

KLAHOOSE FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

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CONSOLIDATED 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.


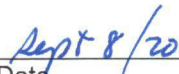
The Klahoose First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Nation's assets are appropriately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


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, 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
	18,741,603	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
	2,096,962	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
	13,341,063	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)
Amortization of tangible capital assets	-	534,950	527,755
	-	(5,781,500)	395,903
Acquisition of prepaid asset	-	80,704	(55,733)
Use of prepaid asset	-	(55,733)	27,318
	-	24,971	(28,415)
Acquisition of inventory	-	(2,756)	(2,484)
Use of inventory	-	2,484	1,337
	-	(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

The accompanying notes are an integral part of the financial statements

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

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, 2020

For the year ended March 31, 2020	2020	2019
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	-
	8,022,080	8,537,277
Change in non-cash operating net assets	(188,703)	479,878
	7,833,377	9,017,155
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)
	(3,661,386)	(4,158,618)
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	-
	(9,890)	-
CHANGES IN CASH DURING THE YEAR	(2,154,350)	3,150,508
CASH, BEGINNING OF YEAR	6,289,317	3,138,809
CASH, END OF YEAR	\$ 4,134,967	\$ 6,289,317
REPRESENTED BY:		
Cash	\$ 3,244,393	\$ 5,449,416
Restricted cash	890,574	839,901
	\$ 4,134,967	\$ 6,289,317

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
Prepays	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
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Equity	(2,967,957)	16,574,391	58,689	13,665,123
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Total liabilities and equity	\$ 136,978	\$ 16,574,391	\$ 83,689	\$ 16,795,058
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	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	(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 outlines 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
	598,929	4,344,664
Current portion	64,706	119,962
Long-term portion	\$ 534,223	\$ 4,224,702
Principal portion of long-term debt due within the next five years:		
2021	\$ 64,706	
2022	59,308	
2023	52,827	
2024	48,400	
2025 and thereafter	373,688	
	\$ 598,929	

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

12. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization			
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	2020 net book value
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			
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	2019 Net book value
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

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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)
	\$ 137,843	\$ 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
	28,676,681	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	-
	1,309,023	1,496,188
	\$ 29,985,704	\$ 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

	2020 Budget	Band Programs 2020 Actual	2019 Actual	2020 Budget	Education 2020 Actual	2019 Actual	2020 Budget	Job Creation 2020 Actual	2019 Actual
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		
	2020 Budget	Fund 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:

For the year ended March 31	As previously stated	Adjustments Increase (Decrease)	As restated
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.

