

Katzie First Nation
Consolidated Financial Statements
March 31, 2020

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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.

December 11, 2020

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, 2020, and the consolidated statements of operations, accumulated surplus, changes in net financial assets 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, 2020, 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.

Chilliwack, British Columbia

December 11, 2020

MNP LLP

Chartered Professional Accountants

Katzie First Nation
Consolidated Statement of Financial Position
As at March 31, 2020

	2020	2019
Financial assets		
Cash	1,210,569	2,747,582
Investments (Note 3)	12,908,716	12,440,633
Accounts receivable	566,866	315,741
Restricted cash (Note 4)	118,620	145,393
Funds held in trust (Note 5)	7,761	9,739
Investment in Nation business entities (Note 6)	2,203,930	2,504,429
	17,016,462	18,163,517
Liabilities		
Accounts payable and accruals	639,157	480,608
Long-term debt (Note 7)	3,132,362	5,789,906
	3,771,519	6,270,514
Net financial assets	13,244,943	11,893,003
Contingencies (Note 11)		
Significant event (Note 12)		
Non-financial assets		
Tangible capital assets (Schedule 1)	11,332,751	10,541,714
Prepaid expenses	37,866	81,098
Total non-financial assets	11,370,617	10,622,812
Accumulated surplus (Note 8)	24,615,560	22,515,815
Approved on behalf of the Council		

Chief

Councillor

Katzie First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2020

	<i>2020 Budget</i>	<i>2020</i>	<i>2019</i>
Revenue			
Indigenous Services Canada	1,519,872	2,383,471	3,114,996
Province of B.C.	914,296	1,331,989	742,894
First Nations Health Authority	752,878	759,158	1,144,491
Canada Mortgage and Housing Corporation	160,855	185,364	94,999
Government of Canada	167,650	163,089	39,630
Canada Mortgage and Housing Corporation - Supplemental Assistance	-	-	44,555
Earnings (loss) from Nation business entities	-	(308,365)	(5,006)
Other funding and revenue	491,000	345,553	329,004
B.C. Treaty Commission	550,000	550,000	158,172
First Nation Land Management Resources Centre	485,141	455,140	30,000
BC Housing	-	540,332	-
Investment income	350,000	340,040	397,576
Rental income	234,528	261,478	246,616
Indigenous Services Canada - Loan forgiveness	-	2,986,279	-
World Wildlife Fund (WWF)	146,500	146,518	-
Referral fees	285,000	134,892	16,000
New Relationship Trust	50,000	50,000	225,000
Sto:lo Aboriginal Skills & Employment Training	30,000	41,900	60,341
Surrey Schools	60,000	35,880	69,623
First Nations Education Steering Committee	7,500	7,969	-
Interest income	-	1,078	997
Ridge Meadows A.C.L.	-	-	5,000
Repayment of funding	-	(47,014)	(60,921)
	6,205,220	10,364,751	6,653,967
Expenses by segment			
Administration	547,654	798,125	570,003
Capital Projects	-	-	300
Economic Development and Employment	1,474,518	1,101,351	1,043,464
Education	888,172	903,214	862,131
Health and Social Programs	2,023,200	2,314,442	2,027,098
Housing	463,822	273,587	234,449
Aboriginal Rights and Title	835,000	1,214,027	647,467
Maintenance	607,763	635,206	599,407
Other	20,000	423,511	415,754
First Nation Enterprises	1,250,000	826,047	589,619
Total expenditures	8,110,129	8,489,510	6,989,692
Surplus (deficit) before other items	(1,904,909)	1,875,241	(335,725)
Other income			
Foreign exchange gain (loss)	-	224,504	126,041
Loss on disposal of capital assets	-	-	(22,253)
	-	224,504	103,788
Surplus (deficit)	(1,904,909)	2,099,745	(231,937)

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Katzie First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2020

	<i>Schedules</i>	<i>2020</i>	<i>2020</i>	<i>2019</i>
Surplus (deficit) <i>(Continued from previous page)</i>		(1,904,909)	2,099,745	(231,937)
Accumulated surplus, beginning of year		22,515,815	22,515,815	22,747,752
Accumulated surplus, end of year		20,610,906	24,615,560	22,515,815

Katzie First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2020

	<i>2020 Budget</i>	<i>2020</i>	<i>2019</i>
Annual surplus (deficit)	(1,904,909)	2,099,745	(231,937)
Purchases of tangible capital assets	-	(1,189,604)	-
Amortization of tangible capital assets	-	398,567	399,891
Loss on disposal of tangible capital asset	-	-	22,253
Addition of KEYS asset	-	-	(1,279)
	-	(791,037)	420,865
Acquisition of prepaid expenses	-	(16)	(81,098)
Use of prepaid expenses	-	43,248	31,079
	-	43,232	(50,019)
Increase (decrease) in net financial assets	(1,904,909)	1,351,940	138,909
Net financial assets, beginning of year	11,893,003	11,893,003	11,754,094
Net financial assets, end of year	9,988,094	13,244,943	11,893,003

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, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating activities		
Surplus (deficit)	2,099,745	(231,937)
Non-cash items		
Amortization	398,567	399,891
Income from funds held in trust	(1,441)	(7,367)
Equity loss (income) from investments	308,365	5,006
Loss on disposal of capital assets	-	22,253
CMHC receivable	-	55,520
Treaty loan forgiveness	(2,986,280)	-
	(181,044)	243,366
Changes in working capital accounts		
Accounts receivable	(251,125)	93,802
Prepaid expenses	43,232	(50,019)
Restricted cash	26,773	(52,181)
Accounts payable and accruals	158,549	134,565
Investments	-	3,249
	(203,615)	372,782
Financing activities		
Advances of long-term debt	488,022	1,205,319
Repayment of long-term debt	(159,286)	(106,948)
Withdrawal of funds held in trust	3,418	328,756
	332,154	1,427,127
Capital activities		
Purchases of tangible capital assets	(1,189,604)	-
Investing activities		
Purchase of Investments	(248,503)	-
Proceeds on disposal of Investments	-	60,918
Contribution to Nation business entities	(7,866)	-
	(256,369)	60,918
Increase (decrease) in cash resources	(1,317,434)	1,860,827
Cash resources, beginning of year	9,436,449	7,575,622
Cash resources, end of year	8,119,015	9,436,449
Cash resources are composed of:		
Cash	1,210,569	2,747,582
Portfolio Investments	6,908,446	6,688,867
	8,119,015	9,436,449
Supplementary cash flow information		
Interest paid	55,635	35,015

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.

Portfolio investments

Long-term investments in entities that are not owned, controlled or influenced by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

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
Housing projects	50 years
Bridges	40 years
Buildings	25 years
Fencing	25 years
Roads	20 years
Equipment	10 years
Vehicles	5 years
First Nation Enterprise Assets	5-25 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 investment in Nation business entities

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
- Katzie First Nation Housing 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, 2020

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, 2020.

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, 2020.

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>2020</i>	<i>2019</i>
Fixed income	363,702	5,636,569	6,000,270	5,753,491
Equity investments	542,247	5,751,034	6,293,282	6,079,623
Cash	24,175	590,989	615,164	607,519
	566,422	6,342,023	6,908,446	6,687,142
	930,124	11,978,592	12,908,716	12,440,633

The market value of the marketable securities as at March 31, 2020 is \$13,380,491 (2019 - \$13,746,319).

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

4. Restricted cash

	2020	2019
CMHC Replacement Reserve	84,144	98,176
CMHC Operating Reserve	34,476	47,217
Total	118,620	145,393

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 \$36,653 (2019 - \$33,639), to ensure replacement of buildings financed by CMHC. At March 31, 2020, \$84,144 (2019 - \$98,176) has been set aside to fund this reserve. The overfunded portion at March 31, 2020 was \$4,380 (2019 - \$4,380).

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, 2020, \$34,476 (2019 - \$47,217) 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.

	2020	2019
Capital Trust		
Balance, end of year	6,320	6,320
Revenue Trust		
Balance, beginning of year	3,419	332,175
Interest	112	6,043
Special (BC)	1,329	1,323
Less: Transfers to Nation	3,419	336,122
Balance, end of year	1,441	3,419
	7,761	9,739

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

6. Investments in Nation business entities

	2020			
	<i>Investment cost</i>	<i>Loans/ advances</i>	<i>Cumulative share of earnings</i>	<i>Total investment</i>
Katzie Development Corporation (100%)	100	1,153,155	(17,208)	1,136,047
Katzie Development Limited Partnership (99.99%)	-	7,865	1,060,018	1,067,883
	100	1,161,020	1,042,810	2,203,930

	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)	1,37,148
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, 2020</i>	<i>Katzie Development Corporation Ltd. As at March 31, 2019</i>
Assets		
Current assets	22,400	23,475
Due from related party	(24,890)	(24,865)
Property, plant and equipment	1,138,972	1,138,972
Total assets	1,136,482	1,137,582
Liabilities		
Long-term liabilities	1,153,590	1,153,590
Total liabilities	1,153,590	1,153,590
Share capital	100	100
Equity	(17,208)	(16,108)
Total revenue	(25)	-
Total expenses	1,075	1,378
Net loss	(1,100)	(1,378)

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Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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, 2020</i>	<i>Katzie Development Limited Partnership As at March 31, 2019</i>
Assets		
Current assets	1,057,448	1,348,702
Investments	31,558	44,242
Property, plant and equipment	14,995	18,743
Total assets	1,104,001	1,411,687
Liabilities		
Accounts payable and accruals	46,578	45,895
Due to related party	22,300	23,375
Total liabilities	68,878	69,270
General partner's capital	(24,895)	(24,864)
Limited partner's capital	1,060,018	1,367,281
Total revenue	1,470,930	1,420,912
Total expenses	1,778,226	1,424,540
Net loss	(307,296)	(3,628)

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

7. Long-term debt

	2020	2019
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	1,060,066	1,091,879
RBC Demand Loan; payments of \$5,389 per month, including interest of prime plus 0.25%; renewal and maturity date of April 26, 2020.	978,440	1,000,000
RBC Demand Loan; interest only payments of prime plus 0.25%	488,022	-
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	251,960	267,775
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	159,746	166,527
Non-Profit Housing X - All Nations Trust - C.M.H.C. mortgage #19360312002; payments of \$481 per month, including interest at 1.87% per annum; renewal date of May 1, 2024; maturity date of May 1, 2034	71,838	76,219
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; maturity date of December 1, 2023	66,423	83,223
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; maturity date of February 1, 2022.	37,873	57,224
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; maturity date of August 1, 2020	13,139	44,386
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; maturity date of August 1, 2020	4,855	16,394
Treaty Negotiations - Indigenous Services Canada	-	2,986,279
	3,132,362	5,789,906

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

Effective March 31, 2020, the negotiation loan debt owed to Canada has been forgiven.

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Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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:

2021	1,576,279
2022	92,096
2023	75,547
2024	72,667
2025	60,298
	<hr/>
	1,876,887

8. Accumulated surplus

	2020	2019
Equity in Ottawa Trust Funds (Note 5)	7,761	9,739
Equity in CMHC replacement reserve (Note 4)	84,144	98,176
Equity in CMHC operating reserve (Note 4)	34,476	47,217
Equity in tangible capital assets	8,200,388	7,738,087
Deficit of Nation Entities	(1,123,619)	(972,145)
Unrestricted surplus	17,412,410	15,594,741
	<hr/>	
	24,615,560	22,515,815

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, and market risk on demand loans with variable rates.

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 \$71,838 (2019 - \$76,219).

12. Significant event

During the year, there was a global outbreak of the COVID-19 virus, which has had a significant impact on businesses and organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the First Nation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

13. 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.

14. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation. Specifically, funds held in escrow by CMHC have been reclassified from accounts receivable to prepaid expenses, one program was reallocated from the Economic Development and Employment segment to the Maintenance segment, and repairs and maintenance expenses for the Community Wharf have been renamed as preliminary design costs.

Katzie First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2020

	<i>Buildings</i>	<i>Housing projects</i>	<i>Equipment</i>	<i>Infrastructure</i>	<i>Roads</i>	<i>Bridges</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	7,680,742	3,742,108	523,736	2,806,351	827,668	465,393	16,045,998
Construction-in-progress	1,189,604	-	-	-	-	-	1,189,604
Disposal of tangible capital assets	-	-	-	-	-	-	-
Balance, end of year	8,870,346	3,742,108	523,736	2,806,351	827,668	465,393	17,235,602
Accumulated amortization							
Balance, beginning of year	1,365,340	2,496,730	191,864	994,699	695,079	360,671	6,104,383
Annual amortization	128,706	149,684	43,020	54,702	7,804	11,635	395,551
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	1,494,046	2,646,414	234,884	1,049,401	702,883	372,306	6,499,934
Net book value of tangible capital assets	7,376,300	1,095,694	288,852	1,756,950	124,785	93,087	10,735,668
2019							
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

Katzie First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2020

	<i>Subtotal</i>	<i>Vehicles</i>	<i>First Nation Enterprise assets</i>	<i>Fencing</i>	<i>2020</i>	<i>2019</i>
Cost						
Balance, beginning of year	16,045,998	120,700	669,111	22,268	16,858,077	16,933,926
Construction-in-progress	1,189,604	-	-	-	1,189,604	-
Disposal of tangible capital assets	-	-	-	-	-	(75,849)
Balance, end of year	17,235,602	120,700	669,111	22,268	18,047,681	16,858,077
Accumulated amortization						
Balance, beginning of year	6,104,383	120,700	87,866	3,414	6,316,363	5,970,772
Annual amortization	395,551	-	2,125	891	398,567	399,187
Accumulated amortization on disposals	-	-	-	-	-	(53,596)
Balance, end of year	6,499,934	120,700	89,991	4,305	6,714,930	6,316,363
Net book value of tangible capital assets	10,735,668	-	579,120	17,963	11,332,751	10,541,714
		2019				
Net book value of tangible capital assets	9,941,615	-	581,245	18,854	10,541,714	

Katzie First Nation
Schedule 2 - Segmented Information
For the year ended March 31, 2020

	Administration	Capital Projects	Economic Development and Employment	Education	Health and Social Programs	Housing	Aboriginal Rights and Title	Maintenance	Other	First Nation Enterprises	2020
Revenue											
ISC	\$ 302,385		\$ 299,864	\$ 778,769	\$ 646,858	\$ 100,000	\$ 2,986,279	\$ 208,581			\$ 5,322,736
Other government			723,779	40,000	944,186	185,364	935,140	153,743		932,861	3,915,073
Economic activities and other	41,264		454,776	64,889	26,525	240,135	75,000	7,001	3,650	213,703	1,126,942
	343,649	-	1,478,418	883,658	1,617,569	525,499	3,996,419	369,325	3,650	1,146,564	10,364,751
Expenses											
Amortization									396,442	2,125	398,567
Administrative expenses	(183,878)		77,544	542	205,257	68,669		33,007		28,759	229,902
Contracted services	85,739		596,546		175,754	107,459	544,692	488,355		32,565	2,031,110
Interest on long-term debt	15,713					39,922	390,232			25,578	471,445
Materials, goods and utilities	59,907		103,873	90,120	222,225	57,537	79,383	27,886		70,711	711,641
Member services and benefits	127,945		84,049	789,050	1,382,812					12,118	2,395,974
Replacement Reserve									27,069		27,069
Salaries, wages and benefits	692,700		239,337	23,502	328,393		199,720	85,959		654,192	2,223,803
	798,125	-	1,101,351	903,214	2,314,442	273,587	1,214,027	635,206	423,511	826,047	8,489,510
Annual surplus (deficit)	\$ (454,475)	\$ -	\$ 377,067	\$ (19,556)	\$ (696,873)	\$ 251,912	\$ 2,782,392	\$ (265,881)	\$ (419,861)	\$ 320,517	\$ 1,875,241

	Administration	Capital Projects	Economic Development and Employment	Education	Health and Social Programs	Housing	Aboriginal Rights and Title	Maintenance	Other	First Nation Enterprises	2019
Revenue											
ISC	\$ 333,343		\$ 720,610	\$ 846,028	\$ 736,285		\$ 63,000	\$ 364,809			\$ 3,064,074
Other government			282,258		1,216,500	113,727	158,172		25,826	428,257	2,224,741
Economic activities and other	387,805		402,372	119,808	37,009	221,388		19,475	8,861	168,434	1,365,151
	721,148	-	1,405,239	965,836	1,989,794	335,116	221,172	384,284	34,687	596,691	6,653,967
Expenses											
Amortization									397,379	2,512	399,891
Administrative expenses (recovery)	(132,959)		137,330	624	198,374	45,531	69,056	7,518		13,427	338,901
Contracted services	79,023	300	444,945	3,124	305,058	111,253	258,758	388,123		29,351	1,619,935
Interest on long-term debt						35,015				27,321	62,335
Materials, goods and utilities	72,668		213,029	738,957	245,885	39,950	153,808	123,039		20,761	1,608,096
Member services and benefits	97,598			87,346	1,151,934					11,217	1,348,095
Replacement Reserve						2,699			18,375		21,075
Salaries, wages and benefits	453,672		248,160	32,080	125,848		165,846	80,727		485,029	1,591,362
	570,003	300	1,043,464	862,131	2,027,098	234,449	647,467	599,407	415,754	589,619	6,989,692
Annual surplus (deficit)	\$ 151,144	\$ (300)	\$ 361,775	\$ 103,705	\$ (37,304)	\$ 100,667	\$ (426,295)	\$ (215,123)	\$ (381,067)	\$ 7,072	\$ (335,725)