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INDEPENDENT AUDITORS' REPORT

To the Members of Aklavik Indian Band

Opinion

We have audited the financial statements of Aklavik Indian Band (the "Band") which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Band as at March 31, 2021, and its results of operations and 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Band 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 these 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 the 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 Band's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Band or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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.
- 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 Band'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 Band's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Band 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Chartered Professional Accountants

Edmonton, Canada

DATE

AKLAVIK INDIAN BAND

Financial Statements

Year ended March 31, 2021

Financial Statements

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AKLAVIK INDIAN BAND

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 150,708	\$ 181,539
Accounts receivable (note 11)	124,346	181,449
Due from Black Mountain Realty Incorporated (note 2)	106,104	106,104
Investment in Gwich'in Investments Limited Partnership (note 3)	6	13
Investment in Daazraii Investments Inc. (note 4)	588,872	634,379
	<u>970,036</u>	<u>1,103,484</u>
Liabilities:		
Accounts payable and accrued liabilities (note 11)	82,422	71,390
Deferred revenue (note 5)	196,826	300,310
Government transfers and contributions repayable (note 6)	57,861	44,651
	<u>337,109</u>	<u>416,351</u>
Net financial assets	632,927	687,133
Non-financial assets:		
Prepaid expenses and deposits	-	847
Tangible capital assets (note 7)	20,907	17,598
	<u>20,907</u>	<u>18,445</u>
Accumulated surplus (note 8)	\$ 653,834	\$ 705,578

Commitments (note 9)

Impacts of COVID-19 (note 15)

See accompanying notes to financial statements.

On behalf of the Council:



Chief



Councillor

AKLAVIK INDIAN BAND

Statement of Operations and Accumulated Surplus

Year ended March 31, 2021, with comparative information for 2020

	Budget	2021	2020
Revenues:			
Government transfers and other contributions:			
Government of Canada	\$ 146,662	\$ 230,657	\$ 410,091
Government of the Northwest Territories	-	158,369	178,883
Northwest Territories Housing Corporation	-	70,000	70,000
Gwich'in Tribal Council	36,207	17,386	47,317
Other contributions and transfers	-	37,727	5,000
	182,869	514,139	711,291
Net amounts (deferred) recognized	-	103,484	(175,484)
Contribution and transfer (repayments) recoveries	-	(64,045)	(13,170)
	182,869	553,578	522,637
Administrative cost recoveries (note 11)	168,000	184,673	195,898
Rental revenue (note 7)	-	41,400	36,563
Interest and other revenue	-	6,847	5,925
	350,869	786,498	761,023
Expenses (note 11):			
Salaries, wages and benefits (note 12)	271,402	514,914	511,430
Rent	23,241	65,959	88,453
Materials and supplies	-	64,268	36,983
Contracted services	-	52,710	137,981
Office and administration	4,745	32,901	22,044
Professional fees	20,000	23,808	28,077
Communications	3,800	14,981	15,755
Honoraria	24,000	12,900	23,150
Equipment rental	-	9,940	7,118
Utilities	-	9,691	3,494
Amortization of tangible capital assets	-	7,652	6,335
Emergency assistance distributions	-	6,400	7,050
Unrecoverable GST	-	5,076	8,728
Interest, bank charges and penalties	275	4,916	14,385
Bad debts	-	2,293	13,958
Donations and contributions	-	961	7,702
Travel	-	426	46,161
	347,463	829,796	978,804
Annual surplus (deficiency) before the undernoted	3,406	(43,298)	(217,781)
Equity in loss of investments:			
Gwich'in Investments Limited Partnership (note 3)	-	(7)	(8)
Daazraii Investments Inc. (note 4)	-	(45,507)	(118,451)
Canada Post dealer fees (note 10)	-	37,068	70,273
Annual surplus (deficiency)	3,406	(51,744)	(265,967)
Accumulated surplus, beginning of year	705,578	705,578	971,545
Accumulated surplus, end of year	\$ 708,984	\$ 653,834	\$ 705,578

See accompanying notes to financial statements.

AKLAVIK INDIAN BAND

Statement of Changes in Net Financial Assets

Year ended March 31, 2021, with comparative information for 2020

	Budget	2021	2020
Annual surplus (deficiency)	\$ 3,406	\$ (51,744)	\$ (265,967)
Acquisition of tangible capital assets	-	(10,961)	(513)
Amortization of tangible capital assets	-	7,652	6,335
	-	(3,309)	5,822
Decrease (increase) in prepaid expenses and deposits	-	847	(258)
Increase (decrease) in net financial assets	3,406	(54,206)	(260,403)
Net financial assets, beginning of year	687,133	687,133	947,536
Net financial assets, end of year	\$ 690,539	\$ 632,927	\$ 687,133

See accompanying notes to financial statements.

AKLAVIK INDIAN BAND

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Annual deficiency	\$ (51,744)	\$ (265,967)
Items not involving cash:		
Amortization of tangible capital assets	7,652	6,335
Equity in loss of Daazraii Investments Inc.	45,507	118,451
Equity in loss of Gwich'in Investments Limited Partnership	7	8
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	57,103	(3,682)
Increase (decrease) in accounts payable and accrued liabilities	11,032	(47,204)
(Decrease) increase in deferred revenue	(103,484)	175,484
Increase (decrease) in government transfers and contributions repayable	13,210	(830)
Decrease (increase) in prepaid expenses and deposits	847	(258)
	(19,870)	(17,663)
Capital transactions:		
Acquisition of tangible capital assets	(10,961)	(513)
Decrease in cash and cash equivalents	(30,831)	(18,176)
Cash and cash equivalents, beginning of year	181,539	199,715
Cash and cash equivalents, end of year	\$ 150,708	\$ 181,539

See accompanying notes to financial statements.

AKLAVIK INDIAN BAND

Notes to Financial Statements

Year ended March 31, 2021

Aklavik Indian Band (the "Band") is an aboriginal organization that represents the aboriginal people of the Hamlet of Aklavik, Northwest Territories. The Band is registered with the Government of Canada under the Indian Act and is not subject to any federal, territorial or local government taxes or similar charges.

1. Significant accounting policies:

The financial statements of the Band have been prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Band are as follows:

(a) Revenue recognition:

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation which meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Expense recoveries, bingo revenue and other revenue are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except where the accruals cannot be determined with a reasonable degree of certainty or where their estimation is impracticable.

(b) Cash and cash equivalents:

Cash and cash equivalents includes cash on hand, balances with banks and term deposits having a maturity of three months or less which are held for the purpose of meeting short-term cash commitments.

(c) Investments in government business enterprises:

The Band's investments in Daazraii Investments Inc. and the Gwich'in Investments Limited Partnership have been accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the Band, and inter-organizational transactions and balances are not eliminated.

AKLAVIK INDIAN BAND

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(d) Tangible capital assets:

Tangible capital assets are recorded at cost and are amortized over their expected useful lives using the following methods and annual rates:

Asset	Basis	Rate
Equipment	Declining balance	20%
Computer hardware and software	Declining balance	30% - 55%
Leasehold improvements	Straight-line	Lease term

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue.

The Band manages and controls various works of art and non-operational historical cultural assets. These assets are not recorded as tangible capital assets and are not amortized.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, and transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

AKLAVIK INDIAN BAND

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

As the Band does not have any unrealized gains or losses, a statement of remeasurement gains and losses has not been prepared.

Fair value measurements are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 – observable or corroborated inputs other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

(f) Employee future benefits:

The Band sponsors a defined contribution plan providing pension benefits for its employees, where the employee and the Band each contribute a specified percentage of pensionable earnings. The Band also provides employees with basic life, accidental death and dismemberment, long-term disability and extended health and vision benefits through benefits carriers.

(g) Allocation of expenses:

The Band records a number of its expenses by program. The cost of each program includes the personnel, premises and other expenses that are directly related to providing the program.

The Band allocates certain of its general support expenses by identifying the appropriate basis of allocating each expense.

AKLAVIK INDIAN BAND

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements 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 reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(i) Related party transactions:

The Band enters into transactions with related parties in the normal course of operations and on normal trade terms. These transactions are measured at the exchange amount which is the amount of consideration established and agreed by the related parties.

Unallocated costs, comprising materials and services contributed by related parties in support of the Council's operations, are not recognized in the financial statements.

(j) Budget:

The budget information has been derived from the budget approved by the Band Council.

(k) Future accounting changes:

The following summarizes upcoming changes to public sector accounting standards: PS3280 - *Asset Retirement Obligations* effective April 1, 2022; PS3400 - *Revenue* effective April 1, 2023; and PSG-9 - *Purchased Intangibles* - effective April 1, 2023. The Band's management is currently assessing the impact of this new accounting standard on its financial statements.

AKLAVIK INDIAN BAND

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Due from Black Mountain Realty Incorporated:

The amount due from Black Mountain Realty Incorporated, an entity under common management control, is non-interest bearing, unsecured and has no specified terms of repayment.

3. Investment in Gwich'in Investments Limited Partnership:

The Band owns 1,035 of 4,004,150 units in Gwich'in Investments Limited Partnership (GILP). The partnership's principal activity is to hold an investment in Denendeh Investments Limited Partnership. The following summarizes the financial position and results of operations of GILP as at and for the year ended December 31, 2020:

	2021	2020
Financial position:		
Current assets	\$ 3,414	\$ 3,474
Equity-accounted investees	100,196	124,038
Total assets	103,610	127,512
Current liabilities	81,270	75,920
Partners' equity	22,340	51,592
Total liabilities and partners' equity	103,610	127,512
Share of partners' equity attributable to the Band	\$ 6	\$ 13
Financial performance:		
Revenues	\$ -	\$ -
Expenses	(5,410)	(4,855)
Share of loss of equity-accounted investees	(23,842)	(24,174)
Total loss for the year	(29,252)	(29,029)
Total loss for the year attributable to the Band	\$ (7)	\$ (8)

AKLAVIK INDIAN BAND

Notes to Financial Statements (continued)

Year ended March 31, 2021

4. Investment in Daazraii Investments Inc.:

The Band owns all of the outstanding shares of Daazraii Investments Inc. (the "Company"), a private company incorporated under the laws of the Northwest Territories. The Company owns 51% of a local charter company that flies into and out of the Gwich'in Settlement Area - Aklavik, Northwest Territories. The following summarizes the consolidated financial position and results of operations of Daazraii Investments Inc. as at and for the year ended March 31, 2021:

	2021	2020
Financial position:		
Current assets	\$ 102,407	\$ 71,243
Non-current assets	522,710	588,747
Total assets	625,117	659,990
Current liabilities	36,245	25,611
Due to Aklavik Indian Band	109,450	109,450
Total liabilities	145,695	135,061
Total equity attributable to the Band	\$ 479,422	\$ 524,929
Financial performance:		
Revenues	\$ 206,720	\$ 348,519
Expenses	252,227	466,970
Loss for the year attributable to the Band	\$ (45,507)	\$ (118,451)

The net investment in Daazraii Investments Inc. is comprised of equity of \$479,422 (2020 - \$524,929) and amounts due to Aklavik Indian Band of \$109,450 (2020 - \$109,450). The amount due from Daazraii Investments Inc. is non-interest bearing, unsecured and has no specified terms of repayment.

AKLAVIK INDIAN BAND

Notes to Financial Statements (continued)

Year ended March 31, 2021

5. Deferred revenue:

	2021	2020
Government of Canada:		
Capacity Building	\$ 162,752	\$ 183,752
Professional and Institutional Development Program	13,698	54,215
IT Capacity Development	4,945	27,905
Skill Link Program	-	23,539
	181,395	289,411
Government of the NWT:		
Early Learning and Child Care Centre	7,000	7,000
Community Development	8,431	3,899
	15,431	10,899
	\$ 196,826	\$ 300,310

6. Government transfers and contributions repayable:

	2021	2020
Government of Canada:		
New Horizons for Seniors	\$ 11,601	\$ 11,601
	11,601	11,601
Government of the NWT:		
Community Access Program	29,357	22,500
Nutrition North Program	10,550	10,550
ECE Community Hunt	6,353	-
	46,260	33,050
	\$ 57,861	\$ 44,651