

INDEPENDENT AUDITOR'S REPORT

To the Members of K'atlodeeche First Nation,

Unqualified Opinion

We have audited the accompanying non-consolidated financial statements of K'atlodeeche First Nation (the "First Nation") which comprise the statement of financial position as at March 31, 2021, 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, these financial statements present fairly, in all material respects, the financial position of K'atlodeeche First Nation as at March 31, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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:

- 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.

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

- 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.



Chartered Professional Accountants
Business Advisors

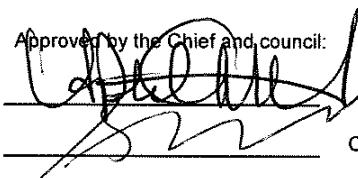
Hay River, NT
June 8, 2022

K'ATLODEECHE FIRST NATION

Statement of Financial Position
 Non-Consolidated
 March 31, 2021

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Financial Assets | | |
| Cash and cash equivalents (Note 3) | \$ 8,785,185 | \$ 7,378,136 |
| Short term investments (Note 4) | 24,513 | 24,482 |
| Accounts receivable (Note 6) | 1,390,308 | 1,060,886 |
| Due from related parties (Note 15) | 128,927 | - |
| Investment in Government Business Enterprise (Note 7) | 93,500 | 93,500 |
| | <hr/> 10,422,433 | <hr/> 8,557,004 |
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 9) | \$ 1,317,271 | \$ 1,240,403 |
| Deferred revenue (Note 10) | 5,734,619 | 5,170,964 |
| Contributions repayable (Note 11) | 1,162,852 | - |
| Due to related parties (Note 15) | - | 30,670 |
| | <hr/> 8,214,742 | <hr/> 6,442,037 |
| Net Financial Assets (Debt) | <hr/> 2,207,691 | <hr/> 2,114,967 |
| Non-Financial Assets | | |
| Capital assets (Note 8) | \$ 7,871,027 | \$ 8,191,849 |
| Prepaid expenses | 59,761 | 56,052 |
| | <hr/> 7,930,788 | <hr/> 8,247,901 |
| Accumulated Surplus | <hr/> \$ 10,138,479 | <hr/> \$ 10,362,868 |

Contingent asset and liability - Land claims (Note 13)
Trusts under administration (Note 14)

Approved by the Chief and council:

 Chief
 Councillor

K'ATLODEECHE FIRST NATION

Statement of Operations

Non-Consolidated

For the year ended March 31, 2021

| | 2021 | *2020 |
|---|----------------------|----------------------|
| REVENUE | | |
| Government of Canada - CIRNAC/ISC | \$ 1,602,328 | \$ 1,375,254 |
| Government of NWT - MACA | 2,203,328 | 2,142,888 |
| Government of NWT - Other | 1,006,974 | 2,413,705 |
| Deh Cho First Nation | 295,121 | 337,096 |
| NWT Health & Social Services | 613,098 | 601,000 |
| Government of Canada - Other | 197,241 | 244,056 |
| Administration fee | 192,991 | 850,142 |
| Rental and other | 1,047,735 | 1,171,370 |
| Interest | 91,353 | 175,570 |
| Unexpended funds, opening | 5,064,440 | 3,719,249 |
| Unexpended funds, closing | (6,897,467) | (5,064,440) |
| Transfers between projects | - | 210,367 |
| Contributions repaid in the year | (129,073) | - |
| | 5,288,069 | 8,176,257 |
| EXPENDITURE | | |
| Band Governance | 2,259,867 | 3,028,450 |
| Education | 162,609 | 559,835 |
| Health and Social Services | 970,358 | 998,923 |
| Sports and Recreation | 113,158 | 266,986 |
| Justice | 295,863 | 252,157 |
| Economic Development | 4,772 | 142,750 |
| Community Infrastructure | 582,535 | 844,656 |
| Social Housing | 56,472 | 1,213,797 |
| Lands | 139,742 | 234,035 |
| Negotiations | 428,682 | 411,712 |
| Environment | 498,400 | 600,677 |
| | 5,512,458 | 8,553,978 |
| Surplus(Deficit) before other items | (224,389) | (377,721) |
| Gain (Loss) on disposal of assets | - | - |
| | - | - |
| Surplus(Deficit) | \$ (224,389) | \$ (377,721) |
| Accumulated Surplus, Beginning of year | 10,362,868 | 11,264,971 |
| Transferred to trust under administration (Note 14) | - | (524,382) |
| Accumulated Surplus, End of year | \$ 10,138,479 | \$ 10,362,868 |

* Reclassified for comparative purposes

K'ATLODEECHE FIRST NATION

Statement of Changes in Net Financial Assets (Debt)

Non-Consolidated

For the year ended March 31, 2021

| | 2021 | 2020 |
|---|--------------|--------------|
| Annual Surplus | \$ (224,389) | \$ (377,721) |
| Purchase of tangible capital assets | (84,747) | (79,036) |
| Amortization of tangible capital assets | 405,569 | 399,128 |
| Proceeds on disposal of tangible capital assets | - | - |
| Gain (loss) on disposal of tangible capital assets | - | - |
| Change in prepaid expenses | (3,709) | 19,676 |
| Transferred to trust under administration (Note 14) | - | (524,382) |
| | 317,113 | (184,614) |
| | | |
| Increase in net financial assets | 92,724 | (562,335) |
| | | |
| Net financial assets, beginning of year | 2,114,967 | 2,677,302 |
| Net financial assets, end of year | \$ 2,207,691 | \$ 2,114,967 |

K'ATLODEECHE FIRST NATION

Statement of Cash Flows

Non-Consolidated

For the year ended March 31, 2021

| | 2021 | 2020 |
|--|--------------|--------------|
| Operating | | |
| Annual surplus | \$ (224,389) | \$ (377,721) |
| Items not affecting cash: | | |
| Amortization of capital assets | 405,569 | 399,128 |
| Gain on disposal of tangible capital assets | - | - |
| | 181,180 | 21,407 |
| Change in non-cash items on statement of financial position: | | |
| Prepaid expenses | (3,709) | 19,676 |
| Accounts receivable | (329,422) | 661,152 |
| Accounts payable and accrued liabilities | 76,868 | 453,697 |
| Deferred revenue | 563,655 | (24,897,962) |
| Contributions repayable | 1,162,852 | - |
| | 1,651,424 | (23,742,030) |
| Capital | | |
| Purchase of tangible capital assets | (84,747) | (79,036) |
| | (84,747) | (79,036) |
| Investing | | |
| Change in investments | (31) | 27,395,625 |
| Transferred to trust under administration (Note 14) | - | (524,382) |
| | (31) | 26,871,243 |
| Financing | | |
| Due (to) from related parties | (159,597) | 67,036 |
| Proceeds from TLE Loan | 111,880 | 111,080 |
| Deferred costs | (111,880) | (111,080) |
| | (159,597) | 67,036 |
| Increase in cash and cash equivalents | 1,407,049 | 3,117,213 |
| Cash and cash equivalents, beginning of year | 7,378,136 | 4,260,923 |
| Cash and cash equivalents, end of year | \$ 8,785,185 | \$ 7,378,136 |

K'ATLODEECHE FIRST NATION
 Statement of Changes in Fund Balances
 Non-Consolidated
 March 31, 2021

| | General Operating Fund | Water and Sewer Fund | Ottawa Trust Fund | Social Housing Fund | Daycare Reserve Fund | Agricultural Benefits Fund | Other Reserves | Capital Assets Fund | 2021 | 2020 |
|--------------------------------------|------------------------------|-------------------------|----------------------|---------------------------|----------------------------|-------------------------------|-------------------|------------------------|---------------|---------------|
| Surplus (deficit) | \$ (452,354) | \$ 93,373 | \$ 73,883 | \$ (545) | \$ - | \$ 61,254 | \$ - | \$ - | \$ (224,389) | \$ (377,721) |
| Net interfund transfers | | | | | | | | | | |
| Amortization | 405,569 | - | - | - | - | - | - | - | (405,569) | - |
| Capital additions | (84,747) | - | - | - | - | - | - | - | 84,747 | - |
| Disposals of tangible capital assets | - | - | - | - | - | - | - | - | - | - |
| Transfer to reserves | (23,208) | - | - | - | - | - | - | - | - | - |
| Transfer to trust | - | - | - | - | - | - | - | - | - | (524,382) |
| Changes in accumulated surplus | (154,740) | 93,373 | 73,883 | (545) | - | 61,254 | 23,208 | (320,822) | (224,389) | (902,103) |
| Accumulated Surplus, beginning | (100,925) | 92,594 | 674,082 | 133,525 | 76,302 | 317,080 | 888,387 | 8,281,823 | 10,362,868 | 11,264,971 |
| Accumulated Surplus, end of year | \$ (255,665) | \$ 185,967 | \$ 747,965 | \$ 132,980 | \$ 76,302 | \$ 378,334 | \$ 911,595 | \$ 7,961,001 | \$ 10,138,479 | \$ 10,362,868 |
| Reserves | | | | | | | | | | |
| | 2020 | | | | Transfer to (from) | | 2021 | | | |
| Economic development reserve | \$ 637,562 | \$ 10,000 | \$ 647,562 | | | | | | | |
| Band programs reserve | 76,000 | - | 76,000 | | | | | | | |
| School bus reserve | 19,212 | 13,208 | 32,420 | | | | | | | |
| Lands and resources reserve | 47,399 | - | 47,399 | | | | | | | |
| Legal reserve | 78,770 | - | 78,770 | | | | | | | |
| Wellness Centre | 13,895 | - | 13,895 | | | | | | | |
| Sports and rec committee | 15,549 | - | 15,549 | | | | | | | |
| | \$ 888,387 | \$ 23,208 | \$ 911,595 | | | | | | | |

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

Non-Consolidated

March 31, 2021

Note 1. Nature of Operations

The K'atlodeeche First Nation (the "First Nation") is an Indian Band as defined by the Indian Act.

Note 2. Basis of Presentation and Significant Accounting Policies

The basis of presentation and significant accounting policies are as follows:

(a) Basis of Accounting

The non-consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants.

(b) 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.

(c) Measurement Uncertainty

The preparation of financial statement in conformity with Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.

(d) 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 expenditures 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 Operations, the loan is recorded as revenue.

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

Non-Consolidated

March 31, 2021

Note 2. Basis of Presentation and Significant Accounting Policies (continued)

(e) 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.

(f) 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.

(g) 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.

(h) Comparative Amounts

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

(i) Trusts under administration

Trusts under administration consists of property that has been conveyed or assigned to the First Nation to be administered as directed by a trust agreement. These trusts are excluded from the First Nation's financial statements. A description of the trusts along with a summary of the trust balances is disclosed in Note 14.

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements
 Non-Consolidated
 March 31, 2021

Note 3. Cash and Cash Equivalents

| | 2021 | 2020 |
|----------------------------------|--------------------|--------------------|
| Externally restricted | | |
| CPI account | \$ 3,599,927 | \$ 2,916,537 |
| Gas Tax account | 1,169,348 | 1,085,867 |
| Ottawa Trust Funds (Note 5) | 1,041,828 | 943,001 |
| Internally restricted | | |
| Kamba Carnival | - | 42,196 |
| NDE Recreation Committee account | - | 31,936 |
| KFN Lottery account | 91,040 | - |
| Economic Development reserve | 383,153 | 382,175 |
| Daycare reserve | 1,364 | 1,382 |
| Land and Resources reserve | 48,681 | 55,682 |
| Agricultural Benefits fund | 884,428 | 593,389 |
| Legal reserve | 79,204 | 120,244 |
| Community Development account | 135,012 | 317,698 |
| Unrestricted | | |
| Chequing Bank Account | 1,351,200 | 888,029 |
| | <hr/> \$ 8,785,185 | <hr/> \$ 7,378,136 |

Under band council resolution 2020-11-20 the Kamba Carnival account funds were transferred to the general operating account. The NDE Recreation Committee account funds were transferred to the KFN Lottery account.

Note 4. Short Term Investments

| | 2021 | 2020 |
|--|-----------|-----------|
| Cashable GICs (0.5% maturity July 4, 2021) | \$ 24,513 | \$ 24,482 |

Note 5. Trust Funds

CIRNAC/ISC 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 Crown-Indigenous Relations, 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 Crown-Indigenous Relations and such expenditures are generally for projects of a capital nature.

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements
 Non-Consolidated
 March 31, 2021

Note 6. **Accounts Receivable**

| | | Gross | Allowance | 2021 Net | 2020 Net |
|--------------------------|---------------------|-------------------|---------------------|---------------------|-------------|
| Government organizations | | | | | |
| Federal | | | | | |
| CIRNAC/ISC | \$ 259,127 | \$ 97,021 | \$ 162,106 | \$ 181,449 | |
| Government of Canada | 214,073 | 8,100 | 205,973 | 105,975 | |
| Territorial | | | | | |
| GNWT | 775,062 | 4,735 | 770,327 | 514,549 | |
| GNWT Housing Corporation | 143,658 | 91,689 | 51,969 | 34,987 | |
| Other government | | | | | |
| Deh Cho First Nations | 29,163 | - | 29,163 | 74,088 | |
| Deh Cho HSS | - | - | - | 200 | |
| Other receivables | | | | | |
| Water & sewer receivable | 224,042 | 162,715 | 61,327 | 41,944 | |
| Trade | 117,753 | 8,310 | 109,443 | 107,694 | |
| | \$ 1,762,878 | \$ 372,570 | \$ 1,390,308 | \$ 1,060,886 | |

Note 7. **Investment in Government Business Enterprise**

Evergreen Forestry Limited Partnership ("the Partnership") was formed by virtue of a limited partnership agreement ("the Agreement") to provide forest fire fighting and other forestry services near Hay River, Northwest Territories. The partnership commenced active operations on April 1, 2001.

The partners and their respective interests in the partnership are as follows:

| | |
|------------------------------------|-----------------|
| Evergreen Forestry Management Ltd. | General Partner |
| K'atlodeeche First Nation | 50% |
| Fort Providence Dene Band | 50% |

The investment in the partnership has been accounted for in KFN's financial statements at the initial investment of \$93,500.

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements
Non-Consolidated
March 31, 2021

Note 8. Schedule of Tangible Capital Assets

| | Original Cost Opening Balance | Additions | Disposals | Original Cost Closing Balance | Accumulated Amortization Beginning of Year | Net Carrying Amount Beginning of Year | Deletions | Amortization | Accumulated Amortization End of Year | Net Carrying Amount 2021 |
|--------------------------------|-------------------------------------|-----------|-----------|-------------------------------------|---|--|-----------|--------------|--|-----------------------------------|
| Land improvements | \$ 1,267,557 | \$ - | \$ - | \$ 1,267,557 | \$ 235,637 | \$ 1,031,920 | \$ - | \$ 25,703 | \$ 261,340 | \$ 1,006,217 |
| Computer equipment | 243,700 | - | - | 243,700 | 192,255 | 51,445 | - | 15,909 | 208,164 | 35,536 |
| Machinery and equipment | 1,535,480 | 84,747 | - | 1,620,227 | 1,011,477 | 524,003 | - | 105,813 | 1,117,290 | 502,937 |
| Office furniture and equipment | 117,177 | - | - | 117,177 | 100,099 | 17,078 | - | 5,345 | 105,444 | 11,733 |
| Buildings | 8,899,456 | - | - | 8,899,456 | 3,669,471 | 5,229,985 | - | 213,471 | 3,882,942 | 5,016,514 |
| Infrastructure | 1,573,115 | - | - | 1,573,115 | 235,697 | 1,337,418 | - | 39,328 | 275,025 | 1,298,090 |
| | \$ 13,636,485 | \$ 84,747 | \$ - | \$ 13,721,232 | \$ 5,444,636 | \$ 8,191,849 | \$ - | \$ 405,569 | \$ 5,850,205 | \$ 7,871,027 |

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements
 Non-Consolidated
 March 31, 2021

Note 9. Accounts Payable and Accrued Liabilities

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Accounts payable and accrued liabilities | \$ 695,076 | \$ 522,762 |
| Wages and benefits payable | 67,171 | 56,461 |
| Agricultural Benefits due to Members | 537,099 | 594,224 |
| Government remittances payable | 17,925 | 66,956 |
| | \$ 1,317,271 | \$ 1,240,403 |

Note 10. Deferred Revenue

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Capital Funding | | |
| Community Public Infrastructure | \$ 3,534,259 | \$ 2,799,589 |
| Gas Tax | 1,055,731 | 977,419 |
| Community Capacity Building | 67,573 | 67,573 |
| Operations funding | | |
| CIRNAC/ISC | 786,542 | 437,382 |
| Federal - other departments | 76,561 | 441,958 |
| GNWT - MACA | 38,060 | 4,545 |
| GNWT - Health and Social Services | 30,362 | 72,097 |
| GNWT - Lands | 8,766 | - |
| GNWT - Education, Culture and Employment | 5,972 | 5,606 |
| GNWT - Environment and Natural Resources | 1,866 | 19,369 |
| GNWT - Resource Revenue Sharing | - | 56,522 |
| GNWT - Justice | - | 17,702 |
| NWT Housing Corporation | - | 40,128 |
| FNLMR | 100,000 | 74,529 |
| NIB Trust Fund | 16,756 | - |
| Tides stewardship | 7,639 | 25,000 |
| NWT Literacy | 3,000 | 6,545 |
| United Way | 1,532 | - |
| Tlicho Government | - | 125,000 |
| | \$ 5,734,619 | \$ 5,170,964 |

Note 11. Contributions Repayable

| | 2021 | 2020 |
|---|---------------------|-------------|
| Government of Canada | \$ 676,231 | \$ - |
| Government of the Northwest Territories | 198,268 | - |
| Other | 288,353 | - |
| | \$ 1,162,852 | \$ - |

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements
Non-Consolidated
March 31, 2021

Note 12. Restricted Deposits

| | Required Balance | Cash Balance | Receivable | Excess (Shortfall) |
|---------------------------------|---------------------|-----------------|------------|-----------------------|
| Community Public Infrastructure | \$ 3,534,259 | \$ 3,599,927 | \$ - | \$ 65,668 |
| Gas Tax | 1,055,731 | 1,169,348 | - | 113,617 |
| | \$ 4,589,990 | \$ 4,769,275 | \$ - | \$ 179,285 |

Note 13. 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. 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:

| | 2021 | 2020 |
|--|--------------|--------------|
| 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. | \$ 2,257,745 | \$ 2,145,865 |
| Less: Deferred costs | \$ 2,257,745 | \$ 2,145,865 |
| Net financial asset (liability) | \$ - | \$ - |

Note 14. Trusts Under Administration

Agricultural Benefits Settlement Agreement

K'atlodeeche First Nation has negotiated the Agriculture Benefits Settlement Agreement. The Agreement is 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.

The agreement was executed on July 8, 2020 and at that time, the settlement amount was transferred to the K'atlodeeche First Nation Agricultural Benefits Trust.

Once executed, K'atlodeeche First Nation entered into a formal trust agreement with Peace Hills Trust Company, the Trustee for the K'atlodeeche First Nation Treaty #8 Agricultural Benefits Specific Claim Settlement Agreement. The settlement amount of \$28,343,937 was transferred to the Trustee for the long-term benefit of the First Nation, who acting through its Chief and Council, is the settlor and beneficiary of the trust. Earnings generated on the settlement amount prior to the execution of the Agriculture Benefits Settlement Agreement were realized as income in the period it was earned. An amount of \$524,382 was transferred out of the Agriculture Benefit and General Operating Funds to the trustee relating to this income.

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements
 Non-Consolidated
 March 31, 2021

Note 14. Trusts Under Administration (continued)

| | 2021 | 2020 |
|--|---------------|---------------|
| Opening Balance | \$ 12,481,367 | \$ - |
| Initial Settlement | - | 28,343,937 |
| Payout of Negotiation Loan Funding | - | (263,995) |
| Net compensation received | 12,481,367 | 28,079,942 |
| Dividends and interest earned | 352,555 | 744,111 |
| Gain (Loss) on investments | 316,820 | (93,685) |
| Investment fees and bank charges | (104,826) | (50,349) |
| Audit fees | (7,560) | (5,250) |
| Honorarium and travel | (2,600) | (7,487) |
| Administration fees paid to the First Nation | - | (244,430) |
| 20% of the years income earned | (61,254) | (73,268) |
| Per capita distribution to members | (265,758) | (15,868,217) |
| | \$ 12,708,744 | \$ 12,481,367 |

Note 15. Due (to) From Related Parties

| | 2021 | 2020 |
|--|------------|-------------|
| Due (to) from Naegha Zhia Inc. | \$ 129,805 | \$ 11,429 |
| Due (to) from Ehdah Cho Store | (11,472) | (51,024) |
| Due (to) from Evergreen Forestry Ltd Partnership | 10,594 | 8,925 |
| | \$ 128,927 | \$ (30,670) |

Advances from Naegha Zhia Inc. are non-interest bearing and have no set repayment terms. The company is a 100% subsidiary of K'atlodeeche First Nation.

Advances from Ehdah Cho Store are non-interest bearing and have no set repayment terms. The company is a 100% subsidiary of K'atlodeeche First Nation.

Advances from Hay River Dene Reserve Limited Partnership are non-interest bearing and have no set repayment terms. K'atlodeeche First Nation is the 100% limited partner of the partnership and Naegha Zhia Inc is the 100% general partner.

Advances from Evergreen Forestry Ltd. Partnership are non-interest bearing and have no set repayment terms. K'atlodeeche First Nation holds 50% of the partnership.

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.

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

Non-Consolidated

March 31, 2021

Note 16. Related Party Transactions

The following transactions were recorded with related parties under the same terms and conditions as unrelated parties:

| | 2021 | 2020 |
|--|-----------|-----------|
| Sales to Naegha Zhia Inc. | \$ 22,080 | \$ 47,462 |
| Sales to Ehdah Cho Store Ltd. | 3,509 | 4,884 |
| Sales to Yamo'zha K'ue Society | 24,212 | - |
| Donations from Denendeh Helicopters | 5,500 | - |
| Donations from Ehdah Cho Store Ltd. | 1,250 | - |
| Management fee from Naegha Zhia Inc. | 53,000 | 39,979 |
| Management fee from Evergreen Forestry | 10,000 | 51,281 |
| Management fee from Ehdah Cho Store Ltd. | 77,000 | 96,500 |
| Purchases from Naegha Zhia Inc. | 1,080 | 1,236,195 |
| Purchases from Ehdah Cho Store Ltd. | 176,173 | 147,824 |
| Rent from Naegha Zhia Inc. | 30,000 | 24,000 |
| Rent from Yamo'zha K'ue Society | 918 | - |

Note 17. Economic Dependence

The First Nation receives a significant portion of its revenue pursuant to a funding agreement with Crown-Indigenous Relations and Northern Affairs Canada / Indigenous Service Canada (CIRNAC/ISC) 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 18. Contingent Liabilities

Under the terms of the contribution agreement between the First Nation, CIRNAC/ISC, 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 19. Budget

K'atlodeeche First Nation prepares budget information for each project as required under the individual contribution agreements. The consolidated budgeted revenues and expenditures 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.

Note 20. 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 \$102,991(2020 - \$104,684). These amounts were expensed as incurred. There are no assets or liabilities reflected in the statement of financial position pertaining to these pension plans.

K'ATLODEECHE FIRST NATION

Notes to the Financial Statements

Non-Consolidated

March 31, 2021

Note 21. 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.



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REVIEW ENGAGEMENT REPORT

To Indigenous and Northern Affairs Canada:

We have reviewed the schedule of remuneration and expenses (Chiefs and Councillors) for K'atlodeeche First Nation for the year ended March 31, 2021, as required in accordance with the Indigenous Services Canada 2019 - 2021 Financial Reporting Requirement outlined in section 7.3. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by K'atlodeeche First Nation.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that this financial information is not, in all material respects, in accordance with the Indigenous Services Canada Year-end 2019 - 2021 Financial Reporting Requirement outlined in section 7.3.

A handwritten signature in black ink that reads 'Ashton'.

ASHTON
Chartered Accountants
Business Advisors

Hay River, NT
June 8, 2022

K'ATLODEECHE FIRST NATION

Schedule of Remuneration and Expenses - (Chiefs and Councillors)

For the year ended March 31, 2021

Remuneration and expenses - Katlodeeche First Nation

| Name of Individual | Position Title | Number of Months | Remuneration | Expenses |
|----------------------|----------------|------------------|--------------|-----------|
| April Martel (Chief) | Chief | 12 | \$ 93,356 | \$ 847 |
| Robert Lamalice | Councillor | 12 | 28,165 | 3,500 |
| Pat Martel | Councillor | 12 | 37,380 | 3,300 |
| Peter Sabourin | Councillor | 12 | 45,185 | 19,668 |
| Joyce Studney | Councillor | 12 | 60,855 | 1,088 |
| Raymond Sonfrere | Councillor | 9 | 13,900 | - |
| Doug Lamalice | Councillor | 8 | 15,116 | 250 |
| Shirley Lamalice | Councillor | 1 | 5,087 | - |
| Irene Graham | Councillor | 1 | 7,450 | 3,350 |
| | | | \$ 306,494 | \$ 32,003 |

Remuneration and expenses - Subsidiary companies

| Name of Individual | Position Title | Number of Months | Remuneration | Expenses |
|--------------------------------|----------------|------------------|--------------|----------|
| Naegha Zchia | | | | |
| April Martel (Chief) | Chief | 12 | \$ - | \$ - |
| Robert Lamalice | Councillor | 12 | - | - |
| Pat Martel | Councillor | 12 | 200 | - |
| Peter Sabourin | Councillor | 12 | - | - |
| Joyce Studney | Councillor | 12 | - | - |
| Doug Lamalice | Councillor | 9 | - | - |
| Raymond Sonfrere | Councillor | 8 | - | - |
| Shirley Lamalice | Councillor | 1 | - | - |
| Irene Graham | Councillor | 1 | - | - |
| Evergreen Forestry Ltd. | | | | |
| April Martel (Chief) | Chief | 12 | \$ 9,600 | \$ 2,471 |
| Robert Lamalice | Councillor | 12 | 7,800 | 1,107 |
| Pat Martel | Councillor | 12 | - | - |
| Peter Sabourin | Councillor | 12 | - | - |
| Joyce Studney | Councillor | 12 | 300 | - |
| Doug Lamalice | Councillor | 9 | - | - |
| Raymond Sonfrere | Councillor | 8 | - | - |
| Shirley Lamalice | Councillor | 1 | - | - |
| Irene Graham | Councillor | 1 | - | - |
| Ehdah Cho Store | | | | |
| April Martel (Chief) | Chief | 12 | \$ - | \$ - |
| Robert Lamalice | Councillor | 12 | - | - |
| Pat Martel | Councillor | 12 | - | - |
| Peter Sabourin | Councillor | 12 | - | - |
| Joyce Studney | Councillor | 12 | - | - |
| Doug Lamalice | Councillor | 9 | - | - |
| Raymond Sonfrere | Councillor | 8 | - | - |
| Shirley Lamalice | Councillor | 1 | - | - |
| Irene Graham | Councillor | 1 | - | - |
| | | | \$ 17,900 | \$ 3,578 |