

# **KLAHOOSE FIRST NATION**

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**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2017**

# KLAHOOSE FIRST NATION

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## CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING MARCH 31, 2017

The accompanying consolidated financial statements of Klahoose First Nation and all the information in this annual report for the year ended March 31, 2017 are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgement. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Klahoose First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Nation's assets are appropriately accounted for and adequately safeguarded.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council reviews the Nation's financial statements and recommends their approval. The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report. The Council approves the financial statements for issuance to the Members. The Council also considers, for review and approval by the Members, the engagement of the external auditors.

The consolidated financial statements have been audited by Reid Hurst Nagy Inc., Chartered Professional Accountants in accordance with Canadian generally accepted auditing standards on behalf of the Members. Reid Hurst Nagy Inc. has full access to the books and records of the Nation. Reid Hurst Nagy Inc. has full and free access to the Council for information purposes.

Chief  
Administrator

Date  
Date

July 29/2017  
July 29/17

## Independent Auditor's Report

To the Members of  
**Klahoose First Nation**

We have audited the accompanying consolidated financial statements of Klahoose First Nation, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations and accumulated surplus, change in net financial assets, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the First Nation's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Basis for Qualified Opinion*

Beginning April 1, 2009, generally accepted accounting principles for government entities required that the Band record the net value of tangible capital assets in its financial statements. The Band has not applied these new financial statement reporting standards. Because the Band did not provide us with a completed capital asset register reflecting the total cost of tangible capital assets owned by the Band and appropriate accumulated amortization and any impairment attributable to each of those assets, we were unable to determine the net value of the tangible capital assets that should have been recorded as an asset and the related amortization or impairment that should have been recorded as an expense in the current and prior year. Upon adoption of PS 1200 Financial Statement Presentation, the Band did not fully adopt all aspects of the standard as they relate to the aforementioned tangible capital assets as they have reported capital purchases and long-term debt payments as expenses and have failed to appropriately report depreciation as an expense.

*Qualified opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2017 and the results of its operations, the changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The logo consists of the company name "Reid Hurst Nagy Inc." written in a flowing, cursive script font.

REID HURST NAGY INC.  
CHARTERED PROFESSIONAL ACCOUNTANTS

RICHMOND, B.C.  
JULY 29, 2017

# KLAHOOSE FIRST NATION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2017

	2017	2016
<b>FINANCIAL ASSETS</b>		
Cash	\$ 2,140,489	\$ 2,631,073
Restricted cash (Note 3)	1,832,980	1,771,667
Accounts receivable (Note 4)	50,347	164,555
Rent receivable	134,272	135,042
Due from First Nation Controlled Entities	73,969	179,711
Long-term investments (Note 5)	22,583,919	21,641,045
Deferred support negotiation expenses	3,386,419	3,386,419
	<b>30,202,395</b>	<b>29,909,512</b>
<b>LIABILITIES</b>		
Accounts payable (Note 7)	184,287	167,608
Long-term debt (Note 8)	8,655,663	9,213,852
	<b>8,839,950</b>	<b>9,381,460</b>
<b>NET FINANCIAL ASSETS</b>	<b>21,362,445</b>	<b>20,528,052</b>
<b>NON-FINANCIAL ASSETS</b>		
Capital assets (Note 9)	8,468,126	9,033,392
Prepaid expenses	4,486	4,027
Inventory	4,350	3,605
	<b>8,476,962</b>	<b>9,041,024</b>
<b>ACCUMULATED SURPLUS (Note 10)</b>	<b>\$ 29,839,407</b>	<b>\$ 29,569,076</b>
<b>MEMBERS' EQUITY</b>		
Equity in Operating Fund	\$ 2,351,756	\$ 3,150,257
Equity in Social Housing	1,355,327	1,344,939
Equity in Capital Fund	2,082,533	2,089,612
Equity in Ottawa Trust Fund	564,934	553,429
Equity in Enterprise Fund	22,583,919	21,641,045
Equity in Youth Trust Fund	900,938	789,794
<b>ACCUMULATED SURPLUS</b>	<b>\$ 29,839,407</b>	<b>\$ 29,569,076</b>

### APPROVED ON BEHALF OF THE KLAHOOSE FIRST NATION

  
, Chief  
, Administrator

# KLAHOOSE FIRST NATION

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016 (Note 2)
<b><u>ANNUAL SURPLUS</u></b>	<b>\$ 270,331</b>	<b>\$ 8,364,138</b>
Acquisition of tangible capital assets	(53,836)	(484,524)
Amortization of tangible capital assets	619,102	608,891
	<b>565,266</b>	<b>124,367</b>
Acquisition of prepaid asset	(4,486)	(4,027)
Use of prepaid asset	4,027	5,287
	(459)	1,260
Acquisition of inventory	(4,350)	(3,605)
Use of inventory	3,605	2,449
	(745)	(1,156)
<b>(DECREASE) INCREASE IN NET FINANCIAL ASSETS</b>	<b>834,393</b>	<b>8,488,609</b>
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	<b>20,528,052</b>	<b>12,039,443</b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 21,362,445</b>	<b>\$ 20,528,052</b>

# KLAHOOSE FIRST NATION

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS FOR THE YEAR ENDED MARCH 31, 2017

	2017 Budget	2017 Actual	2016 Actual
<b>REVENUE</b>			
Indigenous and Northern Affairs Canada	\$ -	\$ 915,099	\$ 1,089,954
First Nations Education Steering Committee	-	4,000	6,335
BCTC - treaty	-	-	179,856
Cigarette sales	-	23,392	27,408
Clam sales	-	3,765	5,134
Distributions from First Nation Limited Partnership	-	661,581	1,099,520
Fisheries and Oceans Canada	-	2,000	6,386
First Nations Health Authority	-	316,174	304,272
Interest income	-	32,738	54,765
Other	-	504,097	468,161
Rental Income	-	150,600	130,033
Revenue sharing	-	1,147,593	1,197,652
Road use agreement	-	174,422	125,981
Share of income of First Nation Controlled Entities	-	942,874	7,992,395
Treaty negotiation support agreement	-	-	44,964
	-	4,878,335	12,732,816
<b>EXPENSES</b>			
Band programs	-	2,240,727	2,429,187
Education	-	252,618	256,679
Job creation	-	369,713	(15,872)
Health	-	333,549	278,036
Social development	-	228,262	102,730
Capital	-	987,737	1,208,454
Social housing	-	160,844	179,376
Capital fund	-	559,119	550,003
First Nation Negotiation Support Agreement Fund	-	-	213,224
Youth Trust Fund	-	87,459	48,392
	-	5,220,028	5,250,209
<b>ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS</b>	-	(341,693)	7,482,606
<b>OTHER ITEMS</b>			
Proceeds from long-term debt	-	-	550,000
Principal reduction of long-term debt	-	558,188	(141,397)
Tangible capital asset additions	-	53,836	484,524
Loan payable - Canada	-	-	(179,856)
Allocation to deferred negotiation expenses	-	-	168,261
	-	612,024	881,532
<b>ANNUAL SURPLUS</b>	-	270,331	8,364,138
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	29,569,076	21,204,938
<b>FUND BALANCE, END OF YEAR</b>	\$ -	\$ 29,839,407	\$ 29,569,076

# KLAHOOSE FIRST NATION

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016 (Note 2)
<b>OPERATING ACTIVITIES</b>		
ANNUAL SURPLUS	\$ 270,331	\$ 8,364,138
Items not affecting cash		
Amortization	619,102	608,891
Share of income (loss) of First Nation controlled entities	(942,874)	(7,992,395)
	(53,441)	980,634
Change in non-cash operating net assets	<u>130,452</u>	<u>(246,283)</u>
	<u>77,011</u>	<u>734,351</u>
<b>FINANCING ACTIVITIES</b>		
Advances to First Nation Controlled Entities	105,742	28,861
Repayment of long-term debt - Social Housing	(59,984)	(58,887)
Repayment of long-term debt - Other Programs	(498,204)	(349,715)
Loan proceeds - First Nation Negotiation Support	-	179,856
Loan proceeds - Other Programs	-	550,000
	(452,446)	350,115
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(53,836)	(484,524)
<b>CHANGES IN CASH DURING THE YEAR</b>	<b>(429,271)</b>	<b>599,942</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>4,402,740</b>	<b>3,802,798</b>
<b>CASH, END OF YEAR</b>	<b>\$ 3,973,469</b>	<b>\$ 4,402,740</b>
<b>REPRESENTED BY:</b>		
Cash	\$ 2,140,489	\$ 2,631,073
Restricted cash	1,832,980	1,771,667
	\$ 3,973,469	\$ 4,402,740

# KLAHOOSE FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

### 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of CPA Canada.

#### (a) Reporting Entity

The Klahoose First Nation reporting entity includes the Klahoose First Nation government and all related entities that are controlled by the First Nation.

#### (b) Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the Consolidated Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Klahoose First Nation's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Klahoose First Nation.

Organizations consolidated in Klahoose First Nation's financial statements include:

1. Klahoose First Nation Operating Fund
2. Klahoose First Nation Social Housing Fund
3. Klahoose First Nation Capital Fund
4. Klahoose First Nation Trust Fund
5. Klahoose First Nation Negotiation Support Agreement Fund
6. Klahoose First Nation Enterprise Fund
7. Klahoose First Nation Youth Trust Fund

Organizations accounted for on a modified equity basis include:

8. Qathen Xwegus Management Corporation
9. Klahoose Investment Limited Partnership
10. Klahoose Forestry No.2 Limited Partnership
11. T'QOQ Woodworks Inc.

#### (c) Fund Accounting

The Klahoose First Nation maintains the following funds and reserves as part of its operations:

- The Operating Fund which reports the general activities of the First Nation administration.
- The Capital Fund which reports the capital assets of the First Nation not included in other funds, together with their related activities.
- The Trust Fund which reports on the trust funds of the First Nation and held by third parties.
- The Social Housing Fund which reports on the social housing assets of the First Nation together with their related activities.
- The First Nation Negotiation Support Agreement Fund which reports activity regarding the First Nation's Negotiation Support Agreement.
- The Enterprise Fund which reports the First Nation's investment in self-supporting commercial entities.
- The Youth Trust Fund holds distribution payments in trust for youth until the age of maturity.

# KLAHOOSE FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

### 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Revenue Recognition

Revenues 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 when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

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 that 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.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

#### (e) Segments

The First Nation conducts its business through reportable segments. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives, aid in resource allocation decisions, and to assess operational performance. For each reported segment, revenues and expenses represent both amounts that are directly attributed to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

#### (f) Cash

Cash and cash equivalents include cash on hand and short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

#### (g) Loans Receivable

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectable.

#### (h) Long-term Debt

Proceeds from long-term debt are recorded as program revenue. Payments of principal and interest are treated as program expenditures. Long-term debt is recorded as a liability on the balance sheet. Reductions of long-term debt are offset with an increase to Equity in Tangible Capital Assets.

# KLAHOOSE FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

### 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Tangible Capital Assets

Tangible capital assets expenditures incurred after March 31, 1996 are valued at acquisition cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets and are capitalized in the Capital Fund. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Capital expenditures incurred previous to April 1, 1996 are not reflected in the Capital Fund.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Klahoose First Nation's incremental cost of borrowing.

Amortization is provided for on a straight-line basis over their estimated useful lives as follows:

Buildings*	20 years Straight line
Automotive equipment	5 years Straight line
Computer equipment	5 years Straight line
Equipment	5 years Straight line
Dock	10 years Straight line
Infrastructure	20 years Straight line
Land	0 years Straight line

Tangible capital assets are written down when conditions indicate that they no longer contribute to Klahoose First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

#### (j) Replacement Reserve

The Replacement Reserve is funded by an annual charge against earnings as opposed to an appropriation of surplus.

#### (k) Budget

The budget reported in the financial statements was provided by management and is unaudited.

#### (l) Surplus Recoveries and Deficit Funding

Under the terms of funding arrangements, remaining surpluses of certain programs may be recovered by the funding agency, and remaining deficits may be funded by the funding agency.

#### (m) Internal charges and transfers

The central administration office provides services to other program areas. To recognize the cost of these services a corresponding revenue and expense is recorded and referred to as "Administration fees."

# KLAHOOSE FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

### 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (n) Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on a first in, first out basis.

### 2. ECONOMIC DEPENDENCE

Klahoose First Nation receives a significant portion of its revenue pursuant to an agreement referred to as "The Comprehensive Funding Arrangement". This agreement has been entered into by the Klahoose First Nation and Indigenous and Northern Affairs Canada. It is expected that the agreement will be renewed on an annual basis.

The Band also receives major funding pursuant to an arrangement with the First Nations Health Authority and under which certain surpluses and deficits may be offset, but with the net balance repayable or refundable as the case may be.

### 3. RESTRICTED CASH

Replacement Reserve Fund:

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage & Housing Corporation, the Housing Program must set aside funds annually for the non-annual expenditures of the Program for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account with any interest earned to be credited as revenue to the Replacement Reserve Fund.

As at the year end date, the Fund is overfunded by \$47,231 (2016 - overfunded \$67,848).

Ottawa Trust Funds:

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

	<b>2017</b>	<b>2016</b>
Replacement Reserve Fund - restricted cash	\$ 258,006	\$ 268,235
Ottawa Trust Funds - restricted cash	564,935	553,429
First Nation Negotiation Support Agreement Fund - restricted cash	109,101	160,209
Youth Trust Fund - restricted cash	900,938	789,794
	<hr/> <b>\$ 1,832,980</b>	<hr/> <b>\$ 1,771,667</b>

# KLAHOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

### 4. ACCOUNTS RECEIVABLE

	2017	2016
Accounts receivable - general	\$ 85,576	\$ 81,435
Indigenous and Northern Affairs Canada	-	45,330
Fisheries and Oceans Canada	8,112	81,120
Canada Mortgage and Housing Corporation	2,340	2,351
	<b>96,028</b>	210,236
Allowance for doubtful accounts	(45,681)	(45,681)
	<b>\$ 50,347</b>	<b>\$ 164,555</b>

### 5. LONG-TERM INVESTMENTS

	2017	2016
Investment in Qathen Zwagus Management Corporation		
Shares	\$ 1	\$ 1
Accumulated deficit in earnings	(1,724,655)	(1,347,156)
	<b>(1,724,654)</b>	(1,347,155)
Investment in Klahoose Investment Limited Partnership		
Accumulated equity in earnings	24,837,414	23,012,036
Drawings	(620,000)	-
	<b>24,217,414</b>	23,012,036
Investment in Klahoose Forestry No.2 Limited Partnership		
Accumulated equity (deficit) in earnings	111,159	18,263
Drawings	(20,000)	-
	<b>91,159</b>	18,263
Investment in T'OQ Woodworks Inc.		
Shares	1	1
Accumulated equity in earnings	(1)	(42,100)
	<b>-</b>	(42,099)
	<b>\$ 22,583,919</b>	<b>\$ 21,641,045</b>

# KLAHOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

### 6. GOVERNMENT BUSINESS ENTERPRISES

Commercial enterprises are those organizations that meet the definition of government business enterprises as described by the Public Sector Accounting Board of CPA Canada. Government business enterprises have the power to contract in their own name, have the financial and operating authority to carry on a business, sell goods and services to customers outside the First Nation government as their principal activity, and that can, in the normal course of their operations, maintain operations and meet liabilities from revenues received from outside the First Nation government.

	Qathen Xwegus Management Corporation (100%)	Klahoose Investment Limited Partnership (99.99%)	Klahoose Forestry No.2 Limited Partnership (99.99%)	T'QOQ Woodworks Inc. (100%)	2017 Total
Cash	\$ 133,449	\$ 5,303,323	\$ 1,686	\$ -	\$ 5,438,458
Accounts receivable	146,441	-	-	-	146,441
Prepays	14,970	-	-	-	14,970
Tangible capital assets	11,681	-	-	-	11,681
Investments	100,111	16,870,332	104,648	-	17,075,091
Other assets	12,327	2,045,361	-	-	2,057,688
<b>Total assets</b>	<b>\$ 418,979</b>	<b>\$ 24,219,016</b>	<b>\$ 106,334</b>	<b>\$ -</b>	<b>\$ 24,744,329</b>
Accounts payable	\$ 75,747	\$ 233	\$ 78	\$ -	\$ 76,058
Other liabilities	2,067,887	-	15,500	-	2,083,387
<b>Total liabilities</b>	<b>2,143,634</b>	<b>233</b>	<b>15,578</b>	<b>\$ -</b>	<b>2,159,445</b>
<b>Equity</b>	<b>(1,724,655)</b>	<b>24,218,783</b>	<b>90,756</b>	<b>\$ -</b>	<b>2,159,445</b>
<b>Total liabilities and equity</b>	<b>\$ 418,979</b>	<b>\$ 24,219,016</b>	<b>\$ 106,334</b>	<b>\$ -</b>	<b>\$ 4,318,890</b>
	Qathen Xwegus Management Corporation (100%)	Klahoose Investment Limited Partnership (99.99%)	Klahoose Forestry No.2 Limited Partnership (99.99%)	T'QOQ Woodworks Inc. (100%)	2017 Total
Revenue	\$ 733,121	\$ 1,878,732	\$ 97,333	\$ 46,645	\$ 2,755,831
Expenses	1,110,620	53,171	4,436	4,546	1,172,773
	<b>\$ (377,499)</b>	<b>\$ 1,825,561</b>	<b>\$ 92,897</b>	<b>\$ 42,099</b>	<b>\$ 1,583,058</b>

# KLAHOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

### 7. ACCOUNTS PAYABLE

	2017	2016
Accounts payable - general	\$ 75,432	\$ 102,980
Indigenous and Northern Affairs Canada	37,474	-
School District #72	-	33,952
Wages payable	71,381	30,676
	<b>\$ 184,287</b>	<b>\$ 167,608</b>

### 8. LONG-TERM DEBT

	2017	2016
Bank of Montreal - repayable in monthly instalments of \$3,125 plus interest at prime plus 1.75% per annum. Secured by a general security agreement.	\$ 109,375	\$ 146,875
Bank of Montreal - interest payments only during construction with principal and interest payments to commence upon completion. Interest is at prime plus 1.75%. Secured by a general security agreement.	4,200,000	4,500,000
Bank of Montreal - repayable in monthly instalments of \$1,748 including interest at prime plus 1.75% per annum. Secured by a general security agreement.	155,540	288,115
Bank of Montreal - repayable in monthly instalments of \$3,986 including interest at prime plus 1.75% per annum. Secured by a general security agreement.	517,227	545,356
All Nations Trust Company - repayable in monthly instalments of \$1,341 including interest at 1.67% per annum, maturing May 2018, secured by a Ministerial Guarantee from INAC.	18,582	34,226
All Nations Trust Company - repayable in monthly instalments of \$1,354 including interest at 2.76% per annum, maturing March 2020, secured by a Ministerial Guarantee from INAC.	46,197	61,176
All Nations Trust Company - repayable in monthly instalments of \$1,316 including interest at 1.64% per annum, maturing September 2020, secured by a Ministerial Guarantee from INAC.	53,669	68,487
All Nations Trust Company - repayable in monthly instalments of \$1,327 including interest at 1.53% per annum, maturing August 2022, secured by a Ministerial Guarantee from INAC.	82,728	97,272
Government of Canada - promissory notes without interest for advances by Canada for treaty negotiations. Repayment provisions for these loans are outlined in sections 13.0 and 14.0 of the First Nation Negotiation Support Agreement.	3,472,345	3,472,345
 Current portion	 8,655,663	 9,213,852
	442,646	437,784

# KLAHOOSE FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

### 8. LONG-TERM DEBT, continued

	2017	2016
	\$	\$
Long-term portion	<u>\$ 8,213,017</u>	<u>\$ 8,776,068</u>

Principal portion of long-term debt due within the next five years:

2018	\$ 442,646
2019	416,322
2020	408,833
2021	366,818
2022 and thereafter	<u>7,021,044</u>
	<hr/>
	\$ 8,655,663

# KLAHOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

### 9. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization				2017 net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year		
Buildings	\$ 9,685,495	\$ 53,836	\$ 9,739,331	\$ 2,577,335	\$ 485,620	\$ 3,062,955	\$ 6,676,376	
Automotive equipment	16,000	-	16,000	9,400	3,200	12,600	3,400	
Equipment	330,185	-	330,185	315,682	9,958	325,640	4,545	
Dock	318,869	-	318,869	189,426	31,887	221,313	97,556	
Infrastructure	569,062	-	569,062	394,166	28,453	422,619	146,443	
Land	136,356	-	136,356	-	-	-	136,356	
Social housing	1,522,322	-	1,522,322	58,888	59,984	118,872	1,403,450	
	<b>\$ 12,578,289</b>	<b>\$ 53,836</b>	<b>\$ 12,632,125</b>	<b>\$ 3,544,897</b>	<b>\$ 619,102</b>	<b>\$ 4,163,999</b>	<b>\$ 8,468,126</b>	

	Cost			Accumulated amortization				2016 Net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year		
Buildings	\$ 9,200,971	\$ 484,524	\$ 9,685,495	\$ 2,105,173	\$ 472,162	\$ 2,577,335	\$ 7,108,160	
Automotive equipment	16,000	-	16,000	6,200	3,200	9,400	6,600	
Equipment	330,185	-	330,185	301,381	14,301	315,682	14,503	
Dock	318,869	-	318,869	157,539	31,887	189,426	129,443	
Infrastructure	569,062	-	569,062	365,713	28,453	394,166	174,896	
Land	136,356	-	136,356	-	-	-	136,356	
Social housing	1,522,322	-	1,522,322	-	58,888	58,888	1,463,434	
	<b>\$ 12,093,765</b>	<b>\$ 484,524</b>	<b>\$ 12,578,289</b>	<b>\$ 2,936,006</b>	<b>\$ 608,891</b>	<b>\$ 3,544,897</b>	<b>\$ 9,033,392</b>	

# KLAHOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

### 10. ACCUMULATED SURPLUS

	2017	2016
Unrestricted		
Operating Fund	\$ 2,351,756	\$ 3,150,257
Capital Fund	2,082,533	2,089,612
Enterprise Fund	22,583,919	21,641,045
	<hr/> 27,018,208	<hr/> 26,880,914
Restricted		
Social Housing	1,355,327	1,344,939
Ottawa Trust Fund	564,934	553,429
Youth Trust Fund	900,938	789,794
	<hr/> 2,821,199	<hr/> 2,688,162
	<hr/> <hr/> \$ 29,839,407	<hr/> <hr/> \$ 29,569,076

### 11. SEGMENTED INFORMATION

As previously discussed in note 1 (e) the First Nation conducts its business through reportable segments as follows:

The Band Programs department is responsible for administering projects the Band is involved in annually and on an on-going basis relating to the overall objectives of the First Nation and the development of stable, legitimate and accountable community governments. It also provides overall support of the First Nation including advisory services relating to financial management, band government, economic development, community services and technical services.

Education supports the members in expressing, preserving, developing and promoting its cultural heritage through the establishment and operation of First Nation education centres and programs, it also provides services for students at the elementary/secondary and post secondary level, including; instructional services both on and off reserve as well as support services such as transportation, accommodation, guidance and counselling.

Social Development provides assistance to community members unable to provide for themselves and their dependents. The services provided by this department include, but are not limited to, income assistance, child and family services, assisted living and early childhood development.

The Health department oversees the delivery of health programs and initiatives for the betterment of the lives of the members of the First Nation.

Job Creation supports the development of employment opportunities for members of the First Nation.

Capital Projects manages capital projects within the community undertaken to support the growth and/or maintenance of the First Nation's infrastructure.

Social Housing is responsible for the administration and management of Social Housing units.

Other operations include Capital Fund, Ottawa Trust Fund, First Nation Negotiation Support Agreement Fund, Enterprise Fund and Youth Trust Fund transactions.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

# KLAHOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

### 11. SEGMENTED INFORMATION, continued

	2017 Budget	Band Programs		2016 Actual	2017 Budget	Education		2017 Budget	Job Creation	
		2017 Actual	2016 Actual			2017 Actual	2016 Actual		2017 Actual	2016 Actual
<b>Revenues</b>										
Indigenous and Northern Affairs Canada	\$ -	\$ 194,345	\$ 448,417	\$ -	\$ 243,950	\$ 212,155	\$ -	\$ 20,908	\$ -	
Administration fee	-	56,866	89,903	-	-	-	-	-	-	
Road use agreement	-	174,422	125,981	-	-	-	-	-	-	
Rental Income	-	72,170	59,710	-	-	-	-	-	-	
Distributions from First Nation Limited Partnership	-	661,581	1,099,520	-	-	-	-	-	-	
Other revenue	-	1,341,327	1,390,535	-	10,000	18,335	-	65,166	6,386	
<b>Total revenue</b>	<b>-</b>	<b>2,500,711</b>	<b>3,214,066</b>	<b>-</b>	<b>253,950</b>	<b>230,490</b>	<b>-</b>	<b>86,074</b>	<b>6,386</b>	
<b>Expenses</b>										
Capital expenses	-	53,836	484,524	-	-	-	-	-	-	
Honoraria	-	23,875	16,798	-	-	-	-	-	-	
Materials and supplies	-	1,879	2,297	-	6,522	6,809	-	87,802	694	
Principal payments on loans	-	28,129	4,644	-	-	-	-	132,575	7,571	
Professional fees	-	182,908	338,165	-	-	-	-	-	-	
Travel	-	29,370	54,197	-	9,770	10,902	-	3,041	2,403	
Utilities and telephone	-	33,414	30,290	-	-	-	-	(197)	1,876	
Wages and benefits	-	355,203	190,466	-	44,562	44,100	-	108,974	54,627	
Other expenses	-	1,532,113	1,307,806	-	191,764	194,868	-	37,518	(83,043)	
<b>Total expenses</b>	<b>-</b>	<b>2,240,727</b>	<b>2,429,187</b>	<b>-</b>	<b>252,618</b>	<b>256,679</b>	<b>-</b>	<b>369,713</b>	<b>(15,872)</b>	
<b>Other items</b>	<b>-</b>	<b>259,984</b>	<b>784,879</b>	<b>-</b>	<b>1,332</b>	<b>(26,189)</b>	<b>-</b>	<b>(283,639)</b>	<b>22,258</b>	
<b>Annual surplus (deficit)</b>	<b>\$ -</b>	<b>\$ 259,984</b>	<b>\$ 1,334,879</b>	<b>\$ -</b>	<b>\$ 1,332</b>	<b>\$ (26,189)</b>	<b>\$ -</b>	<b>\$ (283,639)</b>	<b>\$ 22,258</b>	

# KLAHOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

### 11. SEGMENTED INFORMATION, continued

	2017 Budget	Health		Social Development			Capital		2017 Actual	2016 Actual
		2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2016 Actual		
<b>Revenues</b>										
Indigenous and Northern Affairs Canada	\$ -	\$ -	\$ -	\$ -	\$ 173,902	\$ 106,272	\$ -	\$ 281,994	\$ 323,110	
First Nations Health Authority	-	316,174	304,272	-	-	-	-	-	-	-
Other revenue	-	-	-	-	1,000	-	-	300	-	-
<b>Total revenue</b>	<b>-</b>	<b>316,174</b>	<b>304,272</b>	<b>-</b>	<b>174,902</b>	<b>106,272</b>	<b>-</b>	<b>282,294</b>	<b>323,110</b>	
<b>Expenses</b>										
Capital expenses	-	-	-	-	38,672	-	-	4,521	6,785	
Materials and supplies	-	6,147	20,088	-	25,897	13,499	-	14,482	12,003	
Principal payments on loans	-	-	-	-	-	-	-	337,500	337,500	
Professional fees	-	20,339	-	-	-	4,953	-	83,859	198,158	
Travel	-	44,333	33,529	-	11,143	2,103	-	3,714	5,120	
Utilities and telephone	-	-	-	-	7,959	3,309	-	46,778	56,960	
Wages and benefits	-	205,415	166,346	-	53,553	33,763	-	176,411	177,301	
Other expenses	-	57,315	58,073	-	91,038	45,103	-	320,472	414,627	
<b>Total expenses</b>	<b>-</b>	<b>333,549</b>	<b>278,036</b>	<b>-</b>	<b>228,262</b>	<b>102,730</b>	<b>-</b>	<b>987,737</b>	<b>1,208,454</b>	
<b>Other items</b>	<b>-</b>	<b>(17,375)</b>	<b>26,236</b>	<b>-</b>	<b>(53,360)</b>	<b>3,542</b>	<b>-</b>	<b>(705,443)</b>	<b>(885,344)</b>	
<b>Annual surplus (deficit)</b>	<b>\$ -</b>	<b>\$ (17,375)</b>	<b>\$ 26,236</b>	<b>\$ -</b>	<b>\$ (53,360)</b>	<b>\$ 3,542</b>	<b>\$ -</b>	<b>\$ (705,443)</b>	<b>\$ (885,344)</b>	

# KLAHOOSE FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

### 11. SEGMENTED INFORMATION, continued

	Social Housing			Capital Fund			Ottawa Trust Fund		
	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual
<b>Revenues</b>									
Rental Income	\$ -	\$ 78,430	\$ 70,323	-	\$ -	\$ -	\$ -	\$ -	\$ -
Other revenue	-	32,818	50,138	-	-	-	-	11,505	12,086
<b>Total revenue</b>	<b>-</b>	<b>111,248</b>	<b>120,461</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,505</b>	<b>12,086</b>
<b>Expenses</b>									
Capital expenses	-	-	-	-	559,119	550,003	-	-	-
Principal payments on loans	-	61,345	60,475	-	-	-	-	-	-
Professional fees	-	5,682	5,268	-	-	-	-	-	-
Other expenses	-	93,817	113,633	-	-	-	-	-	-
<b>Total expenses</b>	<b>-</b>	<b>160,844</b>	<b>179,376</b>	<b>-</b>	<b>559,119</b>	<b>550,003</b>	<b>-</b>	<b>11,505</b>	<b>12,086</b>
Other items	-	(49,596)	(58,915)	-	(559,119)	(550,003)	-	-	-
	-	59,984	58,888	-	552,040	284,239	-	-	-
<b>Annual surplus (deficit)</b>	<b>\$ -</b>	<b>\$ 10,388</b>	<b>\$ (27)</b>	<b>-</b>	<b>\$ (7,079)</b>	<b>\$ (265,764)</b>	<b>-</b>	<b>\$ 11,505</b>	<b>\$ 12,086</b>

# KLAHOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

### 11. SEGMENTED INFORMATION, continued

	First Nation Negotiation Support Agreement Fund				Enterprise Fund			Youth Trust Fund		
	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual	
<b>Revenues</b>										
Share of income of First Nation Controlled Entities	\$ -	\$ -	\$ -	\$ -	\$ 942,874	\$ 7,992,395	\$ -	\$ -	\$ -	\$ -
Other revenue	-	-	224,820	-	-	-	-	198,603	198,458	
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>224,820</b>	<b>-</b>	<b>942,874</b>	<b>7,992,395</b>	<b>-</b>	<b>198,603</b>	<b>198,458</b>	
<b>Expenses</b>										
Honoraria	-	-	9,000	-	-	-	-	-	-	-
Materials and supplies	-	-	32	-	-	-	-	-	-	-
Professional fees	-	-	38,421	-	-	-	-	-	-	-
Travel	-	-	4,985	-	-	-	-	-	-	-
Wages and benefits	-	-	52,994	-	-	-	-	-	-	-
Other expenses	-	-	107,792	-	-	-	-	87,459	48,392	
<b>Total expenses</b>	<b>-</b>	<b>-</b>	<b>213,224</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87,459</b>	<b>48,392</b>	
Other items	-	-	11,596	-	942,874	7,992,395	-	111,144	150,066	
<b>Annual surplus (deficit)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 942,874</b>	<b>\$ 7,992,395</b>	<b>\$ -</b>	<b>\$ 111,144</b>	<b>\$ 150,066</b>	

# KLAHOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

### 11. SEGMENTED INFORMATION, continued

			2017 Budget	2017 Actual	Consolidated totals 2016 Actual
Revenues					
Indigenous and Northern Affairs Canada		\$	-	\$ 915,099	\$ 1,089,954
First Nations Health Authority			-	316,174	304,272
Administration fee			-	56,866	89,903
Road use agreement			-	174,422	125,981
Rental Income			-	150,600	130,033
Share of income of First Nation Controlled Entities			-	942,874	7,992,395
Distributions from First Nation Limited Partnership			-	661,581	1,099,520
Other revenue			-	1,660,719	1,900,758
Total revenue			-	4,878,335	12,732,816
Expenses					
Capital expenses			-	656,148	1,041,312
Honoraria			-	23,875	25,798
Materials and supplies			-	142,729	55,422
Principal payments on loans			-	559,549	410,190
Professional fees			-	292,788	584,965
Travel			-	101,371	113,239
Utilities and telephone			-	87,954	92,435
Wages and benefits			-	944,118	719,597
Other expenses			-	2,411,496	2,207,251
Total expenses			-	5,220,028	5,250,209
Other items					
			-	(341,693)	7,482,607
			-	612,024	881,531
Annual surplus (deficit)		\$	-	\$ 270,331	\$ 8,364,138

# **KLAHOOSE FIRST NATION**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** **MARCH 31, 2017**

### **12. COMPARATIVE AMOUNTS**

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period.