

INDEPENDENT AUDITOR'S REPORT

To the Members of K'atłodeeche First Nation,

Qualified Opinion

We have audited the accompanying consolidated financial statements of K'atłodeeche 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'atłodeeche First Nation owns 100% of Naegha Zhla 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'ATLODEECHE FIRST NATION

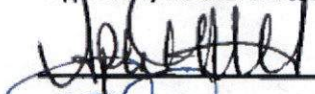
Statement of Financial Position

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)	-	-
Investment in Government Business Enterprises (Note 7)	2,681,122	3,015,264
	<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
Due to related parties (Note 12)	(36,366)	138,587
	<u>30,819,266</u>	<u>32,531,429</u>
Net Financial Assets (Debt)	<u>5,264,924</u>	<u>5,245,248</u>
Non-Financial Assets		
Capital assets (Note 9)	\$ 8,511,941	\$ 8,275,101
Prepaid expenses	75,729	44,880
	<u>8,587,670</u>	<u>8,319,981</u>
Accumulated Surplus	<u>\$ 13,852,594</u>	<u>\$ 13,565,229</u>

Contingent asset and liability - Land claims (Note 11)

Approved by the Chief and council:



Chief



Councillor

K'ATLODEECHE FIRST NATION

Statement of Operations

For the year ended March 31, 2019

	2019	2018 (Note 18)
Revenue		
Government of Canada - INAC	\$ 1,087,844	\$ 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	7,813,970
Expenditure		
Band Governance	2,018,647	1,541,938
Education	563,863	592,111
Health and Social Services	1,054,464	1,128,569
Sports and Recreation	258,108	347,710
Justice	211,861	231,915
Lands and Resources	660,676	489,959
Economic Development	245,674	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 Zhia Inc.	(322,486)	(100,872)
Surplus (deficit)	\$ 287,365	\$ 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	382,906
Proceeds on disposal of tangible capital assets	-	85,000
Gain on disposal of tangible capital assets	-	385,817
Dividends declared by Ehdah 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
	(1,078,288)	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	(28,144,960)
Investment in Government Business Enterprises	334,142	(237,590)
	2,910,461	(28,382,550)
Financing		
Repayment of long-term debt	-	-
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	2018	2019 (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	3,496,413	66,667	681,773	138,997	95,889	-	720,415	8,365,075	13,565,229	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	\$ 13,565,229

Reserves	2018 (Note 18)	Transfer to (from)	2019
Economic development reserve	\$ 535,000	\$ 51,281	\$ 586,281
Band programs reserve	78,000	-	78,000
School bus reserve	8,415	-	8,415
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'atloodeche 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'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.
- 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'atlodeechee 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	563,873	541,327
Ottawa Trust Funds (Note 5)	1,013,114	1,001,437
Internally restricted		
Kamba Carnival	22,392	4,186
NDE Recreation Committee account	25,948	4,587
Economic Development reserve	538,538	500,134
Daycare reserve	1,378	266,242
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	\$ 883,022	\$ 1,915,797
Agricultural Benefits GIC (1.250% maturity February 2, 2019)	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%)	69,411	64,133
Withdrawals	(51,281)	(53,388)
	\$ 127,189	\$ 109,059
<i>Investment in Naegha Zhia 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	\$ 557,659
	\$ 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	(531,890)
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	\$ 1,446,478	\$ 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		38,511
Government remittances payable		70,663		77,912
	\$	786,706	\$	709,643

K'ATLODEECHE FIRST NATION

Note 9. Capital Assets

As at March 31, 2019

	Original Cost Opening Balance	Additions	Disposals	Original Cost Closing Balance	Accumulated Amortization Beginning of Year	Net Carrying Amount Beginning of of Year	Deletions	Amortization	Accumulated Amortization End of Year	Net Carrying Amount 2019
Land improvements	\$ 1,059,284	\$ 208,273	\$ -	\$ 1,267,557	\$ 184,231	\$ 875,053	\$ -	\$ 25,703	\$ 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	87,405	29,772	-	5,952	93,357	23,820
Buildings	8,650,754	208,702	-	8,859,456	3,246,638	5,404,116	-	209,882	3,456,500	5,402,956
Infrastructure	1,473,115	100,000	-	1,573,115	158,291	1,314,824	-	38,078	196,369	1,378,748
	\$ 12,915,378	\$ 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	\$ 2,097,844	\$ 1,777,155
Gas Tax	798,824	817,134
Community Capacity Building	67,573	67,573
Agricultural Benefits Settlement Agreement	26,384,624	28,344,824
Operations Funding		
Indigenous and Northern Affairs Canada, Schedule 12	367,371	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'atloodeche 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, 2019 to formally put the Agricultural Benefits Settlement Agreement into effect.	290,635	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 Zhla Inc.	\$ 24,554	\$ (123,335)
Due (to) from Ehdah Cho Store	(29,880)	(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	-
	\$ 36,366	\$ (138,587)

Advances from Naegha Zhla 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.

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'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.

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.