,426	1,851,466
Accounts receivable (Note 6)	1,687,201	735,266
Due (to) from related parties (Note 12)	-	-
Investment in Government Business Enterprises (Note 7)	2,876,896	3,175,768
	<u>37,806,309</u>	<u>8,347,513</u>
Liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 709,642	\$ 679,632
Deferred revenue (Note 10)	31,683,199	2,748,261
Due to related parties (Note 12)	138,587	228,151
	<u>32,531,428</u>	<u>3,656,044</u>
Net Financial Assets (Debt)	<u>5,274,881</u>	<u>4,691,469</u>
Non-Financial Assets		
Capital assets (Note 9)	\$ 8,275,101	\$ 7,996,379
Prepaid expenses	44,879	14,146
	<u>8,319,980</u>	<u>8,010,525</u>
Accumulated Surplus	<u>\$ 13,594,861</u>	<u>\$ 12,701,994</u>

Contingent asset and liability - Land claims (Note 11)

Approved by the Chiefs and council:

 Chief
 Councillor

K'ATLODEECHE FIRST NATION

Statement of Operations

For the year ended March 31, 2018

	2018	2017
Revenue		
Government of Canada - INAC	\$ 1,161,798	\$ 743,492
Government of NWT - MACA	1,389,550	1,933,903
Government of NWT - Other	2,192,950	1,272,071
Deh Cho First Nation	876,183	401,192
Deh Cho Health and Social Services	608,552	505,633
Government of Canada - Other	295,391	20,870
Administration fee	318,335	518,284
Rental and other	755,616	756,764
Interest	32,340	44,717
Deferred revenue, opening	2,814,157	3,272,643
Deferred revenue, closing	(3,164,970)	(2,748,261)
Unexpended funding	(13,019)	(125,996)
Transfers between projects	215,087	-
	7,481,970	6,595,312
Expenditure		
Band governance	1,541,938	1,634,156
Education	592,111	495,738
Health and Social Services	1,128,569	1,002,466
Sports and recreation	347,710	251,604
Justice	231,915	218,987
Lands and resources	489,959	-
Economic development	47,841	411,225
Community infrastructure	505,142	459,525
Social housing	62,809	150,303
Ottawa trust fund & TLE loans	216,634	198,453
Indigenous and Northern Affairs	538,220	334,985
Water & sewer	616,567	445,840
	6,319,415	5,603,282
Surplus (deficit) before other items	1,162,555	992,030
Forgiveness of debt	-	(1,297,006)
Gain (Loss) on disposal of assets	(470,816)	247,027
Agricultural Benefits Settlement	28,344,624	-
Transfer to deferred revenue	(28,344,624)	-
	(470,816)	(1,049,979)
Surplus (deficit)	\$ 691,739	\$ (57,949)
Other income (expenses)		
Earnings from Ehdah Cho Store	327,718	(601,190)
Earnings from Evergreen Forestry Limited Partnership	10,695	(278)
Earnings from Naegha Zhia Inc.	(137,285)	1,973,881
Surplus (deficit)	\$ 892,867	\$ 1,314,464

K'ATLODEECHE FIRST NATION

Statement of Change in Net Financial Assets (Debt)

For the year ended March 31, 2018

	2018	2017
Annual Surplus (Deficit)	\$ 892,867	\$ 1,314,464
Purchase of tangible capital assets	(1,132,445)	(1,315,843)
Amortization of tangible capital assets	382,906	351,964
Proceeds on disposal of tangible capital assets	85,000	883,929
Gain on disposal of tangible capital assets	385,817	(247,027)
Change in prepaid expenses	(30,733)	29,809
	(309,455)	(297,168)
Increase in net financial assets	583,412	1,017,296
Net financial assets (debt), beginning of year	4,691,469	3,674,173
Net financial assets (debt), end of year	\$ 5,274,881	\$ 4,691,469

K'ATLODEECHE FIRST NATION

Statement of Cash Flows

For the year ended March 31, 2018

	2018	2017
Operating		
Annual surplus (deficit):	\$ 892,867	\$ 1,314,464
Gain on disposal of tangible capital assets	385,817	(247,027)
Amortization of capital assets	382,906	351,964
	1,661,590	1,419,401
Change in non-cash items on statement of financial position		
Prepaid expenses	(30,733)	29,809
Accounts receivable	(951,935)	165,545
Accounts payable and accrued liabilities	30,010	73,341
Deferred revenue	28,934,938	(524,382)
	29,643,870	1,163,714
Capital		
Purchase of tangible capital assets	(1,132,445)	(1,315,843)
Proceeds on disposal of tangible capital assets	85,000	883,929
	(1,047,445)	(431,914)
Investing		
Change in investments	(28,144,960)	(1,600,746)
Investment in Government Business Enterprises	298,872	(1,372,413)
	(27,846,088)	(2,973,159)
Financing		
Repayment of long-term debt	-	(883,931)
Due (to) from related parties	(89,564)	1,427,901
	(89,564)	543,970
Increase (Decrease) in cash and cash equivalents	660,773	(1,697,389)
Cash and cash equivalents, beginning of year	2,585,013	4,282,402
Cash and cash equivalents, end of year	\$ 3,245,786	\$ 2,585,013

K'ATLODEECHE FIRST NATION
Statement of Changes in Fund Balances

March 31, 2018

	General Operating	Water and Sewer	Ottawa Trust Fund	Social Housing Fund	Daycare Reserve Fund	Other Reserves	Capital Asset Fund	2018	2017
Surplus (deficit)	\$ 405,255	\$ -	\$ 3,425	\$ 53,241	\$ 430,941	\$ -	\$ -	\$ 892,867	\$ 1,314,464
Net interfund transfers									
Amortization	382,906	-	-	-	-	-	(382,906)	-	-
Capital additions	(771,599)	-	-	-	(360,846)	-	1,132,445	-	-
Disposals of Tangible capital assets	380,841	-	-	-	-	-	(380,841)	-	-
Transfer to daycare reserve	(720,415)	-	-	-	-	720,415	-	-	-
Changes in accumulated surplus	(323,012)	\$ -	\$ 3,425	\$ 53,241	\$ 70,095	\$ 720,415	\$ 368,698	\$ 892,867	\$ 1,314,464
Accumulated Surplus, beginning of year	3,849,043	66,667	678,348	65,756	25,794	-	7,098,386	12,701,994	11,387,530
Accumulated Surplus, end of year	\$ 3,526,031	\$ 66,672	\$ 681,773	\$ 138,997	\$ 95,889	\$ 720,415	\$ 8,365,084	\$ 13,594,861	\$ 12,701,994

Reserves	2017	Transfer to (from)	2018
Economic development reserve	\$ -	\$ 535,000	\$ 535,000
Band programs reserve	-	76,000	76,000
School bus reserve	-	9,415	9,415
Lands & resources reserve	-	87,560	87,560
	\$ -	\$ 707,975	\$ 707,975

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2018

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 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.
- Daycare fund - reports the revenues and expenses related to the daycare

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2018

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:

Expenditures are recorded as tangible capital assets when they have a cost of \$15,000 or greater and a useful life of three or more years.

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.

Expenditures that meet the criteria for capitalization as set out in the tangible capital asset accounting policy, but are purchased to run third-party programs are not capitalized if the assets will not be retained by K'atodeechee First Nation at the completion of the program.

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Notes to the Financial Statements

March 31, 2018

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

	2018	2017
Externally restricted		
CPI Account	\$ 651,702	\$ 3,389
Gas Tax Account	541,327	581,350
Ottawa Trust Funds (Note 5)	1,001,437	968,089
Internally restricted		
Kamba carnival	4,186	12,850
NDE recreation committee account	4,587	13,559
Economic development reserve	500,134	-
Daycare reserve	266,242	-
Land and resources reserve	100,000	-
Unrestricted		
Chequing Bank Account	176,171	1,005,776
	\$ 3,245,786	\$ 2,585,013

Note 4. Short - Term Investments

	2018	2017
Cashable GICs	\$ 1,915,797	\$ 1,851,466
Agricultural Benefits GIC (1.250% maturity February 2, 2018)	28,080,629	-
	\$ 29,996,426	\$ 1,851,466

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, 2018

Note 6. Accounts Receivable

	2018	2017
Government organizations		
Federal		
Indigenous & Northern Affairs Canada	\$ 679,164	\$ 137,617
Government of Canada	62,013	9,500
Territorial		
Government of Northwest Territories	507,624	450,928
Government of Northwest Territories Housing Corporation	106,561	105,061
Other government		
Deh Cho First Nations	120,039	63,737
Deh Cho Health and Social Services	73,800	25,526
Trade receivables		
Trade	215,643	206,877
GST receivable	352,761	152,335
	2,117,605	1,151,581
Allowance for doubtful accounts	(430,404)	(416,315)
	\$ 1,687,201	\$ 735,266

Note 7. Investments in Government Business Enterprises

	2018	2017
<i>Investment in Ehdah Cho Store</i>		
Accumulated surplus - beginning of year	\$ 2,414,623	\$ 3,015,813
Dividend declared	(500,000)	-
Current year net earnings	327,718	(601,190)
	\$ 2,242,341	\$ 2,414,623
<i>Investment in Evergreen Forestry Limited Partnership</i>		
Partner's Capital (50%) - beginning of year	\$ 102,614	\$ 102,892
Current year net earnings (50%)	64,133	48,060
Withdrawals	(53,438)	(48,338)
	\$ 113,309	\$ 102,614
<i>Investment in Naegha Zhia Inc.</i>		
Share capital	\$ 10	\$ 10
Contributed surplus	894,177	894,177
Accumulated surplus (Deficit) - opening	(235,656)	(2,209,537)
Current year surplus (deficit)	(137,285)	1,973,881
	\$ 521,246	\$ 658,531
	\$ 2,876,896	\$ 3,175,768

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2018

Note 7. Investments in Government Business Enterprises (continued)

Investment in Ehdah Cho Store

A financial summary of this entity as at March 31, 2018 and for the year then ended is as follows:

	2018	2017
Balance Sheet		
Total Assets	\$ 2,564,140	\$ 2,642,617
Total Liabilities	215,594	121,789
Total Shareholder's Equity	2,348,546	2,520,828
	\$ 2,564,140	\$ 2,642,617
Statement of Earnings		
Total Revenues	\$ 5,742,029	\$ 5,861,775
Total Expenses	5,414,311	6,462,965
Net earnings for the year	\$ 327,718	\$ (601,190)
Statement of Cash Flows		
Cash flows from Operating Activities	\$ 406,206	\$ (440,496)
Cash Flows from Investing Activities	(98,051)	(309,493)
Cash Flows from Financing activities	(531,690)	665,767
Increase (decrease) in cash	\$ (223,535)	\$ (84,222)

Investment in Evergreen Forestry Limited Partnership

A financial summary of this entity as at March 31, 2018 and for the year then ended is as follows:

	2018	2017
Balance Sheet		
Total Assets	\$ 306,208	\$ 277,206
Total Liabilities	79,588	72,077
Total Partners' Capital	226,620	205,129
	\$ 306,208	\$ 277,206
Statement of Earnings		
Total Revenues	\$ 1,542,391	\$ 1,427,404
Total Expenses	1,414,125	1,331,284
Net earnings for the year	\$ 128,266	\$ 96,120
Statement of Cash Flows		
Cash flows from Operating Activities	\$ 136,676	\$ 127,254
Cash Flows from Investing Activities	66,050	(34,790)
Cash Flows from Financing activities	(105,817)	(95,156)
Increase (decrease) in cash	\$ 96,909	\$ (2,692)

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2018

Note 7. Investments in Government Business Enterprises (continued)

Investment in Naegha Zhla Inc.

A financial summary of this entity as at March 31, 2018 and for the year then ended is as follows:

	2018		2017	
Balance Sheet				
Total Assets	\$	888,800	\$	926,529
Total Liabilities		367,545		267,989
Total Shareholder's Equity		521,255		658,540
	\$	888,800	\$	926,529
Statement of Earnings				
Total Revenues	\$	1,530,191	\$	3,781,282
Total Expenses		1,667,476		1,807,401
Net earnings for the year	\$	(137,285)	\$	1,973,881
Statement of Cash Flows				
Cash flows from Operating Activities	\$	(75,575)	\$	2,037,114
Cash Flows from Investing Activities		-		(23,810)
Cash Flows from Financing activities		94,631		(2,047,387)
Increase (decrease) in cash	\$	19,056	\$	(34,083)

Note 8. Accounts Payable and Accrued Liabilities

	2018		2017	
Accounts payable and accrued liabilities	\$	595,219	\$	621,879
Wages and benefits payable		36,511		21,055
Government remittances payable		77,912		36,698
	\$	709,642	\$	679,632