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INDEPENDENT AUDITOR'S REPORT

To the Members of K'atlodeeche First Nation,

Qualified Opinion

We have audited the accompanying consolidated financial statements of K'atlodeeche First Nation (the "First Nation") which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2019, and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

K'atlodeeche First Nation owns 100% of Naegha Zha 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.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditor's Report to the K'atlodeeche First Nation (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



ASHTON
Chartered Accountants
Business Advisors

Hay River, NT
October 22, 2019

K'ATLODEEACHE FIRST NATION

Statement of Financial Position

March 31, 2019

| | | 2019 | 2018 (Note 18) |
|---|--|----------------------|----------------------|
| Financial Assets | | | |
| Cash and cash equivalents (Note 3) | | \$ 4,260,923 | \$ 3,245,786 |
| Short term investments (Note 4) | | 27,420,107 | 29,996,426 |
| Accounts receivable (Note 6) | | 1,722,038 | 1,519,201 |
| Due (to) from related parties (Note 12) | | 2,681,122 | 3,015,264 |
| <u>Investment in Government Business Enterprises (Note 7)</u> | | <u>36,084,190</u> | <u>37,776,677</u> |
| Liabilities | | | |
| Accounts payable and accrued liabilities (Note 8) | | \$ 786,706 | \$ 709,643 |
| Deferred revenue (Note 10) | | 30,068,926 | 31,683,199 |
| <u>Due to related parties (Note 12)</u> | | <u>(36,366)</u> | <u>138,587</u> |
| | | 30,819,266 | 32,531,429 |
| Net Financial Assets (Debt) | | 5,264,924 | 5,245,248 |
| Non-Financial Assets | | | |
| Capital assets (Note 9) | | \$ 8,511,941 | \$ 8,275,101 |
| Prepaid expenses | | 75,729 | 44,880 |
| | | 8,587,670 | 8,319,981 |
| Accumulated Surplus | | \$ 13,852,594 | \$ 13,565,229 |

Contingent asset and liability - Land claims (Note 11)

Approved by the Chief and council:


John G. Smith

K'ATLODEECHE FIRST NATION

Statement of Operations

For the year ended March 31, 2019

| | 2019 | 2018 (Note 18) |
|--|-------------------|---------------------|
| Revenue | | |
| Government of Canada - INAC | \$ 1,087,944 | \$ 1,161,798 |
| Government of NWT - MACA | 1,414,265 | 1,221,550 |
| Government of NWT - Other | 2,208,768 | 2,192,950 |
| Deh Cho First Nation | 389,310 | 876,183 |
| Deh Cho Health and Social Services | 601,578 | 608,552 |
| Government of Canada - Other | 511,821 | 295,391 |
| Administration fee | 291,636 | 318,335 |
| Rental and other | 850,756 | 1,255,616 |
| Interest | 495,644 | 32,340 |
| Deferred revenue, opening | 3,164,970 | 2,814,157 |
| Deferred revenue, closing | (3,620,803) | (3,164,970) |
| Unexpended funding | (142,359) | (13,019) |
| Transfers between projects | 320,407 | 215,087 |
| | 7,571,937 | 7,813,870 |
| Expenditure | | |
| Band Governance | 2,018,647 | 1,541,938 |
| Education | 563,883 | 592,111 |
| Health and Social Services | 1,054,464 | 1,128,569 |
| Sports and Recreation | 258,108 | 347,710 |
| Justice | 211,881 | 231,915 |
| Lands and Resources | 650,676 | 489,959 |
| Economic Development | 245,874 | 47,841 |
| Community Infrastructure | 468,790 | 505,142 |
| Social Housing | 105,248 | 62,809 |
| Ottawa Trust Fund & TLE Loans | 282,581 | 216,634 |
| Indigenous and Northern Affairs Canada | 610,726 | 538,220 |
| Water and Sewer | 469,792 | 616,567 |
| | 6,950,430 | 6,319,415 |
| Surplus (deficit) before other items | 621,507 | 1,494,555 |
| Gain (Loss) on disposal of assets | - | (470,816) |
| Agricultural Benefits Settlement | - | 28,344,624 |
| Transfer to deferred revenue | - | (28,344,624) |
| | (470,816) | |
| Surplus (deficit) | \$ 621,507 | \$ 1,023,739 |
| Other Income (expenses) | | |
| Earnings from Ehdah Cho Store | (29,786) | 327,718 |
| Earnings from Evergreen Forestry Limited Partnership | 18,130 | 10,745 |
| Earnings from Naegha Zhla Inc. | (322,486) | (100,872) |
| Surplus (deficit) | \$ 287,385 | \$ 1,261,330 |

K'ATLODEECHE FIRST NATION**Statement of Changes in Net Financial Assets (Debt)****For the year ended March 31, 2019**

| | 2019 | 2018 (Note 18) |
|---|---------------------|---------------------|
| Annual Surplus (Deficit) | \$ 287,365 | \$ 1,261,330 |
| Purchase of tangible capital assets | (642,073) | (1,132,445) |
| Amortization of tangible capital assets | 405,233 | 382,806 |
| Proceeds on disposal of tangible capital assets | - | 85,000 |
| Gain on disposal of tangible capital assets | - | 385,817 |
| Dividends declared by Ehdaah Cho Store | - | (500,000) |
| Change in prepaid expenses | (30,849) | (30,733) |
| | (267,689) | (809,455) |
| Increase in net financial assets | 19,676 | 451,875 |
| Net financial assets (debt), beginning of year | 5,245,248 | 4,793,373 |
| Net financial assets (debt), end of year | \$ 5,264,924 | \$ 5,245,248 |

K'ATLODEECHE FIRST NATION

Statement of Cash Flows

For the year ended March 31, 2019

| | | 2019 | 2018 (Note 18) |
|---|--|--------------|-------------------|
| Operating | | | |
| Annual surplus (deficit): | | \$ 287,385 | \$ 1,261,330 |
| Items not affecting cash: | | | |
| Gain on disposal of tangible capital assets | | 470,816 | |
| Amortization of capital assets | | 405,233 | 382,906 |
| | | 692,598 | 2,115,052 |
| Change in non-cash items on statement of financial position | | | |
| Prepaid expenses | | (30,849) | (30,733) |
| Accounts receivable | | (202,837) | (783,935) |
| Accounts payable and accrued liabilities | | 77,063 | 30,010 |
| Deferred revenue | | (1,614,273) | 28,934,938 |
| | | (1,078,298) | 30,265,332 |
| Capital | | | |
| Purchase of tangible capital assets | | (642,073) | (1,132,445) |
| Proceeds on disposal of tangible capital assets | | - | |
| | | (642,073) | (1,132,445) |
| Investing | | | |
| Change in investments | | 2,576,319 | (28,144,980) |
| Investment in Government Business Enterprises | | 334,142 | (237,590) |
| | | 2,910,461 | (28,382,550) |
| Financing | | | |
| Repayment of long-term debt | | (174,953) | (89,564) |
| Due (to) from related parties | | (174,953) | (89,564) |
| | | (174,953) | (89,564) |
| Increase (Decrease) in cash and cash equivalents | | 1,015,137 | 660,773 |
| Cash and cash equivalents, beginning of year | | 3,245,786 | 2,585,013 |
| Cash and cash equivalents, end of year | | \$ 4,260,923 | \$ 3,245,786 |

K'ATLODEECHE FIRST NATION

Statement of Changes in Fund Balances

March 31, 2019

| | General Operating | Water and Sewer | Ottawa Trust Fund | Social Housing Fund | Daycare Reserve Fund | Agricultural Benefits Fund | Other Reserves | Capital Asset Fund | 2019 | 2018 (Note 18) |
|---|----------------------|--------------------|----------------------|---------------------------|----------------------------|-------------------------------|-------------------|-----------------------|----------------------|----------------------|
| Surplus (deficit) | \$ (139,504) | \$ - | \$ - | \$ 5,004 | \$ 14,244 | \$ 407,621 | \$ - | \$ - | \$ 287,385 | \$ 1,261,330 |
| Net interfund transfers | | | | | | | | | | |
| Amortization | 405,233 | - | - | - | - | - | - | (405,233) | - | - |
| Capital additions | (642,073) | - | - | - | - | - | - | 642,073 | - | - |
| Disposals of Tangible capital assets | - | - | - | - | - | - | - | - | - | - |
| Transfer to reserves | (153,697) | - | - | - | - | - | 153,697 | - | - | - |
| Changes in accumulated surplus | (530,041) | - | - | 5,004 | 14,244 | 407,621 | 153,697 | 236,840 | 287,385 | 1,261,330 |
| Dividends issued | | | | | | | | | | (500,000) |
| Accumulated Surplus, beginning of year | 3,495,413 | 66,667 | 681,773 | 138,997 | 95,889 | - | 720,415 | 8,385,075 | 13,565,220 | 12,803,899 |
| Accumulated Surplus, end of year | \$ 2,966,372 | \$ 66,667 | \$ 681,773 | \$ 144,001 | \$ 110,133 | \$ 407,621 | \$ 874,112 | \$ 8,601,915 | \$ 13,852,594 | \$ 13,565,220 |

| Reserves | 2018 | Transfer to (from) | 2019 |
|------------------------------|-------------------|-----------------------|-------------------|
| | (Note 18) | | |
| Economic development reserve | \$ 535,000 | \$ 51,281 | \$ 586,281 |
| Band programs reserve | 76,000 | - | 76,000 |
| School bus reserve | 9,415 | - | 9,415 |
| Lands and resources reserve | 100,000 | (45,500) | 54,500 |
| Legal reserve | - | 120,000 | 120,000 |
| Wellness Centre | - | 12,367 | 12,367 |
| Sports and rec committee | - | 15,549 | 15,549 |
| | \$ 720,415 | \$ 153,697 | \$ 874,112 |

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2019

Note 1. Nature of Operations

The K'atlodeeche First Nation ("KFN") is an Indian Band as defined by the Indian Act. Operating activities of the First Nation 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. These financial statements are consolidated based on the modified equity method. 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.
- Capital Assets Fund - 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.
- Water and Sewer Fund - reports the revenues and expenditures related to water and sewer services.
- Daycare Reserve Fund - reports the revenues and expenditures related to the daycare.
- Agricultural Benefits Fund - reports the revenue and expenditures related to Agricultural settlement agreement.

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2019

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'atlodeeche First Nation at the completion of the program.

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2019

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.

(i) Comparative Amounts

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

Note 3. Cash and Cash Equivalents

| | 2019 | 2018 |
|----------------------------------|--------------|--------------|
| Externally restricted | | |
| CPI Account | \$ 1,644,141 | \$ 851,702 |
| Gas Tax Account | 563,973 | 541,327 |
| Ottawa Trust Funds (Note 5) | 1,013,114 | 1,001,437 |
| Internally restricted | | |
| Kamba Carnival | 22,392 | 4,188 |
| NDE Recreation Committee account | 25,948 | 4,587 |
| Economic Development reserve | 538,538 | 500,134 |
| Daycare reserve | 1,378 | 268,242 |
| Land and Resources reserve | 100,415 | 100,000 |
| Agricultural Benefits fund | (117) | |
| Unrestricted | | |
| Chequing Bank Account | 351,143 | 176,171 |
| | \$ 4,260,923 | \$ 3,245,786 |

Note 4. Short Term Investments

| | 2019 | 2018 |
|--|---------------|---------------|
| Cashable GICs | | |
| Agricultural Benefits GIC (1.250% maturity February 2, 2019) | \$ 883,022 | \$ 1,915,797 |
| | 26,537,085 | 28,080,629 |
| | \$ 27,420,107 | \$ 29,996,426 |

The cashable GICs have rates ranging from 0.5% to 2.25% and have maturity dates from May 27th to September 13th. Council has internally restricted \$581,798 for Community Public Infrastructure funding and \$303,300 for Gas Tax funding.

Agricultural Benefits GIC has been internally restricted for the Agricultural Benefits trust.

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2019

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.

Note 6. Accounts Receivable

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Government organizations | | |
| Federal | | |
| Indigenous & Northern Affairs Canada | \$ 836,642 | \$ 679,164 |
| Government of Canada | 15,079 | 62,013 |
| Territorial | | |
| Government of Northwest Territories | 635,328 | 339,624 |
| Government of Northwest Territories Housing Corporation | 115,605 | 106,561 |
| Other government | | |
| Deh Cho First Nations | 87,572 | 120,039 |
| Deh Cho Health and Social Services | 200 | 73,800 |
| Trade receivables | | |
| Trade | 452,716 | 568,348 |
| GST receivable | 13,680 | 58 |
| | 2,156,822 | 1,949,605 |
| Allowance for doubtful accounts | (434,784) | (430,404) |
| | \$ 1,722,038 | \$ 1,519,201 |

Note 7. Investments in Government Business Enterprises

| | 2019 | 2018 |
|---|---------------------|---------------------|
| <i>Investment in Ehdah Cho Store</i> | | |
| Accumulated surplus - beginning of year | \$ 2,348,546 | \$ 2,520,828 |
| Dividend declared | - | (500,000) |
| Current year net earnings | (29,786) | 327,718 |
| | \$ 2,318,760 | \$ 2,348,546 |
| <i>Investment in Evergreen Forestry Limited Partnership</i> | | |
| Partner's Capital (50%) - beginning of year | \$ 109,059 | \$ 98,314 |
| Current year net earnings (50%) | 89,411 | 64,133 |
| Withdrawals | (51,281) | (53,388) |
| | \$ 127,189 | \$ 109,059 |
| <i>Investment in Naegha Zhla Inc.</i> | | |
| Share capital | \$ 10 | \$ 10 |
| Contributed surplus | 894,177 | 894,177 |
| Accumulated surplus (Deficit) - opening | (336,528) | (235,656) |
| Current year surplus (deficit) | (322,486) | (100,872) |
| | \$ 235,173 | \$ 567,659 |
| | \$ 2,681,122 | \$ 3,015,264 |

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2019

Note 7. Investments in Government Business Enterprises (continued)

Investment in Ehdah Cho Store

A financial summary of this entity as at March 31, 2019 and for the year then ended is as follows:

| | 2019 | 2018 |
|--------------------------------------|---------------------|---------------------|
| Balance Sheet | | |
| Total Assets | \$ 2,552,255 | \$ 2,564,140 |
| Total Liabilities | 233,495 | 215,594 |
| Total Shareholder's Equity | 2,318,760 | 2,348,546 |
| | \$ 2,552,255 | \$ 2,564,140 |
| Statement of Earnings | | |
| Total Revenues | \$ 5,679,078 | \$ 5,742,029 |
| Total Expenses | 5,708,864 | 5,414,311 |
| Net earnings for the year | \$ (29,786) | \$ 327,718 |
| Statement of Cash Flows | | |
| Cash flows from Operating Activities | \$ (75,712) | \$ 406,206 |
| Cash Flows from Investing Activities | (36,047) | (98,051) |
| Cash Flows from Financing activities | 28,741 | (531,690) |
| Increase (decrease) in cash | \$ (83,018) | \$ (223,535) |

Investment In Evergreen Forestry Limited Partnership

A financial summary of this entity as at March 31, 2019 and for the year then ended is as follows:

| | 2019 | 2018 |
|--------------------------------------|--------------------|-------------------|
| Balance Sheet | | |
| Total Assets | \$ 346,992 | \$ 306,208 |
| Total Liabilities | 92,612 | 88,088 |
| Total Partners' Capital | 254,380 | 218,120 |
| | \$ 346,992 | \$ 306,208 |
| Statement of Earnings | | |
| Total Revenues | \$ 1,448,478 | \$ 1,542,391 |
| Total Expenses | 1,307,656 | 1,414,125 |
| Net earnings for the year | \$ 138,822 | \$ 128,266 |
| Statement of Cash Flows | | |
| Cash flows from Operating Activities | \$ 138,903 | \$ 138,676 |
| Cash Flows from Investing Activities | (77,000) | 66,050 |
| Cash Flows from Financing activities | (99,548) | (108,817) |
| Increase (decrease) in cash | \$ (37,645) | \$ 93,909 |

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2019

Note 7. Investments in Government Business Enterprises (continued)

Investment in Naegha Zhia Inc.

A financial summary of this entity as at March 31, 2019 and for the year then ended is as follows:

| | 2019 | 2018 |
|--------------------------------------|---------------------|---------------------|
| Balance Sheet | | |
| Total Assets | \$ 688,886 | \$ 950,637 |
| Total Liabilities | 453,703 | 392,968 |
| Total Shareholder's Equity | 235,183 | 557,669 |
| | \$ 688,886 | \$ 950,637 |
| Statement of Earnings | | |
| Total Revenues | \$ 742,873 | \$ 1,546,632 |
| Total Expenses | 1,065,359 | 1,647,504 |
| Net earnings for the year | \$ (322,486) | \$ (100,872) |
| Statement of Cash Flows | | |
| Cash flows from Operating Activities | \$ (159,868) | \$ (32,357) |
| Cash Flows from Investing Activities | (9,191) | (9,610) |
| Cash Flows from Financing activities | 135,970 | 84,022 |
| Increase (decrease) in cash | \$ (33,089) | \$ 42,055 |

Note 8. Accounts Payable and Accrued Liabilities

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Accounts payable and accrued liabilities | \$ 641,810 | \$ 595,220 |
| Wages and benefits payable | 74,233 | 36,511 |
| Government remittances payable | 70,663 | 77,912 |
| | \$ 786,708 | \$ 709,643 |

K'ATLODEECHE FIRST NATION

Note 9. Capital Assets

As at March 31, 2019

| | Original Cost | | Additions | Disposals | Original Cost | Closing Balance | Accumulated Amortization | Net Carrying | | Accumulated Amortization | Net Carrying Amount |
|--------------------------------|-----------------|------------|-----------|---------------|---------------|-----------------|--------------------------|-------------------|--------------------------|--------------------------|---------------------|
| | Opening Balance | | | | | | | Beginning of Year | Amount Beginning of Year | Deletions | Amortization |
| Land improvements | \$ 1,059,284 | \$ 208,273 | \$ - | \$ 1,267,557 | \$ 184,231 | \$ 875,053 | \$ - | \$ 26,703 | \$ 209,934 | \$ - | \$ 1,057,623 |
| Computer equipment | 186,661 | 54,602 | - | 241,263 | 159,865 | 26,796 | - | 19,778 | 179,643 | - | 61,620 |
| Machinery and equipment | 1,428,385 | 70,496 | - | 1,498,881 | 803,845 | 624,540 | - | 105,860 | 909,705 | - | 589,176 |
| Office furniture and equipment | 117,177 | - | - | 117,177 | 67,405 | 29,772 | - | 5,952 | 93,357 | - | 23,820 |
| Buildings | 6,650,754 | 208,702 | - | 8,859,456 | 3,246,638 | 5,404,116 | - | 209,882 | 3,456,500 | - | 5,402,656 |
| Infrastructure | 1,473,115 | 100,000 | - | 1,573,115 | 158,291 | 1,314,824 | - | 38,078 | 196,369 | - | 1,378,746 |
| | \$ 12,915,376 | \$ 642,073 | \$ - | \$ 13,557,449 | \$ 4,640,275 | \$ 8,275,101 | \$ - | \$ 405,233 | \$ 5,045,508 | \$ - | \$ 8,511,941 |

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2019

Note 10. Deferred Revenue

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Capital Funding | | |
| Community Public Infrastructure | \$ 2,097,644 | \$ 1,777,155 |
| Gas Tax | 798,824 | 817,134 |
| Community Capacity Building | 67,573 | 67,573 |
| Agricultural Benefits Settlement Agreement | 28,384,624 | 28,344,624 |
| Operations Funding | | |
| Indigenous and Northern Affairs Canada, Schedule 12 | 387,371 | 278,053 |
| Health Canada funding | 259,354 | 100,000 |
| FNLMR | - | 72,673 |
| Tides stewardship | 30,037 | 12,614 |
| Species at risk | - | 5,000 |
| Wildlife regulations act | - | 2,000 |
| Slave River bison | - | 8,000 |
| Deh Cho First Nations | 59,800 | 103,550 |
| Deh Cho Health and Social Services | 3,699 | 71,351 |
| Ohn'Daa'Ke'Elders Committee | - | 23,472 |
| | \$ 30,068,926 | \$ 31,683,189 |

Agricultural Benefits Settlement Agreement

K'atlodeeche First Nation has negotiated a settlement agreement for the Agriculture Benefits Settlement Agreement. The settlement agreement will be deemed to be fully executed once executed by:

- (a) council on behalf of the First Nation following ratification of this settlement agreement
- (b) the Minister on behalf of Canada, once the conditions in Article 7 of the settlement agreement are met.

Note 11. Contingent asset and liability

The First Nation is required to incur costs with respect to the research, development, and negotiation of its specific claims relating to the Treaty Land Entitlement Claim and the Agriculture Benefits Claim. The Government of Canada has provided a loan to the First Nation to help to cover these costs. The Government of Canada and the First Nation agree that the loan shall be deducted from the actual claim settlement. The loans are secured as a first charge against each compensation payment.

A summary of the loans and the deferred costs is provided below:

| | 2019 | 2018 |
|--|---------------------|---------------------|
| 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. | 2,034,785 | 1,835,034 |
| Agriculture Benefits Claim - Government of Canada loan, interest free, repayable on the date on which the Claim is settled. Secured by a promissory note. A ratification vote was held on July 8, 2018 to formally put the Agricultural Benefits Settlement Agreement into effect. | 280,635 | 177,800 |
| | \$ 2,325,420 | \$ 2,012,834 |
| Less: | | |
| Deferred costs | \$ 2,325,420 | \$ 2,012,834 |
| Net financial asset (liability) | \$ - | \$ - |

At March 31, 2019, \$263,995 of the Agriculture Benefits Claim is being held by Government of Canada for loan repayment.

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2019

Note 12. Due (to) from related parties

| | 2019 | 2018 |
|---|--------------------|-----------------------|
| Due (to) from Naegha Zhia Inc. | \$ 24,554 | \$ (123,335) |
| Due (to) from Eh dah Cho Store | (29,080) | (17,090) |
| Due (to) from Evergreen Forestry Ltd. Partnership | 4,816 | 1,838 |
| Due (to) from Denendeh Helicopters Inc. | 11,876 | - |
| Due (to) from Dene Cultural Institute | 25,000 | - |
| | <hr/> \$ 36,366 | <hr/> \$ (138,587) |

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 Eh dah 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.

Advances to Denendeh Helicopters Inc. are non-interest bearing and have no set repayment terms. The company is related due to the investment in the company through Evergreen Forestry Ltd. Partnership.

Advances to the Dene Cultural Institute are non-interest bearing and have no set repayment terms. The company is related as membership of the non-for-profit include all Dene people.

Note 13. 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 14. 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 15. 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.

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

March 31, 2019

Note 16. Pension Benefits

The First Nation participates in the Northern Employee Benefits Services (NEBS) pension plan on behalf of some members of its staff. This program is a defined benefits plan which specifies that amount of the retirement benefit to be received by employees based on their length of service and rate of pay. Members are required to make contributions of 8% pensionable earnings which are matched by the First Nation.

The amount contributed to the NEBS pension plan in the year was \$146,002; \$5,271 (2018 - \$33,728) was contributed to the separate defined benefits pension plan that was held as outlined in the subsequent paragraph below. These amounts were expensed as incurred. There are no assets or liabilities reflected in the statement of financial position pertaining to these pension plans.

In the prior year, the First Nations participated separate defined benefits pension plan. During the year they made a formal request to close this pension plan and distribute all the assets held in the pension plan. Effective July 2, 2019 they received approval under subsequent 29(10) of the Pension Benefits Standards Act to terminate this pension plan and distribute the pension plan assets to the participating members.

Note 17. 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 18. Prior period error

During the year the First Nation discovered an error in the timing of Water and Sewer revenue resulting in the overstatement of revenue, accounts receivable and surplus in the prior year of \$168,000. The First Nation has retroactively adjusted the financial statements.