

KLAHOOSE FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

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CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

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FINANCIAL STATEMENTS

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2020

The accompanying consolidated financial statements of Klahoose First Nation and all the information in this annual report for the year ended March 31, 2020 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

Sept 8/20
Date
Sept 8/20
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, 2020, and the 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 consolidated position of Klahoose First Nation as at March 31, 2020 and the results of its consolidated operations, the changes in its consolidated net financial assets and its consolidated cash flows for the year for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

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 Canadian public sector accounting standards ("PSAS"), 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.
SEPTEMBER 8, 2020

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

2020

2019

| FINANCIAL ASSETS | | |
|---|----------------------|----------------------|
| Cash | \$ 3,244,393 | \$ 5,449,416 |
| Restricted cash (Note 5) | 890,574 | 839,901 |
| Accounts receivable (Note 6) | 940,345 | 87,654 |
| Rent receivable | 1,820 | 1,873 |
| Due from First Nation Controlled Entities | 60 | 52,275 |
| Due from Youth Trust Fund | - | 32,133 |
| Long-term investments (Note 7) | 13,664,411 | 15,288,822 |
| Investment in Treaty | - | 3,593,459 |
| | <hr/> 18,741,603 | <hr/> 25,345,533 |
| LIABILITIES | | |
| Accounts payable (Note 9) | 266,040 | 692,543 |
| Deferred revenue (Note 10) | 1,094,150 | - |
| Long-term debt (Note 11) | 598,929 | 4,344,664 |
| Replacement Reserve Fund (Note 13) | 137,843 | 166,254 |
| | <hr/> 2,096,962 | <hr/> 5,203,461 |
| NET FINANCIAL ASSETS | 16,644,641 | 20,142,072 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 12) | 13,307,545 | 7,526,045 |
| Prepaid expenses | 30,762 | 55,733 |
| Inventory | 2,756 | 2,484 |
| | <hr/> 13,341,063 | <hr/> 7,584,262 |
| ACCUMULATED SURPLUS (Note 14) | \$ 29,985,704 | \$ 27,726,334 |
| MEMBERS' EQUITY | | |
| Equity in Operating Fund | \$ 3,012,830 | \$ 5,086,603 |
| Equity in Social Housing | 684,295 | 908,760 |
| Equity in Capital Fund | 11,999,440 | 5,854,721 |
| Equity in Ottawa Trust Fund | 604,447 | 587,428 |
| Equity in First Nation Negotiation Support Agreement Fund | 20,281 | - |
| Equity in Enterprise Fund | 13,664,411 | 15,288,822 |
| ACCUMULATED SURPLUS | \$ 29,985,704 | \$ 27,726,334 |

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 | 2020 Budget | 2020 Actual | 2019 |
|--|----------------|----------------------|----------------------|
| ANNUAL SURPLUS | \$ 154,528 | \$ 2,259,370 | \$ 1,659,215 |
| Acquisition of tangible capital assets | - | (6,316,450) | (1,708,029) |
| <u>Amortization of tangible capital assets</u> | <u>-</u> | <u>534,950</u> | <u>527,755</u> |
| | - | (5,781,500) | 395,903 |
| Acquisition of prepaid asset | - | 80,704 | (55,733) |
| <u>Use of prepaid asset</u> | <u>-</u> | <u>(55,733)</u> | <u>27,318</u> |
| | - | 24,971 | (28,415) |
| Acquisition of inventory | - | (2,756) | (2,484) |
| <u>Use of inventory</u> | <u>-</u> | <u>2,484</u> | <u>1,337</u> |
| | - | (272) | (1,147) |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS | 154,528 | (3,497,431) | 2,025,556 |
| NET FINANCIAL ASSETS AT BEGINNING OF YEAR | - | 20,142,072 | 18,116,516 |
| NET FINANCIAL ASSETS AT END OF YEAR | \$ - | \$ 16,644,641 | \$ 20,142,072 |

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

| For the year ended March 31 | 2020 Budget | 2020 Actual | 2019 Actual |
|---|----------------|-------------------|----------------|
| REVENUE | | | |
| Indigenous Services Canada | \$ 1,063,038 | \$ 5,418,677 | \$ 5,345,321 |
| Canada Mortgage and Housing Corporation subsidies | - | 24,364 | 144,961 |
| Cigarette sales | 26,400 | 28,666 | 35,419 |
| Distributions from First Nation Limited Partnership | - | - | 4,143,323 |
| First Nations Health Authority | 471,103 | 503,721 | 471,105 |
| Interest income | 36,000 | 87,496 | 56,875 |
| Other | 318,184 | 440,817 | 414,058 |
| Province of BC | 70,073 | 1,035,745 | 225,971 |
| Rental income | 103,000 | 176,354 | 170,490 |
| Revenue sharing | 1,650,000 | 1,986,550 | 1,723,426 |
| Share of loss of First Nation Controlled Entities | - | (1,624,521) | (6,279,489) |
| Treaty negotiation support agreement | 220,540 | 220,540 | 188,534 |
| Transfer to deferred revenue | - | (1,094,150) | - |
| | 3,958,338 | 7,204,259 | 6,639,994 |
| EXPENSES | | | |
| Band Programs | 1,805,903 | 2,166,291 | 2,138,203 |
| Education | 326,900 | 459,617 | 306,612 |
| Job creation | 284,499 | 176,858 | 232,203 |
| Health | 420,938 | 376,985 | 276,655 |
| Social development | 249,933 | 364,378 | 221,243 |
| Capital | 437,151 | 596,787 | 875,977 |
| Social housing | - | 83,210 | 129,909 |
| Capital fund | - | 488,689 | 550,325 |
| Ottawa Trust Fund | - | - | - |
| First Nation Negotiation Support Agreement Fund | 257,674 | 232,184 | 249,652 |
| Enterprise Fund | - | 110 | - |
| | 3,782,998 | 4,945,109 | 4,980,779 |
| ANNUAL SURPLUS | 154,528 | 2,259,370 | 1,659,215 |
| ACCUMULATED SURPLUS AT BEGINNING OF YEAR | - | 27,726,334 | 26,067,119 |
| ACCUMULATED SURPLUS AT END OF YEAR | \$ 154,528 | \$ 29,985,704 | \$ 27,726,334 |

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended March 31, 2020

| <u>For the year ended March 31, 2020</u> | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| OPERATING ACTIVITIES | | |
| ANNUAL SURPLUS | \$ 2,259,370 | \$ 1,659,215 |
| Items not affecting cash | | |
| Amortization | 534,950 | 598,573 |
| Share of (income) loss of First Nation controlled entities | 1,634,301 | 6,279,489 |
| Decrease in investment in treaty | 3,593,459 | - |
| | <u>8,022,080</u> | <u>8,537,277</u> |
| Change in non-cash operating net assets | (188,703) | 479,878 |
| | <u>7,833,377</u> | <u>9,017,155</u> |
| CAPITAL ACTIVITIES | | |
| Acquisition of tangible capital assets | (6,316,451) | (1,708,029) |
| FINANCING ACTIVITIES | | |
| Advances to First Nation Controlled Entities | 52,215 | (50,984) |
| Principal repayment of long-term debt | (3,745,734) | (4,075,501) |
| Advances to First Nation Controlled Entities | 32,133 | (32,133) |
| | <u>(3,661,386)</u> | <u>(4,158,618)</u> |
| INVESTING ACTIVITIES | | |
| Draws from First Nation controlled entities | (10,000) | - |
| Acquisition of shares in BCFN GRS GP Inc. | 10 | - |
| Acquisition of interest in BC First Nation Gaming Revenue Sharing Limited Partnership | 100 | - |
| | <u>(9,890)</u> | <u>-</u> |
| CHANGES IN CASH DURING THE YEAR | <u>(2,154,350)</u> | <u>3,150,508</u> |
| CASH, BEGINNING OF YEAR | <u>6,289,317</u> | <u>3,138,809</u> |
| CASH, END OF YEAR | <u>\$ 4,134,967</u> | <u>\$ 6,289,317</u> |
| REPRESENTED BY: | | |
| Cash | \$ 3,244,393 | \$ 5,449,416 |
| Restricted cash | 890,574 | 839,901 |
| | <u>\$ 4,134,967</u> | <u>\$ 6,289,317</u> |

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

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 a government business, 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 and the business' 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.

Segments 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

Organizations accounted for on a modified equity basis include:

7. Qathen Xwegus Management Corporation
8. Klahoose Investment Limited Partnership
9. 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.

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

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. Entry is made to eliminate the revenue and expenditures on the consolidated basis. 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, 2020

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

(i) Liability for contaminated sites

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) Klahoose First Nation is directly responsible or accepts responsibility
- (iv) it is expected that future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

As at March 31, 2019 and 2020, no liability for contaminated sites has been recorded.

(j) Financial Instruments

(i) Measurement of Financial instruments

The First Nation initially measures its financial assets and liabilities at fair value.

The First Nation subsequently measures all its financial assets and financial liabilities at cost or amortized cost. Changes in fair value are not recognized in the statement of operations in the period incurred in accordance with PSAS.

Financial assets measured at amortized cost include cash, accounts receivables, funds held in trust.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The First Nation has not designated any financial asset or financial liability to be measured at fair value.

(ii) Impairment

For financial assets measured at cost or amortized cost, the First Nation Corporation determines whether there are indications of possible impairment. When there is an indication of impairment, and the First Nation determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

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

(k) 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 |

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.

(l) Replacement Reserve

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

(m) 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.

(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, wages payable, 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.

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

2. BUDGET

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Council.

3. 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.

4. YOUTH TRUST FUND

The Youth Trust Fund holds distribution payments in trust for youth until the age of maturity. Klahoose First Nation is the trustee of the Youth Trust Fund. These funds are neither an asset nor a liability of Klahoose First Nation and accordingly are not reflected in the accompanying financial statements.

| | 2020 | 2019 |
|-------------------------------|------------------|------------------|
| Opening trust fund balance | \$ 1,044,636 | \$ 931,265 |
| Contribution during the year | 123,000 | 139,100 |
| Interest income | 20,838 | 17,119 |
| Distribution during the year | (27,382) | (42,848) |
| Ending trust fund balance | \$ 1,161,092 | \$ 1,044,636 |

5. 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 \$18,259 (2019 - underfunded \$1,436).

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.

| | 2020 | 2019 |
|---|----------------|-------------|
| Replacement Reserve Fund - restricted cash | \$ 201,203 | \$ 209,920 |
| Ottawa Trust Funds - restricted cash | 604,447 | 587,428 |
| First Nation Negotiation Support Agreement Fund - restricted cash | 84,924 | 42,553 |
| \$ 890,574 | \$ 839,901 | |

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2020

6. ACCOUNTS RECEIVABLE

| | 2020 | 2019 |
|---------------------------------|-------------------|------------------|
| Accounts receivable - general | \$ 142,516 | \$ 137,972 |
| Indigenous Services Canada | 805,482 | - |
| Fisheries and Oceans Canada | 115,112 | - |
| First Nations Health Authority | - | 487 |
| Province of British Columbia | - | 10,000 |
| | 1,063,110 | 148,459 |
| Allowance for doubtful accounts | (122,765) | (60,805) |
| | \$ 940,345 | \$ 87,654 |

7. LONG-TERM INVESTMENTS

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Investment in Qathen Xwegus Management Corporation | | |
| Shares | \$ 1 | \$ 1 |
| Accumulated deficit in earnings | (2,967,957) | (2,473,946) |
| | (2,967,956) | (2,473,945) |
| Investment in Klahoose Investment Limited Partnership | | |
| Accumulated equity in earnings | 16,573,163 | 21,789,629 |
| Drawings | - | (4,136,323) |
| | 16,573,163 | 17,653,306 |
| Investment in Klahoose Forestry No.2 Limited Partnership | | |
| Accumulated equity (deficit) in earnings | 59,094 | 109,461 |
| Investment in BC First Nations Gaming Fund | | |
| Shares | 10 | - |
| Partnership interest | 100 | - |
| | 110 | - |
| | \$ 13,664,411 | \$ 15,288,822 |

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

8. GOVERNMENT BUSINESSES

Commercial enterprises are those organizations that meet the definition of government businesses as described by the Public Sector Accounting Board of CPA Canada. Government businesses 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%) | 2020 Total |
|-------------------------------------|---|--|---|-----------------------|
| Cash | \$ 70,554 | \$ 3,361 | \$ 611 | \$ 74,526 |
| Accounts receivable | 147 | - | - | 147 |
| Prepads | 4,308 | - | - | 4,308 |
| Tangible capital assets | 11,673 | - | - | 11,673 |
| Investments | 3,649 | 13,646,328 | 83,078 | 13,733,055 |
| Other assets | 46,647 | 2,924,702 | - | 2,971,349 |
| Total assets | \$ 136,978 | \$ 16,574,391 | \$ 83,689 | \$ 16,795,058 |
| | | | | |
| Accounts payable | \$ 24,032 | \$ - | \$ - | \$ 24,032 |
| Other liabilities | 3,080,903 | - | 25,000 | 3,105,903 |
| Total liabilities | 3,104,935 | - | 25,000 | 3,129,935 |
| Equity | (2,967,957) | 16,574,391 | 58,689 | 13,665,123 |
| Total liabilities and equity | \$ 136,978 | \$ 16,574,391 | \$ 83,689 | \$ 16,795,058 |
| | | | | |
| | Qathen Xwegus Management Corporation (100%) | Klahoose Investment Limited Partnership (99.99%) | Klahoose Forestry No.2 Limited Partnership (99.99%) | 2020 Total |
| Revenue | \$ 109,791 | \$ (1,004,639) | \$ (36,353) | \$ (931,201) |
| Expenses | 603,802 | 75,612 | 4,018 | 683,432 |
| | \$ (494,011) | \$ (1,080,251) | \$ (40,371) | \$ (1,614,633) |

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

9. ACCOUNTS PAYABLE

| | 2020 | 2019 |
|----------------------------|-------------------|-------------------|
| Accounts payable - general | \$ 221,351 | \$ 624,044 |
| Wages and benefits payable | 44,689 | 68,499 |
| | \$ 266,040 | \$ 692,543 |

10. DEFERRED REVENUE

| | March 31, 2019 | Funding received, 2020 | Revenue recognized, 2020 | March 31, 2020 |
|---|-------------------|------------------------------|--------------------------------|---------------------|
| Indigenous Services Canada (Fixed - NTF9 (CPMS 10893)) | \$ - | \$ 714,000 | \$ - | \$ 714,000 |
| Province of BC - Gaming Revenue | - 542,000 | 542,000 | (161,850) | 380,150 |
| | \$ - | \$ 1,256,000 | \$ (161,850) | \$ 1,094,150 |

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2020

11. LONG-TERM DEBT

| | 2020 | 2019 |
|--|-------------------|---------------------|
| 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. Matured in April 2019. | \$ - | \$ 34,375 |
| 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. | 114,164 | 128,248 |
| Bank of Montreal - repayable in monthly instalments of \$3,986 including interest at prime plus 1% per annum. Secured by a general security agreement. | 439,024 | 464,654 |
| All Nations Trust Company - repayable in monthly instalments of \$1,311 including interest at 1.39% per annum, secured by a Ministerial Guarantee from Indigenous Services Canada. Matured in March 2020. | - - | 15,614 |
| 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. | 7,804 | 23,274 |
| 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. | 37,937 | 53,115 |
| 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. The debt has been forgiven by Government of Canada effective March 31, 2020. | - - | 3,625,384 |
| <u>Current portion</u> | <u>598,929</u> | <u>4,344,664</u> |
| | 64,706 | 119,962 |
| <u>Long-term portion</u> | <u>\$ 534,223</u> | <u>\$ 4,224,702</u> |
| Principal portion of long-term debt due within the next five years: | | |
| 2021 | \$ 64,706 | |
| 2022 | 59,308 | |
| 2023 | 52,827 | |
| 2024 | 48,400 | |
| <u>2025 and thereafter</u> | <u>373,688</u> | |
| | \$ 598,929 | |

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

12. TANGIBLE CAPITAL ASSETS

| | Cost | | | Accumulated amortization | | | | 2020 net book value |
|---------------------------|----------------------------------|---------------------|-------------------------|----------------------------------|-------------------|-------------------------|----------------------|---------------------|
| | Balance, beginning of year | Additions | Balance, end of year | Balance, beginning of year | Amortization | Balance, end of year | | |
| Buildings | \$ 10,039,168 | \$ - | \$ 10,357,855 | \$ 4,874,000 | \$ 471,892 | \$ 5,345,892 | \$ 5,011,963 | |
| Automotive equipment | 58,813 | - | 58,813 | 20,281 | 8,563 | 28,844 | 29,969 | |
| Equipment | 352,163 | 128,432 | 480,596 | 336,779 | 7,952 | 344,731 | 135,865 | |
| Dock | 318,869 | - | 318,869 | 285,086 | 31,887 | 316,973 | 1,896 | |
| Assets under construction | 1,033,161 | 6,149,397 | 7,182,558 | - | - | - | 7,182,558 | |
| Infrastructure | 611,362 | 8,701 | 620,063 | 458,444 | 14,657 | 473,101 | 146,962 | |
| Land | 768,412 | 29,920 | 798,332 | - | - | - | 798,332 | |
| Social housing | 903,798 | - | 903,798 | 903,798 | - | 903,798 | - | |
| | \$ 14,085,746 | \$ 6,635,138 | \$ 20,720,884 | \$ 6,878,388 | \$ 534,951 | \$ 7,413,339 | \$ 13,307,545 | |
| | | | | | | | | |
| | 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 | \$ 4,083,421 | \$ 471,892 | \$ 4,555,313 | \$ 5,483,855 | |
| 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 | |
| Assets under construction | - | 1,033,161 | 1,033,161 | - | - | - | 1,033,161 | |
| Infrastructure | 611,362 | - | 611,362 | 444,045 | 14,399 | 458,444 | 152,918 | |
| Land | 136,356 | 632,056 | 768,412 | - | - | - | 768,412 | |
| Social housing | 1,222,485 | - | 1,222,485 | 1,222,485 | - | 1,222,485 | - | |
| | \$ 12,396,566 | \$ 2,007,867 | \$ 14,404,433 | \$ 6,350,633 | \$ 527,755 | \$ 6,878,388 | \$ 7,526,045 | |

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2020

13. REPLACEMENT RESERVE FUND

The Replacement Reserve is established in accordance with the Operating Agreements with CMHC for on-reserve housing. Funds are required to be set aside annually and held for future replacements of capital items related to the homes.

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Balance, beginning of year | \$ 166,254 | \$ 184,511 |
| Interest | 4,789 | 3,497 |
| Repairs and maintenance | (11,835) | (4,885) |
| Appropriations from the Operating Fund | 17,001 | 17,727 |
| Transfer of matured unit equity | (38,366) | (34,596) |
| | <hr/> \$ 137,843 | <hr/> \$ 166,254 |

14. ACCUMULATED SURPLUS

| | 2020 | 2019 |
|---|------------------------|------------------------|
| Unrestricted | | |
| Operating Fund | \$ 3,012,830 | \$ 5,086,603 |
| Capital Fund | 11,999,440 | 5,854,721 |
| Enterprise Fund | 13,664,411 | 15,288,822 |
| | <hr/> 28,676,681 | <hr/> 26,230,146 |
| Restricted | | |
| Social Housing | 684,295 | 908,760 |
| Ottawa Trust Fund | 604,447 | 587,428 |
| First Nation Negotiation Support Agreement Fund | 20,281 | - |
| | <hr/> 1,309,023 | <hr/> 1,496,188 |
| | <hr/> \$ 29,985,704 | <hr/> \$ 27,726,334 |

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

15. 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 and Enterprise 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, 2020

15. SEGMENTED INFORMATION, continued

| | Band Programs | | Education | | Job Creation | | 2020 Budget | 2020 Actual | 2019 Actual |
|---|-------------------|---------------------|---------------------|--------------------|---------------------|------------------|---------------------|-------------------|--------------------|
| | 2020 Budget | 2020 Actual | 2020 Budget | 2020 Actual | 2019 Actual | 2020 Budget | | | |
| Revenues | | | | | | | | | |
| Indigenous Services Canada | \$ 240,770 | \$ 464,736 | \$ 255,622 | \$ 332,224 | \$ 294,183 | \$ 332,224 | \$ 21,019 | \$ 21,019 | \$ 21,019 |
| Province of BC | - | 684,851 | 142,851 | - | - | - | 70,073 | 350,894 | 83,120 |
| Rental income | 103,000 | 113,033 | 109,805 | - | - | - | - | - | - |
| Interest income | 36,000 | 66,542 | 45,136 | - | - | - | - | - | - |
| Revenue sharing | 1,650,000 | 1,986,550 | 1,723,426 | - | - | - | - | - | - |
| Distributions from First Nation Limited Partnership | - | - | 507,000 | - | - | - | - | - | - |
| Other revenue | 307,704 | 164,922 | 440,263 | - | 54,884 | 13,138 | (6,026) | 21,534 | (30,958) |
| Total revenue | 2,337,474 | 3,480,634 | 3,224,103 | 332,224 | 349,067 | 345,362 | 85,066 | 393,447 | 73,181 |
| Expenses | | | | | | | | | |
| Capital expenses | - | 2,151 | - | - | - | - | - | - | 3,100 |
| Honoraria | 37,800 | 34,233 | 29,676 | - | - | - | - | - | - |
| Materials and supplies | 1,404 | 44,176 | 11,586 | 18,400 | 16,161 | 16,335 | 31,050 | 8,808 | 34,806 |
| Principal payments on loans | 65,000 | 29,092 | 30,066 | - | - | - | - | - | - |
| Professional fees | 234,330 | 238,943 | 238,124 | - | - | - | 6,556 | - | - |
| Travel | 26,887 | 64,164 | 68,994 | 9,900 | 16,290 | 9,135 | 2,050 | 11,127 | 4,534 |
| Utilities and telephone | - | 92 | (118) | - | 525 | - | 500 | 1,060 | - |
| Wages and benefits | 245,580 | 395,404 | 403,841 | 49,800 | 51,378 | 49,667 | 221,591 | 127,090 | 177,075 |
| Other expenses | 1,194,902 | 1,358,037 | 1,439,154 | 325,800 | 375,263 | 231,475 | (47,321) | 28,773 | (70,432) |
| Total expenses | 1,805,903 | 2,166,292 | 2,221,323 | 403,900 | 459,617 | 306,612 | 214,426 | 176,858 | 149,083 |
| Annual surplus (deficit) | \$ 531,571 | \$ 1,314,342 | \$ 1,002,780 | \$ (71,676) | \$ (110,550) | \$ 38,750 | \$ (129,360) | \$ 216,589 | \$ (75,902) |

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

15. SEGMENTED INFORMATION, continued

| | 2020 Budget | Health 2020 Actual | 2019 Actual | 2020 Budget | Social Development 2020 Actual | 2019 Actual | 2020 Budget | Capital 2020 Actual | 2019 Actual |
|---|------------------|----------------------------------|-------------------|-------------------|--------------------------------------|---------------------|---------------------|-------------------------------------|---------------------|
| Revenues | | | | | | | | | |
| Indigenous Services Canada | \$ - | \$ 12,766 | \$ - | \$ 358,626 | \$ 393,254 | \$ 359,583 | \$ 110,399 | \$ 4,232,719 | \$ 4,376,873 |
| First Nations Health Authority | 471,103 | 503,721 | 471,105 | - | - | - | - | - | - |
| Distributions from First Nation Limited Partnershi | - | - | - | - | - | - | - | - | 3,636,323 |
| Other revenue | - | 2,380 | 31,688 | - | - | - | 42,906 | (900,312) | 9,078 |
| Total revenue | 471,103 | 518,867 | 502,793 | 358,626 | 393,254 | 359,583 | 153,305 | 3,332,407 | 8,022,274 |
| Expenses | | | | | | | | | |
| Capital expenses | - | - | - | - | - | - | 3,080 | 18,548 | - |
| Honoraria | - | - | - | - | 6,585 | - | - | - | - |
| Materials and supplies | 23,250 | 69,945 | 23,871 | 15,400 | 9,340 | 12,612 | 11,016 | 26,179 | 10,610 |
| Professional fees | 21,552 | 21,483 | 2,029 | - | - | - | - | 92,393 | 272,653 |
| Travel | 41,051 | 42,969 | 1,424 | - | 5,304 | 1,054 | 2,400 | 22,798 | 8,159 |
| Utilities and telephone | 7,200 | 13,349 | 2,085 | 16,460 | 14,585 | 16,479 | 47,200 | 45,370 | 42,728 |
| Wages and benefits | 259,719 | 195,864 | 180,350 | 50,700 | 74,064 | 29,355 | 224,400 | 179,720 | 201,698 |
| Other expenses | 72,051 | 33,375 | 66,896 | 167,373 | 254,500 | 161,743 | 149,055 | 211,778 | 340,130 |
| Total expenses | 424,823 | 376,985 | 276,655 | 249,933 | 364,378 | 221,243 | 437,151 | 596,786 | 875,978 |
| Annual surplus (deficit) | \$ 46,280 | \$ 141,882 | \$ 226,138 | \$ 108,693 | \$ 28,876 | \$ 138,340 | \$ (283,846) | \$ 2,735,621 | \$ 7,146,296 |
| | 2020 Budget | Social Housing 2020 Actual | 2019 Actual | 2020 Budget | Capital Fund 2020 Actual | 2019 Actual | 2020 Budget | Ottawa Trust Fund 2020 Actual | 2019 Actual |
| Revenues | | | | | | | | | |
| Rental income | \$ - | \$ 63,321 | \$ 60,685 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest income | - | 3,935 | 2,721 | - | - | - | - | 17,019 | 9,018 |
| Other revenue | - | 24,364 | 70,111 | - | - | - | - | - | - |
| Total revenue | - | 91,620 | 133,517 | - | - | - | - | 17,019 | 9,018 |
| Expenses | | | | | | | | | |
| Capital expenses | - | - | - | - | 488,689 | 550,325 | - | - | - |
| Professional fees | - | 3,936 | 5,444 | - | - | - | - | - | - |
| Other expenses | - | 79,274 | 124,465 | - | - | - | - | - | - |
| Total expenses | - | 83,210 | 129,909 | - | 488,689 | 550,325 | - | - | - |
| Annual surplus (deficit) | \$ - | \$ 8,410 | \$ 3,608 | \$ - | \$ (488,689) | \$ (550,325) | \$ - | \$ 17,019 | \$ 9,018 |

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

15. SEGMENTED INFORMATION, continued

| | First Nation Negotiation Support Agreement | | | | Enterprise Fund | | | Consolidated totals | | | |
|---|--|------------------|----------------|-------------|-----------------------|-----------------------|-------------------|---------------------|---------------------|----------------|----------------|
| | Fund | | | | | | | | | | |
| | 2020 Budget | 2020 Actual | 2019 Actual | | 2020 Budget | 2020 Actual | 2019 Actual | | 2020 Budget | 2020 Actual | 2019 Actual |
| Revenues | | | | | | | | | | | |
| Indigenous Services Canada | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 1,063,038 | \$ 5,418,677 | \$ 5,345,321 |
| First Nations Health Authority | - | - | - | - | - | - | - | - | 471,103 | 503,721 | 471,105 |
| Province of BC | - | - | - | - | - | - | - | - | 70,073 | 1,035,745 | 225,971 |
| Rental income | - | - | - | - | - | - | - | - | 103,000 | 176,354 | 170,490 |
| Interest income | - | - | - | - | - | - | - | - | 36,000 | 87,496 | 56,875 |
| Share of income of First Nation Controlled Entities | - | - | - | - | - | - | - | - | 1,650,000 | 1,986,550 | 1,723,426 |
| Distributions from First Nation Limited Partnershi | - | - | - | - | - | - | - | - | - | - | 4,143,323 |
| Other revenue | 220,540 | 252,465 | 249,652 | - | (1,624,521) | (6,279,489) | 565,124 | (2,004,284) | (5,496,517) | | |
| Total revenue | 220,540 | 252,465 | 249,652 | - | (1,624,521) | (6,279,489) | 3,958,338 | 7,204,259 | 6,639,994 | | |
| Expenses | | | | | | | | | | | |
| Capital expenses | - | - | - | - | - | - | - | - | 3,080 | 509,388 | 553,425 |
| Honoraria | 4,800 | 4,800 | 4,800 | - | - | - | - | - | 42,600 | 45,618 | 34,476 |
| Materials and supplies | - | 916 | 321 | - | - | - | - | - | 100,520 | 175,525 | 110,141 |
| Principal payments on loans | - | - | - | - | - | - | - | - | 65,000 | 29,092 | 30,066 |
| Professional fees | 45,200 | 36,966 | 29,244 | - | - | - | - | - | 307,638 | 393,721 | 547,494 |
| Travel | 5,000 | 5,182 | 10,718 | - | - | - | - | - | 87,288 | 167,834 | 104,018 |
| Utilities and telephone | - | - | - | - | - | - | - | - | 71,360 | 74,981 | 61,174 |
| Wages and benefits | 142,674 | 144,851 | 64,944 | - | - | - | - | - | 1,194,464 | 1,168,371 | 1,106,930 |
| Other expenses | 70,000 | 39,469 | 139,625 | - | 110 | - | - | - | 1,931,860 | 2,380,579 | 2,433,056 |
| Total expenses | 267,674 | 232,184 | 249,652 | - | 110 | - | 3,803,810 | 4,945,109 | 4,980,780 | | |
| Annual surplus (deficit) | \$ (47,134) | \$ 20,281 | \$ - | \$ - | \$ (1,624,411) | \$ (6,279,489) | \$ 154,528 | \$ 2,259,370 | \$ 1,659,214 | | |

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

16. PRIOR PERIOD RESTATEMENT

In previous years, the Housing Program reported the Replacement Reserve Fund as equity and reported the depreciation on CMHC housing assets equal to the principal reduction of the housing debt. In the current year, the Housing Program has retroactively reported the Replacement Reserve Fund as a liability and has recalculated the accumulated amortization on the CMHC housing assets based on the accounting policy on Note 1(k).

In previous years, the Youth Trust Fund has been reported as restricted cash and equity on the consolidated financial statements. In the current year, the Youth Trust Fund has been retroactively removed from the consolidated financial statements and included as a note disclosure as Klahoose First Nation is the trustee for the Youth Trust Fund members, but not the owner of the fund.

As a result of the changes, the financial statements have been restated as follows:

| <u>For the year ended March 31</u> | <u>As previously stated</u> | <u>Adjustments</u> | | <u>As restated</u> |
|---|-----------------------------|--------------------|-------------------|--------------------|
| | | <u>Increase</u> | <u>(Decrease)</u> | |
| Consolidated Statement of Financial Position | | | | |
| Financial assets | | | | |
| Restricted cash | \$ 1,916,670 | \$ (1,076,769) | \$ 839,901 | |
| Due from Youth Trust Fund | - | 32,133 | | 32,133 |
| Liabilities | | | | |
| Replacement Reserve | - | 166,254 | | 166,254 |
| Non-financial assets | | | | |
| Tangible capital assets | 7,998,252 | (472,207) | | 7,526,045 |
| Accumulated surplus - opening | 28,688,270 | (2,621,151) | | 26,067,119 |
| Accumulated surplus - closing | 29,409,431 | (1,683,097) | | 27,726,334 |
| Consolidated Statement of Operations | | | | |
| Current year surplus (deficit) | \$ 721,161 | \$ 938,054 | \$ 1,659,215 | |

17. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential effects on Klahoose First Nation due to the possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on Klahoose First Nation's operations.

The extent of the impact of this outbreak and related containment measures on Klahoose First Nation's operations cannot be reliably estimated at this time.

