

KLAHOOSE FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
MARCH 31, 2018

The accompanying consolidated financial statements of Klahoose First Nation and all the information in this annual report for the year ended March 31, 2018 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 Chief and Council reviews the Nation's financial statements and recommends their approval. The Chief and 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
Marian McEwan
Administrator

JULY 28/2018
July 28/18
Date

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, 2018, 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Klahoose First Nation as at March 31, 2018 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.



REID HURST NAGY INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

RICHMOND, B.C.
JULY 28, 2018

KLAHOOSE FIRST NATION

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018**

	2018	2017
FINANCIAL ASSETS		
Cash	\$ 2,148,460	\$ 2,140,469
Restricted cash (Note 3)	1,923,624	1,832,980
Accounts receivable (Note 4)	96,151	50,347
Rent receivable	12,391	134,272
Due from First Nation Controlled Entities	1,291	73,969
Long-term investments (Note 5)	21,588,311	22,583,919
Deferred support negotiation expenses	3,583,384	3,386,419
	29,330,572	30,202,395
LIABILITIES		
Accounts payable (Note 7)	172,748	184,287
Long-term debt (Note 8)	8,420,165	8,856,683
	8,592,913	8,839,950
NET FINANCIAL ASSETS		
	20,737,669	21,362,445
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	7,921,956	8,468,128
Prepaid expenses	27,318	4,486
Inventory	1,337	4,350
	7,950,611	8,476,962
ACCUMULATED SURPLUS (Note 10)		
	\$ 28,688,270	\$ 29,839,407
MEMBERS' EQUITY		
Equity in Operating Fund	\$ 2,305,307	\$ 2,351,756
Equity in Social Housing	1,329,063	1,355,327
Equity in Capital Fund	1,975,914	2,082,533
Equity in Ottawa Trust Fund	578,410	564,934
Equity in Enterprise Fund	21,588,311	22,583,919
Equity in Youth Trust Fund	931,286	900,938
ACCUMULATED SURPLUS		
	\$ 28,688,270	\$ 29,839,407

APPROVED ON BEHALF OF THE KLAHOOSE FIRST NATION

[Signature] **Chief**
[Signature] **Administrator**

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
ANNUAL SURPLUS (DEFICIT)	\$ (1,151,137)	\$ 270,331
Acquisition of tangible capital assets	(64,278)	(53,836)
<u>Amortization of tangible capital assets</u>	<u>610,448</u>	<u>619,102</u>
	546,170	565,266
Acquisition of prepaid asset	(27,318)	(4,486)
<u>Use of prepaid asset</u>	<u>4,486</u>	<u>4,027</u>
	(22,832)	(459)
Acquisition of inventory	(1,337)	(4,350)
<u>Use of inventory</u>	<u>4,350</u>	<u>3,605</u>
	3,013	(745)
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(624,786)	834,393
NET FINANCIAL ASSETS, BEGINNING OF YEAR	21,362,445	20,528,052
NET FINANCIAL ASSETS, END OF YEAR	\$ 20,737,659	\$ 21,362,445

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS FOR THE YEAR ENDED MARCH 31, 2018

	2018 Budget	2018 Actual	2017 Actual
REVENUE			
Indigenous Services Canada	\$ -	\$ 881,844	\$ 915,099
First Nations Education Steering Committee	-	1,000	4,000
BCTC - treaty	-	153,039	-
Cigarette sales	-	22,799	23,392
Clam sales	-	-	3,765
Distributions from First Nation Limited Partnership	-	400,000	640,000
Fisheries and Oceans Canada	-	130,764	2,000
First Nations Health Authority	-	327,765	316,174
Interest income	-	60,776	32,738
Other	-	1,368,873	525,678
Rental income	-	183,030	150,600
Revenue sharing	-	1,099,504	1,147,593
Road use agreement	-	51,267	174,422
Share of income of First Nation Controlled Entities	-	(1,015,608)	942,874
Treaty negotiation support agreement	-	51,013	-
		3,716,066	4,878,335
EXPENSES			
Band programs	-	1,882,619	2,240,727
Education	-	353,160	252,618
Job creation	-	277,621	369,713
Health	-	348,699	333,549
Social development	-	211,718	228,262
Capital	-	1,225,630	987,737
Social housing	-	204,550	160,844
Capital fund	-	549,521	559,119
First Nation Negotiation Support Agreement Fund	-	196,935	-
Youth Trust Fund	-	113,462	87,459
		5,363,915	5,220,028
ANNUAL DEFICIT BEFORE OTHER ITEMS	-	(1,647,849)	(341,693)
OTHER ITEMS			
Principal reduction of long-term debt	-	439,551	558,188
Tangible capital asset additions	-	64,278	53,836
Loan payable - Canada	-	(204,052)	-
Allocation to deferred negotiation expenses	-	196,935	-
		496,712	612,024
ANNUAL SURPLUS (DEFICIT)	-	(1,151,137)	270,331
FUND BALANCE, BEGINNING OF YEAR	-	29,839,407	29,569,076
FUND BALANCE, END OF YEAR	\$ -	\$ 28,688,270	\$ 29,839,407

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
OPERATING ACTIVITIES		
ANNUAL SURPLUS (DEFICIT)	\$ (1,151,137)	\$ 270,331
Items not affecting cash		
Amortization	610,448	619,102
Share of income (loss) of First Nation controlled entities	1,015,608	(942,874)
	474,919	(53,441)
Change in non-cash operating net assets	(151,216)	130,452
	323,703	77,011
FINANCING ACTIVITIES		
Advances to First Nation Controlled Entities	72,678	105,742
Repayment of long-term debt - Social Housing	(60,926)	(59,984)
Repayment of long-term debt - Other Programs	(378,624)	(498,204)
Loan proceeds - First Nation Negotiation Support	204,052	-
	(162,820)	(452,446)
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(64,278)	(53,836)
CHANGES IN CASH DURING THE YEAR	96,605	(429,271)
CASH, BEGINNING OF YEAR	3,973,469	4,402,740
CASH, END OF YEAR	\$ 4,070,074	\$ 3,973,469
REPRESENTED BY:		
Cash	\$ 2,146,450	\$ 2,140,489
Restricted cash	1,923,624	1,832,980
	\$ 4,070,074	\$ 3,973,469

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

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

(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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

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

(i) Tangible Capital Assets

Tangible capital assets are recorded at 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.

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

*Social Housing assets acquired under the Canada Mortgage and Housing Corporation sponsored housing program are not being depreciated.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

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

(n) Measurement Uncertainty

In preparing the consolidated financial statements for the First Nation, management is required 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 period. Items requiring the use of significant estimates include collectibility of accounts receivable, useful life of tangible capital assets and accounts payables and accruals. Actual results could differ from these estimates.

(o) 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 Services 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 \$27,423 (2017 - overfunded \$47,231).

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.

	2018	2017
Replacement Reserve Fund - restricted cash	\$ 211,933	\$ 258,006
Ottawa Trust Funds - restricted cash	578,410	564,935
First Nation Negotiation Support Agreement Fund - restricted cash	202,016	109,101
Youth Trust Fund - restricted cash	931,265	900,938
	<hr/> \$ 1,923,624	<hr/> \$ 1,832,980

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

4. ACCOUNTS RECEIVABLE

	2018	2017
Accounts receivable - general	\$ 162,350	\$ 85,576
Indigenous Services Canada	5,209	-
Fisheries and Oceans Canada	-	8,112
Canada Mortgage and Housing Corporation	2,353	2,340
First Nations Health Authority	797	-
School District No. 72	6,000	-
	176,709	96,028
<u>Allowance for doubtful accounts</u>	<u>(81,558)</u>	(45,681)
	\$ 95,151	\$ 50,347

5. LONG-TERM INVESTMENTS

	2018	2017
Investment in Qathen Zwagus Management Corporation		
Shares	\$ 1	\$ 1
Accumulated deficit in earnings	(2,010,677)	(1,724,655)
	(2,010,676)	(1,724,654)
Investment in Klahoose Investment Limited Partnership		
Accumulated equity in earnings	27,392,794	24,837,414
Drawings	(400,000)	(620,000)
Assignment of amounts due from related party	(3,492,910)	-
	23,499,884	24,217,414
Investment in Klahoose Forestry No.2 Limited Partnership		
Accumulated equity (deficit) in earnings	79,103	111,159
Drawings	-	(20,000)
	79,103	91,159
	\$ 21,568,311	\$ 22,583,919

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

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%)	2018 Total
Cash	\$ 214,376	\$ 140,874	\$ 496	\$ 355,746
Accounts receivable	67,875	-	-	67,875
Prepays	5,001	-	-	5,001
Tangible capital assets	7,906	-	-	7,906
Investments	4,282	20,938,091	95,792	21,038,165
Other assets	19,272	2,422,635	-	2,441,907
Total assets	\$ 318,712	\$ 23,501,600	\$ 96,288	\$ 23,916,600
Accounts payable	\$ 16,899	\$ 209	\$ 89	\$ 17,197
Other liabilities	2,312,490	-	17,500	2,329,990
Total liabilities	2,329,389	209	17,589	2,347,187
Equity	(2,010,677)	23,501,391	78,699	2,347,187
Total liabilities and equity	\$ 318,712	\$ 23,501,600	\$ 96,288	\$ 4,694,374
	Qathen Xwegus Management Corporation (100%)	Klahoose Investment Limited Partnership (99.99%)	Klahoose Forestry No.2 Limited Partnership (99.99%)	2018 Total
Revenue	\$ 314,400	\$ 3,244,270	\$ (8,844)	\$ 3,549,826
Expenses	600,422	68,572	3,213	672,207
	\$ (286,022)	\$ 3,175,698	\$ (12,057)	\$ 2,877,619

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

7. ACCOUNTS PAYABLE

	2018	2017
Accounts payable - general	\$ 67,162	\$ 75,432
Indigenous Services Canada	5,564	37,474
School District #72	41,107	-
Wages payable	58,915	71,381
	\$ 172,748	\$ 184,287

8. LONG-TERM DEBT

	2018	2017
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.	\$ 71,875	\$ 109,375
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.	3,900,000	4,200,000
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.	141,791	155,540
Bank of Montreal - repayable in monthly instalments of \$3,986 including interest at prime plus 1% per annum. Secured by a general security agreement.	489,852	517,227
All Nations Trust Company - repayable in monthly instalments of \$1,342 including interest at 1.67% per annum, maturing May 2018, secured by a Ministerial Guarantee from Indigenous Services Canada.	2,678	18,582
All Nations Trust Company - repayable in monthly instalments of \$1,311 including interest at 1.39% per annum, maturing March 2020, secured by a Ministerial Guarantee from Indigenous Services Canada.	31,011	46,197
All Nations Trust Company - repayable in monthly instalments of \$1,305 including interest at 1.19% per annum, maturing September 2020, secured by a Ministerial Guarantee from Indigenous Services Canada.	38,561	53,669
All Nations Trust Company - repayable in monthly instalments of \$1,341 including interest at 1.97% per annum, maturing August 2022, secured by a Ministerial Guarantee from Indigenous Services Canada.	68,000	82,728
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.	3,676,397	3,472,345
 <hr/>		
Current portion	8,420,165 431,749	8,655,663 442,646

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

8. LONG-TERM DEBT, continued

	2018	2017
	\$	\$
Long-term portion	<u>7,988,416</u>	<u>8,213,017</u>

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

2019	\$ 431,749
2020	427,360
2021	371,977
2022	366,692
2023 and thereafter	<u>6,822,387</u>
	<hr/>
	\$ 8,420,165

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

9. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization			2018 net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
Buildings	\$ 9,739,331	\$ -	\$ 9,739,331	\$ 3,062,955	\$ 486,967	\$ 3,549,922	\$ 6,189,409
Automotive equipment	16,000	-	16,000	12,600	2,500	15,100	900
Equipment	330,185	21,978	352,163	325,640	6,743	332,383	19,780
Dock	318,869	-	318,869	221,313	31,886	253,199	65,670
Infrastructure	569,062	42,300	611,362	422,619	21,426	444,045	167,317
Land	136,356	-	136,356	-	-	-	136,356
Social housing	1,522,322	-	1,522,322	118,872	60,926	179,798	1,342,524
	\$ 12,632,125	\$ 64,278	\$ 12,696,403	\$ 4,163,999	\$ 610,448	\$ 4,774,447	\$ 7,921,956

	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
	\$ 12,578,289	\$ 53,836	\$ 12,632,125	\$ 3,544,897	\$ 619,102	\$ 4,163,999	\$ 8,468,126

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

10. ACCUMULATED SURPLUS

	2018	2017
Unrestricted		
Operating Fund	\$ 2,305,307	\$ 2,351,756
Capital Fund	1,975,914	2,082,533
Enterprise Fund	21,568,311	22,583,919
	<hr/> 25,849,532	<hr/> 27,018,208
Restricted		
Social Housing	1,329,063	1,355,327
Ottawa Trust Fund	578,410	564,934
Youth Trust Fund	931,265	900,938
	<hr/> 2,838,738	<hr/> 2,821,199
	<hr/> \$ 28,688,270	<hr/> \$ 29,839,407

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, 2018

11. SEGMENTED INFORMATION, continued

	2018 Budget	Band Programs		2018 Budget	Education		2018 Budget	Job Creation	
		2018 Actual	2017 Actual		2018 Actual	2017 Actual		2018 Actual	2017 Actual
Revenues									
Indigenous Services Canada	\$ -	\$ 213,344	\$ 194,345	-	\$ 270,419	\$ 243,950	-	\$ 20,837	\$ 20,908
Administration fee	-	80,415	56,866	-	-	-	-	-	-
Road use agreement	-	51,267	174,422	-	-	-	-	-	-
Rental income	-	101,995	72,170	-	-	-	-	-	-
Distributions from First Nation Limited Partnership	-	400,000	640,000	-	-	-	-	-	-
Other revenue	-	2,198,767	1,362,908	-	7,000	10,000	-	178,680	65,166
Total revenue	-	3,045,788	2,500,711	-	277,419	253,950	-	199,517	86,074
Expenses									
Capital expenses	-	39,800	53,836	-	-	-	-	-	-
Honoraria	-	17,303	23,875	-	-	-	-	-	-
Materials and supplies	-	-	1,879	-	8,637	6,522	-	78,714	87,802
Principal payments on loans	-	68,806	28,129	-	-	-	-	-	132,575
Professional fees	-	104,959	182,908	-	-	-	-	-	-
Travel	-	43,676	29,370	-	8,126	9,770	-	4,414	3,041
Utilities and telephone	-	19,465	33,414	-	-	-	-	390	(197)
Wages and benefits	-	334,935	355,203	-	47,527	44,562	-	160,758	108,974
Other expenses	-	1,253,675	1,532,113	-	288,870	191,764	-	33,345	37,518
Total expenses	-	1,882,619	2,240,727	-	353,160	252,618	-	277,621	369,713
Annual surplus (deficit)	\$ -	\$ 1,163,169	\$ 259,984	-	\$ (75,741)	\$ 1,332	-	\$ (78,104)	\$ (283,639)

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

11. SEGMENTED INFORMATION, continued

	2018 Budget	Health 2018 Actual	2017 Actual	2018 Budget	Social Development 2018 Actual	2017 Actual	2018 Budget	Capital 2018 Actual	2017 Actual
Revenues									
Indigenous Services Canada	\$ -	\$ -	\$ -	\$ -	\$ 171,634	\$ 173,902	\$ -	\$ 205,610	\$ 281,994
First Nations Health Authority	-	327,765	316,174	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	1,360	-
Other revenue	-	3,905	-	-	20,000	1,000	-	-	300
Total revenue	-	331,670	316,174	-	191,634	174,902	-	206,970	282,294
Expenses									
Capital expenses	-	-	-	-	-	38,672	-	1,992	4,521
Honoraria	-	175	-	-	-	-	-	-	-
Materials and supplies	-	20,129	6,147	-	14,482	25,897	-	14,310	14,482
Principal payments on loans	-	-	-	-	-	-	-	337,500	337,500
Professional fees	-	23,324	20,339	-	15,918	-	-	275,096	83,859
Travel	-	58,890	44,333	-	2,505	11,143	-	2,176	3,714
Utilities and telephone	-	6,316	-	-	13,644	7,959	-	49,853	46,778
Wages and benefits	-	168,592	205,415	-	48,673	53,553	-	212,222	176,411
Other expenses	-	71,273	57,315	-	116,496	91,038	-	332,481	320,472
Total expenses	-	348,699	333,549	-	211,718	228,262	-	1,225,630	987,737
Annual surplus (deficit)	\$ -	\$ (17,029)	\$ (17,375)	-	\$ (20,084)	\$ (53,360)	-	\$ (1,018,660)	\$ (705,443)

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

11. SEGMENTED INFORMATION, continued

	Social Housing		Capital Fund		Ottawa Trust Fund				
	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual
Revenues									
Rental income	\$ -	\$ 79,675	\$ 78,430	-	\$ -	\$ -	\$ -	\$ -	\$ -
Other revenue	-	37,684	32,818	-	-	-	-	13,476	11,505
Total revenue	-	117,359	111,248	-	-	-	-	13,476	11,505
Expenses									
Capital expenses	-	-	-	-	549,521	559,119	-	-	-
Principal payments on loans	-	62,169	61,345	-	-	-	-	-	-
Professional fees	-	5,284	5,682	-	-	-	-	-	-
Other expenses	-	137,097	93,817	-	-	-	-	-	-
Total expenses	-	204,550	160,844	-	549,521	559,119	-	13,476	11,505
Other items	-	(87,191)	(49,596)	-	(549,521)	(559,119)	-	-	-
	-	60,927	59,984	-	442,902	552,040	-	-	-
Annual surplus (deficit)	\$ -	\$ (26,264)	\$ 10,388	-	\$ (106,619)	\$ (7,079)	-	\$ 13,476	\$ 11,505

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

11. SEGMENTED INFORMATION, continued

	First Nation Negotiation Support Agreement Fund			Enterprise Fund			Youth Trust Fund		
	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual
Revenues									
Share of income of First Nation Controlled Entities	\$ -	\$ -	\$ -	\$ -	\$ (1,015,608)	\$ 942,874	\$ -	\$ -	\$ -
Other revenue	204,052	204,052	-	-	-	-	-	143,789	198,603
Total revenue	204,052	204,052	-	-	(1,015,608)	942,874	-	143,789	198,603
Expenses									
Honoraria	19,200	5,200	-	-	-	-	-	-	-
Materials and supplies	12,000	2,796	-	-	-	-	-	-	-
Professional fees	98,269	31,998	-	-	-	-	-	-	-
Travel	12,500	5,028	-	-	-	-	-	-	-
Wages and benefits	56,640	67,226	-	-	-	-	-	-	-
Other expenses	91,368	84,687	-	-	-	-	-	113,462	87,459
Total expenses	289,977	196,935	-	-	-	-	-	113,462	87,459
Other items	(85,925)	7,117	-	-	(1,015,608)	942,874	-	30,327	111,144
Annual surplus (deficit)	\$ (85,925)	\$ -	\$ -	\$ -	\$ (1,015,608)	\$ 942,874	\$ -	\$ 30,327	\$ 111,144

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

11. SEGMENTED INFORMATION, continued

			Consolidated totals
	2018 Budget	2018 Actual	2017 Actual
Revenues			
Indigenous Services Canada	\$ -	\$ 881,844	\$ 915,099
First Nations Health Authority	-	327,765	316,174
Administration fee	-	80,415	56,866
Road use agreement	-	51,267	174,422
Rental income	-	183,030	150,600
Share of income of First Nation Controlled Entities	-	(1,015,608)	942,874
Distributions from First Nation Limited Partnership	-	400,000	640,000
Other revenue	204,052	2,807,353	1,682,300
Total revenue	204,052	3,716,066	4,878,335
Expenses			
Capital expenses	-	591,313	656,148
Honoraria	19,200	22,678	23,875
Materials and supplies	12,000	139,068	142,729
Principal payments on loans	-	468,475	559,549
Professional fees	98,269	456,579	292,788
Travel	12,500	124,815	101,371
Utilities and telephone	-	89,668	87,954
Wages and benefits	56,640	1,039,933	944,118
Other expenses	91,368	2,431,386	2,411,496
Total expenses	289,977	5,363,915	5,220,028
Other items			
	(85,925)	(1,647,849)	(341,693)
	-	496,712	612,024
Annual surplus (deficit)	\$ (85,925)	\$ (1,151,137)	\$ 270,331

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **MARCH 31, 2018**

12. COMPARATIVE AMOUNTS

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