

Katzie First Nation
Consolidated Financial Statements
March 31, 2019

Katzie First Nation Contents

For the year ended March 31, 2019

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Management's Responsibility

To the Members of Katzie First Nation:

The accompanying consolidated financial statements of Katzie First Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Katzie First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

July 26, 2019

Original Signed by Denis Vaillancourt

Financial Manager

Independent Auditor's Report

To the Members of Katzie First Nation:

Opinion

We have audited the consolidated financial statements of Katzie First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations and its consolidated 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 Consolidated 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 consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation'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 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.

Chilliwack, British Columbia

July 26, 2019

MNP LLP

Chartered Professional Accountants

Katzie First Nation
Consolidated Statement of Financial Position
As at March 31, 2019

	2019	2018
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Financial assets		
Cash	2,747,582	1,226,548
Investments (Note 3)	12,440,633	12,161,758
Accounts receivable	371,261	409,541
Restricted cash (Note 4)	145,393	93,212
Funds held in trust (Note 5)	9,739	338,495
Investment in Nation business entities (Note 6)	2,504,429	2,506,597
	18,219,037	16,736,151
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Liabilities		
Accounts payable and accruals	480,608	346,040
Long-term debt (Note 7)	5,789,906	4,636,017
	6,270,514	4,982,057
<hr/>		
Net financial assets	11,948,523	11,754,094
<hr/>		
Contingencies (Note 11)		
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Non-financial assets		
Tangible capital assets (Schedule 1)	10,541,714	10,962,579
Prepaid expenses	25,578	31,079
	10,567,292	10,993,658
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Accumulated surplus (Note 8)	22,515,815	22,747,752
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Approved on behalf of the Council

Original signed by Chief Grace Cunningham

Chief

Original signed by David Kenworthy

Councillor

Katzie First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2019

	Schedules	2019 Budget	2019	2018
Revenue				
Indigenous Services Canada		1,314,976	3,114,996	2,564,583
First Nations Health Authority		718,773	1,144,491	649,194
Province of B.C.		781,866	742,894	563,572
Canada Mortgage and Housing Corporation		113,054	94,999	134,786
Canada Mortgage and Housing Corporation - Supplemental Assistance		-	44,555	-
Government of Canada		311,174	39,630	88,060
Earnings (loss) from Nation business entities		-	(5,006)	78,118
Other funding and revenue		333,589	428,627	104,868
Investment income		-	397,576	417,449
Rental income		213,033	246,616	239,053
New Relationship Trust		-	225,000	4,000
B.C. Treaty Commission		385,271	158,172	100,000
Sto:lo Aboriginal Skills & Employment Training		12,340	60,341	29,274
Referral fees		-	16,000	-
Ridge Meadows A.C.L.		5,000	5,000	5,000
Interest income		-	997	-
Repayment of funding		-	(60,921)	(3,669)
		4,189,076	6,653,967	4,974,288
Expenses by segment				
Administration	3	988,003	570,003	406,536
Economic Development and Employment	5	671,779	1,060,964	584,981
Education	6	346,944	862,131	764,481
Health and Social Programs	7	1,403,329	2,027,098	1,292,406
Housing	8	346,139	234,749	166,670
Aboriginal Rights and Title	9	385,273	647,467	509,253
Maintenance	10	343,448	581,907	317,449
Other	11	86,034	415,754	389,125
First Nation Enterprises	12	549,360	589,619	205,578
Total expenditures		5,120,309	6,989,692	4,636,479
Surplus (deficit) before other items		(931,233)	(335,725)	337,809
Other income				
Foreign exchange gain (loss)		-	126,041	(118,563)
Loss on disposal of capital assets		-	(22,253)	-
		-	103,788	(118,563)
Surplus (deficit)		(931,233)	(231,937)	219,246
Accumulated surplus, beginning of year		22,747,752	22,747,752	22,528,506
Accumulated surplus, end of year		21,816,519	22,515,815	22,747,752

The accompanying notes are an integral part of these financial statements

Katzie First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2019

	<i>2019 Budget</i>	<i>2019</i>	<i>2018</i>
Annual surplus (deficit)	(931,233)	(231,937)	219,246
Purchases of tangible capital assets	-	-	(2,136,191)
Amortization of tangible capital assets	-	399,891	366,951
Loss on disposal of tangible capital asset	-	22,253	-
Addition of KEYS asset	-	(1,279)	-
	-	420,865	(1,769,240)
Acquisition of prepaid expenses	(25,578)	(25,578)	(31,081)
Use of prepaid expenses	31,079	31,079	68,133
	5,501	5,501	37,052
Increase (decrease) in net financial assets	(925,732)	194,429	(1,512,942)
Net financial assets, beginning of year	11,754,094	11,754,094	13,267,036
Net financial assets, end of year	10,828,362	11,948,523	11,754,094

The accompanying notes are an integral part of these financial statements

Katzie First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating activities		
Surplus (deficit)	(231,937)	219,246
Non-cash items		
Amortization	399,891	366,951
Income from funds held in trust	(7,367)	(10,233)
Equity loss (income) from investments	5,006	(78,118)
Loss on disposal of capital assets	22,253	-
CMHC receivable	55,520	-
	243,366	497,846
Changes in working capital accounts		
Accounts receivable	38,280	(73,380)
Prepaid expenses	5,501	37,052
Restricted cash	(52,181)	16,178
Accounts payable and accruals	134,567	(430,863)
Investments	3,249	(16,019)
Deferred revenue	-	(51,385)
	372,782	(20,571)
Financing activities		
Advances of long-term debt	1,205,319	381,723
Repayment of long-term debt	(106,948)	(112,634)
Withdrawal of funds held in trust	328,756	150,000
	1,427,127	419,089
Capital activities		
Purchases of tangible capital assets	-	(2,136,191)
Investing activities		
Purchase of Investments	-	(242,358)
Proceeds on disposal of Investments	60,918	-
Advances to related Nation entities & departments	-	(14,895)
	60,918	(257,253)
Increase (decrease) in cash resources	1,860,827	(1,994,926)
Cash resources, beginning of year	7,575,622	9,570,548
Cash resources, end of year	9,436,449	7,575,622
Cash resources are composed of:		
Cash	2,747,582	1,226,548
Portfolio Investments	6,688,867	6,349,074
	9,436,449	7,575,622
Supplementary cash flow information		
Interest paid	35,015	14,766

The accompanying notes are an integral part of these financial statements

1. Operations

Katzie First Nation (the "Nation") is located in the province of British Columbia, and provides various services to its members. Katzie First Nation includes the Nation's government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

Net financial assets

The First Nation's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution.

Amortization

Tangible capital assets are amortized annually using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives:

	Rate
Infrastructure	50 years
Community/Health building	50 years
Bridges	40 years
Buildings	25 years
Fencing	25 years
Roads	20 years
Equipment	10 years
Vehicles	5 years

2. **Significant accounting policies** *(Continued from previous page)*

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust monies consist of:

- Capital trust monies derived from non-renewable resource transactions on the sale of land or other Nation tangible capital assets; and
- Revenue trust monies generated primarily through land leasing transactions or interest earned on deposits held in trust.

Revenue recognition

Funding

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the statement of financial position in the year of receipt.

Other revenue

Other revenue is recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Government transfers

Katzie First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Housing rental income

Rental revenue is recorded in the year it is earned. At the end of each year, management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

First Nation capital and revenue trust funds

Katzie First Nation recognizes revenues at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

Income from investments

Katzie First Nation uses the modified equity method to account for its investments in Katzie Development Corporation Ltd. and Katzie Development Limited Partnership as the entities are not dependent on the Nation for their continuing operations. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the Nation. Thus, the Nation's investment in this entity is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received to the extent that retained earnings is above zero.

Other investment income

Interest and dividend income earned on portfolio investments are recognized as revenue when received.

2. Significant accounting policies *(Continued from previous page)*

Measurement uncertainty

The preparation of 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable, and amounts due from related Nation entities and departments, are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity, except for those entities not dependent on the Nation for their continuing operations, which are included in the financial statements using the modified equity method.

The Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Katzie First Nation Bus Corporation
- Smuq'wa Development Corporation
- Katzie Cultural Education Society
- Katzie Early Years Society

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

The Nation has used the modified equity method to account for its investments in Katzie Development Corporation Ltd. and Katzie Development Limited Partnership.

Long-lived assets and discontinued operations

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When the Nation determines that a long-lived asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Segments

Katzie First Nation conducts its business through ten reportable segments: Administration, Capital Projects, Economic Development and Employment, Education, Health and Social Programs, Housing, Aboriginal Rights and Title, Maintenance, Other and First Nation Enterprises. These operating segments are established by senior management to facilitate the achievement of the Nation's long-term objectives, to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

2. Significant accounting policies (Continued from previous page)

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2019.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. Management has determined that no liability exists as at March 31, 2019.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the statement of financial position date. Translation gains and losses are included in current year surplus.

3. Investments

	<i>Regular</i>	<i>Trust</i>	<i>2019</i>	<i>2018</i>
Fixed income	256,740	5,496,750	5,753,491	5,812,684
Equity investments	537,211	5,542,412	6,079,623	5,815,948
Cash	107,525	499,994	607,519	533,126
	644,736	6,042,406	6,687,142	6,349,074
	901,476	11,539,156	12,440,633	12,161,758

The market value of the marketable securities as at March 31, 2019 is \$13,746,319 (2018 - \$12,262,533).

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

4. Restricted cash

	2019	2018
CMHC Replacement Reserve	98,176	55,266
CMHC Operating Reserve	47,217	37,946
Total	145,393	93,212

Notes to restricted assets

CMHC Replacement reserve

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the Nation established a replacement reserve, funded by an annual allocation of \$33,639 (2018 - \$32,615), to ensure replacement of buildings financed by CMHC. At March 31, 2019, \$98,176 (2018 - \$55,266) has been set aside to fund this reserve, which includes Supplemental Assistance Payments from Canada Mortgage and Housing Corporation in the amount of \$25,827 (2018 - \$nil). The overfunded portion at March 31, 2019 was \$4,380 (2018 - \$4,057).

In accordance with terms of the agreements, CMHC reserve monies must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

CMHC Operating reserve

Under agreements with Canada Mortgage and Housing Corporation (CMHC) 1997 On-Reserve Program requirements, the First Nation established an operating reserve retained by Katzie First Nation resulting from annual surplus after the payment of all costs and expenses including allocation to the replacement reserve. These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as otherwise mutually agreed to by Katzie First Nation and CMHC. These funds may only be used for the ongoing operating costs of the housing projects committed under the 1997 On-Reserve Program. Accordingly, future years' deficits may be recovered from the Operating Reserve fund. At March 31, 2019, \$47,217 (2018 - \$37,946) has been set aside to fund this reserve.

5. Funds held in trust

Capital and revenue trust monies are transferred to the Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the Nation's Council.

	2019	2018
Capital Trust		
Balance, end of year	6,320	6,320
Revenue Trust		
Balance, beginning of year	332,175	471,943
Interest	6,043	8,908
Special (BC)	1,323	1,324
Less: Transfers to Nation	336,122	150,000
Balance, end of year	3,419	332,175
	9,739	338,495

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

6. Investments in Nation business entities

	2019			
	<i>Investment cost</i>	<i>Loans/ advances</i>	<i>Cumulative share of earnings</i>	<i>Total investment</i>
Katzie Development Corporation (100%)	100	1,121,040	(16,108)	1,137,148
Katzie Development Limited Partnership (99.99%)	-	-	1,367,281	1,367,281
	100	1,121,040	1,351,173	2,504,429

The Nation's investment in Katzie Development Corporation Ltd. was established for the purpose of pursuing commercial activities off-reserve. Summary financial information, accounted for using the modified equity method, for its year-end is as follows:

	<i>Katzie Development Corporation Ltd. As at March 31, 2019</i>	<i>Katzie Development Corporation Ltd. As at March 31, 2018</i>
Assets		
Current assets	23,475	24,853
Due from related party	(24,865)	(24,865)
Property, plant and equipment	1,138,972	1,138,972
Total assets	1,137,582	1,138,960
Liabilities		
Long-term liabilities	1,153,590	1,153,590
Total liabilities	1,153,590	1,153,590
Share capital	100	100
Equity	(16,108)	(14,730)
Total revenue	-	8
Total expenses	1,378	-
Net income (loss)	(1,378)	8

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Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

6. Investments in Nation business entities *(Continued from previous page)*

The Nation's investment in Katzie Development Limited Partnership was established for the purpose of conducting various business opportunities on and off reserve. Summary financial information, accounted for using the modified equity method, for its year-end is as follows:

	<i>Katzie Development Limited Partnership As at March 31, 2019</i>	<i>Katzie Development Limited Partnership As at March 31, 2018</i>
Assets		
Current assets	1,348,702	1,338,165
Investments	44,242	59,805
Property, plant and equipment	18,743	12,626
Total assets	1,411,687	1,410,596
Liabilities		
Accounts payable and accruals	45,895	39,796
Due to related party	23,375	24,753
Total liabilities	69,270	64,549
General partner's capital	(24,864)	(24,864)
Limited partner's capital	1,367,281	1,370,911
Total revenue	1,420,912	1,531,953
Total expenses	1,424,540	1,453,805
Net income	(3,628)	78,148

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

7. Long-term debt

	2019	2018
Treaty Negotiations - Indigenous Services Canada - repayment provisions are outlined in Sections 13.0 and 14.0 of the First Nation Negotiation Support Agreement	2,986,279	2,986,279
Non-Profit Housing V - All Nations Trust - C.M.H.C. mortgage #19360312005; payments of \$5,049 per month, including interest at 2.68% per annum; renewal date of October 1, 2023; maturity date of October 1, 2043	1,091,879	836,768
RBC Demand Loan; interest only payments of prime plus 0.25%	1,000,000	-
Non-Profit Housing XI - All Nations Trust - C.M.H.C. mortgage #19360312003; payments of \$1,307 per month, including interest at 1.86% per annum; renewal date of April 1, 2024; maturity date of April 1, 2039	267,775	278,609
Non-Profit Housing XII - All Nations Trust - C.M.H.C. mortgage #19360312004; payments of \$754 per month, including interest at 1.39% per annum; renewal date of June 1, 2020; maturity date of June 1, 2040	166,527	173,221
Non-Profit Housing VIII - All Nations Trust - C.M.H.C. mortgage #15468986008; payments of \$1,539 per month, including interest at 2.22% per annum; renewal date and maturity date of December 1, 2023	83,223	99,703
Non-Profit Housing X - All Nations Trust - C.M.H.C. mortgage #19360312002; payments of \$485 per month, including interest at 1.98% per annum; renewal date of May 1, 2019; maturity date of May 1, 2034	76,219	80,489
Non-Profit Housing VII - All Nations Trust - C.M.H.C. mortgage #15468986007; payments of \$1,670 per month, including interest at 1.43% per annum; renewal and maturity date of February 1, 2022.	57,224	76,302
Non-Profit Housing VI - All Nations Trust - C.M.H.C. mortgage #15468986006; payments of \$2,637 per month, including interest at 1.30% per annum; renewal and maturity date of August 1, 2020	44,386	75,231
Non-Profit Housing IX - All Nations Trust - C.M.H.C. mortgage #19360312001; payments of \$974 per month, including interest at 1.30% per annum; renewal and maturity date of August 1, 2020	16,394	27,783
Non-Profit Housing V - All Nations Trust	-	1,632
	5,789,906	4,636,017

Long-term debt for housing projects are secured by Ministerial guarantees of the Ministry of Indigenous Services Canada.

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Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

7. Long-term debt (Continued from previous page)

Principal repayments of long-term debt in each of the next five years, assuming all term debt is subject to contractual terms of repayment and long-term debt subject to refinancing is renewed with similar terms, are estimated as follows:

2020	155,693
2021	133,792
2022	117,105
2023	101,637
2021	99,884

8. Accumulated surplus

	2019	2018
Equity in Ottawa Trust Funds (Note 5)	9,739	338,495
Equity in CMHC replacement reserve (Note 4)	98,176	55,266
Equity in CMHC operating reserve (Note 4)	47,217	37,946
Equity in tangible capital assets	7,738,087	9,312,843
Deficit of Nation Entities	(972,145)	(959,988)
Unrestricted surplus	15,594,741	13,963,190
	22,515,815	22,747,752

9. Financial Instruments

Katzie First Nation's financial instruments consist of cash, investments, accounts receivable, bank indebtedness, accounts payable and accruals, and long-term debt. It is management's opinion that the Nation is not exposed to significant currency or credit risk arising from these financial instruments. The fair value of the instruments approximates their carrying values, unless otherwise noted.

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 Nation manages exposure through its normal operating and financing activities. The Nation is exposed to interest rate price risk on its mortgages with fixed interest rates and on its investment portfolio consisting partially of fixed income securities.

Foreign currency risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Nation is exposed to foreign currency risk through its portfolio investments denominated in U.S currency.

10. Economic dependence

Katzie First Nation receives a significant portion of its revenue from various government agreements. The ability of the Nation to continue operations is dependent upon the continued financial commitments as guaranteed by these agreements.

11. Contingent liabilities

Katzie First Nation may be contingently liable for guaranteed housing mortgages, totaling \$76,219 (2018 - \$80,489).

12. Segments

During the year the Nation had ten segments: Administration, Capital Projects, Economic Development and Employment, Education, Health and Social Programs, Housing, Aboriginal Rights and Title, Maintenance, Other, and First Nation Enterprises. These segments are differentiated by major activities, accountability and control relationships.

Administration - Includes general operation, support, and financial management of the Nation.

Capital Projects - Includes revenue and expenditures related to capital projects.

Economic Development and Employment - Includes activities related to the growth of revenue producing projects with the Nation, along with employment programs for the members of the Nation.

Education - Includes revenues and expenses related to primary, secondary and post secondary education of the members of the Nation.

Health and Social Programs - Includes activities related to the provision of health services and social programs within the Nation.

Housing - Includes activities related to the provision of housing to the members of the Nation.

Aboriginal Rights and Title - Includes revenue and expenditures related to the negotiation of treaty and specific claims.

Maintenance - Includes revenue and expenditures for maintenance projects associated with the Nation.

Other - Includes activities related to capital assets, replacement reserve, and Ottawa Trust.

First Nation Enterprises - Includes activities related to the Nation's business entities.

Katzie First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2019

	Buildings	Housing projects	Equipment	Infrastructure	Roads	Bridges	Subtotal
Cost							
Balance, beginning of year	8,651,510	2,847,189	523,736	2,806,351	827,668	465,393	16,121,847
Acquisition of tangible capital assets	-	-	-	-	-	-	-
Disposal of tangible capital assets	-	(75,849)	-	-	-	-	(75,849)
Transfer of Project XIII to CMHC Housing	(1,188,775)	1,188,775	-	-	-	-	-
Transfer of Project V to Band Housing	218,007	(218,007)	-	-	-	-	-
Balance, end of year	7,680,742	3,742,108	523,736	2,806,351	827,668	465,393	16,045,998
Accumulated amortization							
Balance, beginning of year	1,055,343	2,581,216	146,815	939,997	687,275	349,036	5,759,682
Annual amortization	129,423	149,684	45,049	54,702	7,804	11,635	398,297
Accumulated amortization on disposals	-	(53,596)	-	-	-	-	(53,596)
Transfer of Project XIII to CMHC Housing	(36,717)	36,717	-	-	-	-	-
Transfer of Project V to Band Housing	217,291	(217,291)	-	-	-	-	-
Balance, end of year	1,365,340	2,496,730	191,864	994,699	695,079	360,671	6,104,383
Net book value of tangible capital assets	6,315,402	1,245,378	331,872	1,811,652	132,589	104,722	9,941,615
		2018					
Net book value of tangible capital assets	7,596,167	265,973	376,921	1,866,354	140,393	116,357	10,362,165

Katzie First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2019

	Subtotal	Vehicles	First Nation Enterprise assets	Fencing	2019	2018
Cost						
Balance, beginning of year	16,121,847	120,700	669,111	22,268	16,933,926	14,795,971
Acquisition of tangible capital assets	-	-	-	-	-	2,136,191
Disposal of tangible capital assets	(75,849)	-	-	-	(75,849)	-
Transfer of Project XIII to CMHC Housing	-	-	-	-	-	-
Transfer of Project V to Band Housing	-	-	-	-	-	-
Balance, end of year	16,045,998	120,700	669,111	22,268	16,858,077	16,932,162
Accumulated amortization						
Balance, beginning of year	5,759,682	120,700	87,866	2,524	5,970,772	5,602,634
Annual amortization	398,297	-	-	890	399,187	366,949
Accumulated amortization on disposals	(53,596)	-	-	-	(53,596)	-
Transfer of Project XIII to CMHC Housing	-	-	-	-	-	-
Transfer of Project V to Band Housing	-	-	-	-	-	-
Balance, end of year	6,104,383	120,700	87,866	3,414	6,316,363	5,969,583
Net book value of tangible capital assets	9,941,615	-	581,245	18,854	10,541,714	10,962,579
						2018
Net book value of tangible capital assets	10,362,165	-	580,670	19,744	10,962,579	

Katzie First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object

For the year ended March 31, 2019

	2019	2018
Consolidated expenses by object		
Administrative expenses	647,706	351,443
Amortization of tangible capital assets	399,891	366,951
Contracted services	1,616,709	758,088
Inter-program administration fees	(308,776)	(263,440)
Interest on long-term debt	62,335	14,766
Materials, goods and utilities	957,413	825,907
Member services and benefits	2,041,700	1,898,517
Replacement Reserve	21,075	31,215
Salaries, wages and benefits	1,551,639	653,032
	6,989,692	4,636,479

**Katzie First Nation
Administration**

Schedule 3 - Consolidated Schedule of Revenue and Expenses and Surplus
For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	333,343	327,346
Equity earnings (loss) from Nation business entities	(5,006)	78,118
Investment income	358,200	377,594
Other funding and revenue	34,611	397
	721,148	783,455
Expenses		
Administration fees charged to other functions	(308,777)	(263,440)
Benefits	41,074	40,725
Community celebrations	83,734	75,502
Contracted services	25,886	25,200
Funeral costs	13,864	1,183
HR Manual	15,000	-
Honoraria	155,251	127,942
Insurance	37,053	10,684
Materials and supplies	64,679	37,047
Meetings	21,273	17,001
Office supplies and expenses	70,946	49,951
Professional fees	53,137	61,965
Salaries and benefits	259,621	173,794
Storage	-	6,803
Telephone	8,576	4,158
Travel	22,971	27,868
Utilities	5,715	10,153
	570,003	406,536
Surplus before other items	151,145	376,919
Other income (expense)		
Unrealized foreign exchange gain (loss)	126,041	(118,563)
Surplus before transfers	277,186	258,356
Transfers between programs	403,713	(75,889)
Surplus	680,899	182,467
Accumulated surplus, beginning of year	13,645,809	13,463,342
Accumulated surplus, end of year	14,326,708	13,645,809

Katzie First Nation
Capital Projects

Schedule 4 - Consolidated Schedule of Revenue and Expenses and Deficit
For the year ended March 31, 2019

	2019	2018
Revenue		
Canada Mortgage and Housing Corporation	-	50,291
Expenses		
Repairs and maintenance	300	-
Surplus (deficit) before transfers	(300)	50,291
Transfers between segments	-	27,183
Surplus (deficit)	(300)	77,474
Accumulated deficit, beginning of year	-	(77,474)
Accumulated deficit, end of year	(300)	-

Katzie First Nation
Economic Development and Employment
Schedule 5 - Consolidated Schedule of Revenue and Expenses and Deficit

For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	816,243	330,393
Province of B.C.	242,628	175,128
Government of Canada	39,630	88,060
New Relationship Trust	225,000	-
Other funding and revenue	97,714	56,500
Investment income	30,515	28,545
Sto:lo Aboriginal Skills & Employment Training	28,142	23,853
Referral fees	16,000	-
Ridge Meadows A.C.L.	5,000	5,000
Rental income (repayment)	-	(1,250)
	1,500,872	706,229
Expenses		
Administration	30,816	-
Consulting	21,642	5,888
Contracted services	-	60,189
Honoraria	2,707	6,608
Insurance	-	1,390
Materials and supplies	213,029	235,694
Office rent	6,000	-
Office supplies and expenses	46,238	15,593
Professional fees	415,865	197,840
Property tax	23,983	4,551
Repairs and maintenance	18,938	-
Salaries and benefits	245,453	51,817
Training costs	21,300	590
Travel	14,993	4,821
	1,060,964	584,981
Surplus before transfers	439,908	121,248
Transfers between segments	(403,249)	(253,315)
Surplus (deficit)	36,659	(132,067)
Accumulated surplus, beginning of year	4,090,298	4,222,365
Accumulated surplus, end of year	4,126,957	4,090,298

**Katzie First Nation
Education**

Schedule 6 - Consolidated Schedule of Revenue and Expenses and Surplus

For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	846,028	890,232
Other funding and revenue	87,609	24,254
Sto:lo Aboriginal Skills & Employment Training	32,199	5,422
Repayment of funding	-	(11,554)
New Relationship Trust	-	4,000
	965,836	912,354
Expenses		
Consulting	543	5,971
Contracted services	2,581	7,370
Guidance and counselling	5,260	5,004
Honoraria	205	-
Materials and supplies	87,346	43,774
Preschool fees	7,200	-
Salaries and benefits	31,875	6,059
Student allowances and supplies	33,856	30,101
Travel	624	1,497
Tuition agreements	692,641	664,705
	862,131	764,481
Surplus before transfers	103,705	147,873
Transfers between segments	-	(72,026)
Surplus	103,705	75,847
Accumulated surplus, beginning of year	95,273	19,426
Accumulated surplus, end of year	198,978	95,273

Katzie First Nation
Health and Social Programs

Schedule 7 - Consolidated Schedule of Revenue and Expenses and Surplus (Deficit)
For the year ended March 31, 2019

	2019	2018
Revenue		
First Nations Health Authority	1,120,164	649,194
Indigenous Services Canada	787,206	588,662
Province of B.C.	96,336	201,317
Other funding and revenue	37,009	828
Repayment of funding	(50,921)	7,885
	1,989,794	1,447,886

Continued on next page

Katzie First Nation
Health and Social Programs

Schedule 7 - Consolidated Schedule of Revenue and Expenses and Surplus (Deficit)
For the year ended March 31, 2019

	2019	2018
<i>(Continued from previous page)</i>	1,989,794	1,447,886
Expenses		
Administration	43,510	3,530
Adult in home care	-	50,007
Basic needs	302,457	352,443
Brighter futures	55,396	86,948
Building healthy communities	167,607	67,602
Capital facilities operations and maintenance	41,009	41,009
Child out of parental home	3,259	13,399
Children's oral health initiative	5,249	5,249
Community benefits	28,321	-
Community health	42,890	42,890
Contracted services	-	1,200
Diabetes initiative	38,431	41,743
Drinking water safety	12,760	12,760
Head start on reserve	77,730	77,730
Healthy living	354	2,274
Home and community care	151,467	94,238
Honoraria	150	-
Income support	114,758	31,771
Insurance	14,201	6,001
Management support	75,306	68,259
Materials and supplies	237,830	27,274
Meetings	9,005	-
NNADAP	70,000	51,316
National child benefit	12,335	62,931
Office supplies and expenses	49,604	1,000
Outings	-	4,396
Patient transportation services	22,607	22,607
Prenatal nutrition	10,915	10,915
Prevention projects	7,353	7,393
Professional fees	244,520	-
Repairs and maintenance	19,529	5,993
Salaries and benefits	83,702	14,699
Service delivery	52,548	45,484
Solvent abuse	7,956	7,956
Special needs	8,797	9,084
Training costs	-	33
Transportation	739	17,511
Travel	6,748	4,761
Utilities	8,055	-
	2,027,098	1,292,406
Surplus (deficit) before transfers	(37,304)	155,480
Transfers between segments	16,792	(2,697,724)
Deficit	(20,512)	(2,542,244)
Accumulated surplus, beginning of year	276,748	2,818,992
Accumulated surplus, end of year	256,236	276,748

**Katzie First Nation
Housing**

Schedule 8 - Consolidated Schedule of Revenue and Expenses and Surplus
For the year ended March 31, 2019

	2019	2018
Revenue		
Canada Mortgage and Housing Corporation	94,999	84,495
Canada Mortgage and Housing Corporation - Supplemental Assistance	18,729	-
Rental income	230,391	226,699
Interest income	997	-
Repayment of funding	(10,000)	-
	335,116	311,194
Expenses		
Administration	19,531	28,081
Garbage removal	25,500	24,660
Insurance	26,000	30,599
Mortgage payments	35,015	14,766
Professional fees	8,177	8,800
Repairs and maintenance	103,077	42,520
Replacement reserve expense	2,699	2,957
Utilities	3,250	3,439
Water and sewer	11,200	10,848
	234,449	166,670
Other income (expense)		
Loss on disposal of capital assets	(22,253)	-
Surplus before transfers	78,414	144,524
Transfers between segments	(21,374)	(9,228)
Surplus	57,040	135,296
Accumulated surplus (deficit), beginning of year	32,527	(102,769)
Accumulated surplus, end of year	89,567	32,527

Katzie First Nation
Aboriginal Rights and Title
Schedule 9 - Consolidated Schedule of Revenue and Expenses and Deficit
For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	63,000	220,000
B.C. Treaty Commission - Contribution	158,172	100,000
	221,172	320,000
Expenses		
Administration	48,335	18,207
Honoraria	36,000	-
Materials and supplies	141,368	347,808
Meetings	3,126	1,026
Office rent	24,000	-
Professional fees	234,758	54,400
Salaries and benefits	129,846	76,410
Storage	12,439	4,759
Telephone	1,717	940
Travel and meetings	15,878	5,703
	647,467	509,253
Deficit before transfers	(426,295)	(189,253)
Transfers between segments	26,699	150,000
Deficit	(399,596)	(39,253)
Accumulated deficit, beginning of year	(2,324,758)	(2,285,505)
Accumulated deficit, end of year	(2,724,354)	(2,324,758)

**Katzie First Nation
Maintenance**

Schedule 10 - Consolidated Schedule of Revenue and Expenses and Deficit
For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	269,176	207,950
Rental income	16,225	13,604
Other funding and revenue	3,250	(100)
	288,651	221,454
Expenses		
Administration	-	22,674
Contracted services	-	35,875
Insurance	-	9,361
Materials and supplies	106,148	16,213
Professional fees	24,150	450
Repairs and maintenance	346,473	180,551
Salaries and benefits	80,727	35,721
Travel	7,518	2,104
Utilities	16,891	14,500
	581,907	317,449
Deficit before transfers	(293,256)	(95,995)
Transfers between segments	178,009	79,753
Deficit	(115,247)	(16,242)
Accumulated deficit, beginning of year	(45,457)	(29,215)
Accumulated deficit, end of year	(160,704)	(45,457)

**Katzie First Nation
Other**

Schedule 11 - Consolidated Schedule of Revenue and Expenses and Surplus

For the year ended March 31, 2019

	2019	2018
Revenue		
Canada Mortgage and Housing Corporation - Supplemental Assistance	25,826	-
Interest income	8,861	11,310
	34,687	11,310
Expenses		
Amortization	397,379	360,867
Repairs and maintenance	18,375	28,258
	415,754	389,125
Deficit before transfers	(381,067)	(377,815)
Transfers between segments	(302,483)	2,775,987
Surplus (deficit)	(683,550)	2,398,172
Accumulated surplus, beginning of year	6,822,796	4,424,624
Accumulated surplus, end of year	6,139,246	6,822,796

Katzie First Nation
First Nation Enterprises

Schedule 12 - Consolidated Schedule of Revenue and Expenses and Surplus
For the year ended March 31, 2019

	2019	2018
Revenue		
Province of B.C.	403,930	187,127
First Nations Health Authority	24,327	-
Other funding and revenue	168,434	22,989
	596,691	210,116
Expenses		
Administration	823	5,764
Amortization	2,512	6,083
Fuel	9,557	3,373
Home and community care	1,660	-
Insurance	4,329	3,065
Interest on long-term debt	27,321	-
Materials and supplies	20,526	42,225
Office supplies and expenses	5,154	428
Professional fees	7,275	6,675
Repairs and maintenance	22,077	9,584
Salaries and benefits	485,029	125,866
Telephone	939	912
Training costs	-	537
Travel	2,182	354
Utilities	235	712
	589,619	205,578
Surplus before transfers	7,072	4,538
Transfers between segments	101,893	75,260
Surplus	108,965	79,798
Accumulated surplus, beginning of year	154,517	74,719
Accumulated surplus, end of year	263,482	154,517