

KLAHOOSE FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

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INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

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Klahoose First Nation

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2019

The accompanying consolidated financial statements of Klahoose First Nation and all the information in this annual report for the year ended March 31, 2019 are the responsibility of management and have been approved by the Chief and Council.

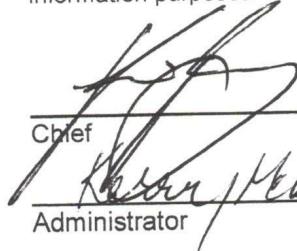
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgement. When alternative accounting methods exist, management has chosen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

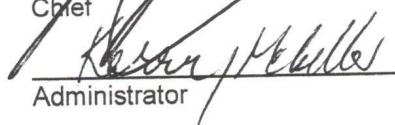
The Klahoose First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Nation's assets are appropriately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

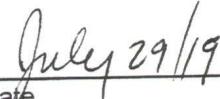
The Chief and Council reviews the Nation's financial statements and recommends their approval. The Chief and Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues 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.

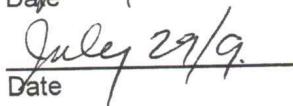
The consolidated financial statements have been audited by Reid Hurst Nagy Inc., Chartered Professional Accountants in accordance with Canadian generally accepted auditing standards on behalf of the Members. Reid Hurst Nagy Inc. has full access to the books and records of the Nation. Reid Hurst Nagy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



Chief


Administrator



Date


Date

Independent Auditors' Report

To the Members of
Klahoose First Nation

Opinion

We have audited the consolidated financial statements of Klahoose First Nation, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated consolidated statements of operations and accumulated surplus, change 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 consolidated financial statements present fairly, in all material respects, the financial position of Klahoose First Nation as at and the results of its operations, the changes in its net financial assets and its cash flows for the year for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 PSAB, 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 auditors' 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 auditors' 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.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



REID HURST NAGY INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

RICHMOND, B.C.
JULY 29, 2019

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash	\$ 5,449,416	\$ 2,146,450
Restricted cash (Note 3)	1,916,670	1,923,624
Accounts receivable (Note 4)	87,654	95,151
Rent receivable	1,873	12,391
Due from First Nation Controlled Entities	52,275	1,291
Long-term investments (Note 5)	15,288,822	21,568,311
Investment in Treaty	3,593,459	3,583,354
	26,390,169	29,330,572
LIABILITIES		
Accounts payable (Note 7)	692,543	172,748
Long-term debt (Note 8)	4,344,664	8,420,165
	5,037,207	8,592,913
NET FINANCIAL ASSETS	21,352,962	20,737,659
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	7,998,252	7,921,956
Prepaid expenses	55,733	27,318
Inventory	2,484	1,337
	8,056,469	7,950,611
ACCUMULATED SURPLUS (Note 10)	\$ 29,409,431	\$ 28,688,270
MEMBERS' EQUITY		
Equity in Operating Fund	\$ 5,041,502	\$ 2,305,307
Equity in Social Housing	1,120,116	1,329,063
Equity in Capital Fund	6,326,927	1,975,914
Equity in Ottawa Trust Fund	587,428	578,410
Equity in Enterprise Fund	15,288,822	21,568,311
Equity in Youth Trust Fund	1,044,636	931,265
ACCUMULATED SURPLUS	\$ 29,409,431	\$ 28,688,270

APPROVED ON BEHALF OF THE KLAHOOSE FIRST NATION

, Chief

Administrator

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For the year ended March 31, 2019

	2019	2018
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 721,161	\$ (1,151,137)
Acquisition of tangible capital assets	(674,869)	(64,278)
<u>Amortization of tangible capital assets</u>	<u>598,573</u>	<u>610,448</u>
	(76,296)	546,170
Acquisition of prepaid asset	(55,733)	(27,318)
<u>Use of prepaid asset</u>	<u>27,318</u>	<u>4,486</u>
	(28,415)	(22,832)
Acquisition of inventory	(2,484)	(1,337)
<u>Use of inventory</u>	<u>1,337</u>	<u>4,350</u>
	(1,147)	3,013
DECREASE IN NET FINANCIAL ASSETS	615,303	(624,786)
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	20,737,659	21,362,445
NET FINANCIAL ASSETS AT END OF YEAR	\$ 21,352,962	\$ 20,737,659

KLAHOOSE FIRST NATION

CONSOLIDATED SUMMARY STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31, 2019

		2019 Budget	2019 Actual	2018 Actual
REVENUE				
Indigenous Services Canada	\$ -	\$ 5,345,321	\$ 881,884	
First Nations Education Steering Committee	-	7,138	1,000	
BCTC - treaty	-	-	153,039	
Cigarette sales	-	35,419	22,799	
Distributions from First Nation Limited Partnership	-	4,143,323	400,000	
Fisheries and Oceans Canada	-	83,120	130,764	
First Nations Health Authority	-	471,105	327,765	
Interest income	-	77,491	60,776	
Other	-	1,315,137	1,368,873	
Rental income	-	170,490	183,030	
Revenue sharing	-	1,101,301	1,099,504	
Road use agreement	-	-	51,267	
Share of income of First Nation Controlled Entities	-	(6,279,489)	(1,015,608)	
Treaty negotiation support agreement	-	188,534	51,013	
	-	6,658,890	3,716,066	
EXPENDITURES				
Band Programs	-	2,808,994	1,882,619	
Education	-	306,612	353,160	
Job creation	-	232,203	277,621	
Health	-	319,468	348,699	
Social development	-	221,243	211,718	
Capital	-	5,846,638	1,225,630	
Social housing	-	120,216	204,550	
Capital fund	-	550,325	549,521	
Ottawa Trust Fund	-	-	-	
First Nation Negotiation Support Agreement Fund	-	249,652	196,935	
Enterprise Fund	-	-	-	
Youth Trust Fund	-	42,848	113,462	
	-	10,698,199	5,363,915	
DEFICIENCY OF REVENUE OVER EXPENDITURES BEFORE OTHER ITEMS				
	-	(4,039,314)	(1,647,849)	
OTHER ITEMS				
Principal reduction of long-term debt	-	4,024,488	439,551	
Tangible capital asset additions	-	674,869	64,278	
Loan payable - Canada	-	-	(204,052)	
Allocation to investment in Treaty	-	61,118	196,935	
	-	4,760,475	496,712	
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES				
	-	721,161	(1,151,137)	
EQUITY AT BEGINNING OF YEAR				
	-	28,688,270	29,839,407	
EQUITY AT END OF YEAR	\$ -	\$ 29,409,431	\$ 28,688,270	

The accompanying notes are an integral part of the financial statements

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended March 31, 2019

	2019	2018
OPERATING ACTIVITIES		
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 721,161	\$ (1,151,137)
Items not affecting cash		
Amortization	598,573	610,448
Share of income (loss) of First Nation controlled entities	6,279,489	1,015,608
	<u>7,599,223</u>	<u>474,919</u>
Change in non-cash operating net assets	<u>498,143</u>	<u>(151,216)</u>
	<u><u>8,097,366</u></u>	<u><u>323,703</u></u>
FINANCING ACTIVITIES		
Advances to First Nation Controlled Entities	(50,984)	72,678
Principal repayment of long-term debt	(4,075,501)	(439,550)
Loan proceeds - First Nation Negotiation Support	-	204,052
	<u>(4,126,485)</u>	<u>(162,820)</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(674,869)	(64,278)
CHANGES IN CASH DURING THE YEAR	3,296,012	96,605
CASH, BEGINNING OF YEAR	4,070,074	3,973,469
CASH, END OF YEAR	\$ 7,366,086	\$ 4,070,074
REPRESENTED BY:		
Cash	\$ 5,449,416	\$ 2,146,450
Restricted cash	1,916,670	1,923,624
	<u><u>\$ 7,366,086</u></u>	<u><u>\$ 4,070,074</u></u>

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

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, 2019

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, 2019

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, 2019

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 underfunded by \$1,436 (2018 - overfunded \$27,423).

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.

	2019	2018
Replacement Reserve Fund - restricted cash	\$ 209,920	\$ 211,933
Ottawa Trust Funds - restricted cash	587,428	578,410
First Nation Negotiation Support Agreement Fund - restricted cash	42,553	202,016
Youth Trust Fund - restricted cash	1,076,769	931,265
	<hr/> \$ 1,916,670	<hr/> \$ 1,923,624

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

4. ACCOUNTS RECEIVABLE

	2019	2018
Accounts receivable - general	\$ 137,972	\$ 162,350
Indigenous Services Canada	-	5,209
Canada Mortgage and Housing Corporation	-	2,353
First Nations Health Authority	487	797
School District No. 72	-	6,000
Province of British Columbia	10,000	-
	148,459	176,709
Allowance for doubtful accounts	(60,805)	(81,558)
	\$ 87,654	\$ 95,151

5. LONG-TERM INVESTMENTS

	2019	2018
Investment in Qathen Zwagus Management Corporation		
Shares	\$ 1	\$ 1
Accumulated deficit in earnings	(2,473,946)	(2,010,677)
	(2,473,945)	(2,010,676)
Investment in Klahoose Investment Limited Partnership		
Accumulated equity in earnings	21,789,629	27,392,794
Drawings	(4,136,323)	(400,000)
Assignment of amounts due from related party	-	(3,492,910)
	17,653,306	23,499,884
Investment in Klahoose Forestry No.2 Limited Partnership		
Accumulated equity (deficit) in earnings	109,461	79,103
	109,461	79,103
	\$ 15,288,822	\$ 21,568,311

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

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%)	2019 Total
Cash	\$ 81,415	\$ 15,678	\$ 687	\$ 97,780
Accounts receivable	7,500	-	-	7,500
Prepays	5,093	-	-	5,093
Tangible capital assets	5,677	-	-	5,677
Investments	3,818	15,101,535	-	15,105,353
Other assets	28,318	2,538,885	129,462	2,696,665
Total assets	\$ 131,821	\$ 17,656,098	\$ 130,149	\$ 17,918,068

Accounts payable	\$ 115,758	\$ 1,456	\$ 89	\$ 117,303
Other liabilities	2,490,009	-	21,000	2,511,009
Total liabilities	2,605,767	1,456	21,089	2,628,312
Equity	(2,473,946)	17,654,642	109,060	2,628,312
Total liabilities and equity	\$ 131,821	\$ 17,656,098	\$ 130,149	\$ 5,256,624

	Qathen Xwegus Management Corporation (100%)	Klahoose Investment Limited Partnership (99.99%)	Klahoose Forestry No.2 Limited Partnership (99.99%)	2019 Total
Revenue	\$ 236,345	\$ (1,625,222)	\$ 33,686	\$ (1,355,191)
Expenses	699,614	85,204	3,325	788,143
	\$ (463,269)	\$ (1,710,426)	\$ 30,361	\$ (2,143,334)

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

7. ACCOUNTS PAYABLE

	2019	2018
Accounts payable - general	\$ 624,044	\$ 67,162
Indigenous Services Canada	-	5,564
School District #72	-	41,107
Wages payable	68,499	58,915
	\$ 692,543	\$ 172,748

8. LONG-TERM DEBT

	2019	2018
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.	\$ 34,375	\$ 71,875
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.	-	3,900,000
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.	128,248	141,791
Bank of Montreal - repayable in monthly instalments of \$3,986 including interest at prime plus 1% per annum. Secured by a general security agreement.	464,654	489,852
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
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.	15,614	31,011
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.	23,274	38,561

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

8. LONG-TERM DEBT, continued

	2019 \$	2018 \$
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.	53,115	68,000
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.	3,625,384	3,676,397
	-	-
<u>Current portion</u>	4,344,664 119,962	8,420,165 431,749
<u>Long-term portion</u>	\$ 4,224,702	\$ 7,988,416

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

2020	\$ 120,000
2021	64,800
2022	59,400
2023	46,000
2024 and thereafter	4,054,464
	<hr/>
	\$ 4,344,664

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

9. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization				2019 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	\$ -	\$ 10,039,168	\$ 3,549,922	\$ 494,462	\$ 4,093,992	\$ 5,945,176	
Automotive equipment	16,000	42,813	58,813	15,100	5,181	20,281	38,532	
Equipment	352,163	-	352,163	332,383	4,396	336,779	15,384	
Dock	318,869	-	318,869	253,199	31,887	285,086	33,783	
Infrastructure	611,362	-	611,362	444,045	14,399	458,444	152,918	
Land	136,356	632,056	768,412	-	-	-	768,412	
Social housing	1,522,322	-	1,222,485	179,798	48,248	178,438	1,044,047	
	\$ 12,696,403	\$ 674,869	\$ 13,371,272	\$ 4,774,447	\$ 598,573	\$ 5,373,020	\$ 7,998,252	

	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	

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

10. ACCUMULATED SURPLUS

	2019	2018
Unrestricted		
Operating Fund	\$ 5,041,502	\$ 2,305,307
Capital Fund	6,326,927	1,975,914
Enterprise Fund	15,288,822	21,568,311
	26,657,251	25,849,532
Restricted		
Social Housing	1,120,116	1,329,063
Ottawa Trust Fund	587,428	578,410
Youth Trust Fund	1,044,636	931,265
	2,752,180	2,838,738
	\$ 29,409,431	\$ 28,688,270

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, 2019

11. SEGMENTED INFORMATION, continued

	Band Programs			Education			Job Creation		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
Revenues									
Indigenous Services Canada	\$ -	\$ 255,622	\$ 213,344	\$ -	\$ 332,224	\$ 270,419	\$ -	\$ 21,019	\$ 20,837
Administration fee	-	29,683	80,415	-	-	-	-	-	-
Rental income	-	109,805	101,995	-	-	-	-	-	-
Interest income	-	45,136	24,989	-	-	-	-	-	396
Revenue sharing	-	1,101,301	1,099,504	-	-	-	-	-	-
Road use agreement	-	-	51,267	-	-	-	-	-	-
Distributions from First Nation Limited Partnership	-	507,000	400,000	-	-	-	-	-	-
Other revenue	-	1,012,734	1,074,274	-	13,138	7,000	-	135,282	178,284
Total revenue	-	3,061,281	3,045,788	-	345,362	277,419	-	156,301	199,517
Expenses									
Capital expenses	-	-	39,800	-	-	-	-	3,100	-
Honoraria	-	29,676	17,303	-	-	-	-	-	-
Materials and supplies	-	11,586	-	-	16,335	8,637	-	34,806	78,714
Principal payments on loans	-	68,806	68,806	-	-	-	-	-	-
Professional fees	-	238,124	104,959	-	-	-	-	-	-
Travel	-	68,994	43,676	-	9,135	8,126	-	4,534	4,414
Utilities and telephone	-	(118)	(700)	-	-	-	-	-	(200)
Wages and benefits	-	403,841	334,935	-	49,667	47,527	-	177,075	160,758
Other expenses	-	1,988,090	1,273,839	-	231,475	288,870	-	12,688	33,935
Total expenses	-	2,808,999	1,882,618	-	306,612	353,160	-	232,203	277,621
Annual surplus (deficit)	\$ -	\$ 252,282	\$ 1,163,170	\$ -	\$ 38,750	\$ (75,741)	\$ -	\$ (75,902)	\$ (78,104)

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

11. SEGMENTED INFORMATION, continued

	2019 Budget	Health		Social Development			Capital		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
Revenues									
Indigenous Services Canada	\$ -	\$ -	\$ -	\$ -	\$ 359,583	\$ 171,634	\$ -	\$ 4,376,873	\$ 287,588
First Nations Health Authority	-	471,105	327,765	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	1,360
Distributions from First Nation Limited Partnership	-	-	-	-	-	-	-	3,636,323	-
Other revenue	-	31,688	3,905	-	-	20,000	-	9,078	-
Total revenue	-	502,793	331,670	-	359,583	191,634	-	8,022,274	288,948
Expenses									
Capital expenses	-	-	-	-	-	-	-	1,033,161	1,992
Honoraria	-	-	175	-	-	-	-	-	-
Materials and supplies	-	23,871	20,129	-	12,612	9,744	-	10,610	14,310
Principal payments on loans	-	-	-	-	-	-	-	3,937,500	337,500
Professional fees	-	2,029	23,324	-	-	15,918	-	272,653	550,192
Travel	-	44,237	58,890	-	1,054	2,505	-	8,159	2,176
Utilities and telephone	-	2,085	146	-	16,479	13,644	-	42,728	49,598
Wages and benefits	-	180,350	168,592	-	29,355	48,673	-	201,698	212,222
Other expenses	-	66,896	77,442	-	161,743	121,234	-	340,129	332,736
Total expenses	-	319,468	348,698	-	221,243	211,718	-	5,846,638	1,500,726
Annual surplus (deficit)	\$ -	\$ 183,325	\$ (17,028)	-	\$ 138,340	\$ (20,084)	-	\$ 2,175,636	\$ (1,211,778)

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

11. SEGMENTED INFORMATION, continued

	Social Housing			Capital Fund			Ottawa Trust Fund		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
Revenues									
Rental income	\$ -	\$ 60,685	\$ 79,675	-	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	6,218	4,127	-	-	-	-	9,018	13,475
Distributions from First Nation Limited Partnership	-	-	5,428	-	-	-	-	-	-
Other revenue	-	70,111	22,701	-	-	-	-	-	-
Total revenue	-	137,014	111,931	-	-	-	-	9,018	13,475
Expenses									
Capital expenses	-	-	-	-	550,325	549,521	-	-	-
Principal payments on loans	-	48,247	60,927	-	-	-	-	-	-
Professional fees	-	5,444	5,284	-	-	-	-	-	-
Other expenses	-	66,525	132,911	-	-	-	-	-	-
Total expenses	-	120,216	199,122	-	550,325	549,521	-	9,018	13,475
Other items	-	16,798	(87,191)	-	(550,325)	(549,521)	-	9,018	13,475
Annual surplus (deficit)	\$ -	\$ 65,046	\$ (26,264)	-	\$ 4,100,784	\$ (106,619)	-	\$ 9,018	\$ 13,475

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

11. SEGMENTED INFORMATION, continued

	First Nation Negotiation Support Agreement Fund			Enterprise Fund			Youth Trust Fund		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
Revenues									
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,119	\$ 17,789
Other revenue	\$ 281,575	\$ 188,534	\$ 204,052	\$ -	\$ (6,279,489)	\$ (1,015,608)	\$ -	\$ 139,100	\$ 126,000
Total revenue	281,575	188,534	204,052	-	(6,279,489)	(1,015,608)	-	156,219	143,789
Expenses									
Honoraria	4,800	4,800	5,200	-	-	-	-	-	-
Materials and supplies	12,000	321	2,796	-	-	-	-	-	-
Professional fees	75,323	29,244	31,998	-	-	-	-	-	-
Travel	12,500	10,718	5,028	-	-	-	-	-	-
Wages and benefits	56,640	64,944	67,226	-	-	-	-	-	-
Other expenses	120,312	139,625	84,687	-	-	-	-	42,848	113,462
Total expenses	281,575	249,652	196,935	-	(6,279,489)	(1,015,608)	-	42,848	113,462
Other items	-	(61,118)	7,117	-	(6,279,489)	(1,015,608)	-	113,371	30,327
Annual surplus (deficit)	\$ -	\$ -	\$ -	\$ -	\$ (6,279,489)	\$ (1,015,608)	-	\$ 113,371	\$ 30,327

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

11. SEGMENTED INFORMATION, continued

			Consolidated totals		
			2019 Budget	2019 Actual	2018 Actual
Revenues					
Indigenous Services Canada			\$ -	\$ 5,345,321	\$ 881,844
First Nations Health Authority			-	471,105	327,765
Administration fee			-	29,683	80,415
Rental income			-	170,490	183,030
Interest income			-	77,491	60,776
Share of income of First Nation Controlled Entities			-	1,101,301	(1,015,608)
Road use agreement			-	-	51,267
Distributions from First Nation Limited Partnership			-	4,143,323	400,000
Other revenue			281,575	(4,679,824)	2,746,577
Total revenue			281,575	6,658,890	3,716,066
Expenses					
Capital expenses			-	1,586,586	591,313
Honoraria			4,800	34,476	22,678
Materials and supplies			12,000	110,141	139,068
Principal payments on loans			-	4,054,553	468,475
Professional fees			75,323	547,494	456,579
Travel			12,500	146,831	124,815
Utilities and telephone			-	61,174	89,668
Wages and benefits			56,640	1,106,930	1,039,933
Other expenses			120,312	3,050,019	2,431,386
Total expenses			281,575	10,698,204	5,363,915
Other items			-	(4,039,314)	(1,647,849)
Annual surplus (deficit)			\$ -	\$ 721,161	\$ (1,151,137)