

# **KLAHOOSE FIRST NATION**

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## **CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2021**

# KLAHOOSE FIRST NATION

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## CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2021

The accompanying consolidated financial statements of Klahoose First Nation and all the information in this annual report for the year ended March 31, 2021 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

July 29, 2021  
Date

  
Administrator

July 29, 2021  
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, 2021, 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, 2021 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

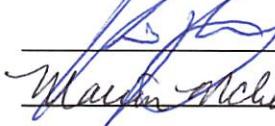
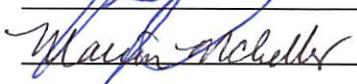
RICHMOND, B.C.  
 JULY 29, 2021

# KLAHOOSE FIRST NATION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31	2021	2020
<b>FINANCIAL ASSETS</b>		
Cash	\$ 4,645,099	\$ 3,244,393
Restricted cash (Note 5)	951,765	890,574
Accounts receivable (Note 6)	244,470	940,345
Rent receivable	7,956	1,820
Due from First Nation Controlled Entities	60	60
Long-term investments (Note 7)	21,800,917	13,664,411
	<b>27,650,267</b>	<b>18,741,603</b>
<b>LIABILITIES</b>		
Accounts payable (Note 9)	311,697	266,040
Deferred revenue (Note 10)	1,172,941	1,094,150
Long-term debt (Note 11)	528,133	598,929
Replacement Reserve Fund (Note 13)	144,019	137,843
	<b>2,156,790</b>	<b>2,096,962</b>
<b>NET FINANCIAL ASSETS</b>	<b>25,493,477</b>	<b>16,644,641</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 12)	13,744,592	13,307,545
Prepaid expenses	28,042	30,762
Inventory	5,472	2,756
	<b>13,778,106</b>	<b>13,341,063</b>
<b>ACCUMULATED SURPLUS (Note 15)</b>	<b>\$ 39,271,583</b>	<b>\$ 29,985,704</b>
<b>MEMBERS' EQUITY</b>		
Equity in Operating Fund	\$ 3,640,869	\$ 3,012,830
Equity in Social Housing	320,826	684,295
Equity in Capital Fund	12,853,997	11,999,440
Equity in Ottawa Trust Fund	612,429	604,447
Equity in First Nation Negotiation Support Agreement Fund	42,545	20,281
Equity in Enterprise Fund	21,800,917	13,664,411
<b>ACCUMULATED SURPLUS</b>	<b>\$ 39,271,583</b>	<b>\$ 29,985,704</b>

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	2021 Budget	2021 Actual	2020
<b>ANNUAL SURPLUS</b>	\$ 655,730	\$ 9,285,879	\$ 2,259,370
Acquisition of tangible capital assets	-	(1,311,519)	(6,316,450)
<u>Amortization of tangible capital assets</u>	<u>-</u>	<u>874,473</u>	<u>534,950</u>
	-	(437,047)	(5,781,500)
Acquisition of prepaid asset	2,720	30,762	(30,762)
<u>Use of prepaid asset</u>	<u>-</u>	<u>(28,042)</u>	<u>55,733</u>
	2,720	2,720	24,971
Acquisition of inventory	(2,716)	(5,472)	(2,756)
<u>Use of inventory</u>	<u>-</u>	<u>2,756</u>	<u>2,484</u>
	(2,716)	(2,716)	(272)
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	655,734	8,848,836	(3,497,431)
<b>NET FINANCIAL ASSETS AT BEGINNING OF YEAR</b>	-	<b>16,644,641</b>	20,142,072
<b>NET FINANCIAL ASSETS AT END OF YEAR</b>	\$ -	<b>\$ 25,493,477</b>	\$ 16,644,641

# KLAHOOSE FIRST NATION

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31	2021 Budget	2021 Actual	2020 Actual
<b>REVENUE</b>			
Indigenous Services Canada	\$ 642,830	\$ 2,457,321	\$ 5,418,677
Canada Mortgage and Housing Corporation subsidies	-	10,034	24,364
Forestry and range income	-	85,000	-
Cigarette sales	24,000	37,900	28,666
Department of Fisheries and Oceans	81,120	112,748	338,639
First Nations Health Authority	479,837	552,961	503,721
Interest income	63,000	31,365	87,496
Other	94,000	535,912	102,288
Province of BC	-	1,313,318	1,035,745
Rental income	117,300	140,623	176,354
Revenue sharing	1,825,000	1,760,900	1,986,550
Share of income (loss) of First Nation Controlled Entities	-	8,136,506	(1,624,411)
Treaty negotiation support agreement	255,546	255,546	220,540
	3,582,633	<b>15,430,134</b>	8,298,629
<b>EXPENSES</b>			
Band Programs	1,274,427	<b>2,086,918</b>	2,166,291
Education	322,679	451,813	459,617
Job creation	81,120	486,238	176,859
Health	479,837	841,475	376,985
Social development	-	377,898	364,378
Capital	494,472	639,165	596,786
Social housing	-	47,241	83,210
Capital fund	-	901,434	488,689
First Nation Negotiation Support Agreement Fund	274,368	233,282	232,184
Enterprise Fund	-	-	110
	2,926,903	<b>6,065,464</b>	4,945,109
<b>ANNUAL SURPLUS BEFORE OTHER</b>	655,730	<b>9,364,670</b>	3,353,520
<b>OTHER</b>			
Transfer to deferred revenue	-	(78,791)	(1,094,150)
<b>ANNUAL SURPLUS</b>	655,730	<b>9,285,879</b>	2,259,370
<b>ACCUMULATED SURPLUS AT BEGINNING OF YEAR</b>	-	<b>29,985,704</b>	27,726,334
<b>ACCUMULATED SURPLUS AT END OF YEAR</b>	\$ 655,730	<b>\$ 39,271,583</b>	\$ 29,985,704

# KLAHOOSE FIRST NATION

## CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended March 31, 2021

For the year ended March 31, 2021	2021	2020
<b>OPERATING ACTIVITIES</b>		
ANNUAL SURPLUS	\$ 9,285,879	\$ 2,259,370
Items not affecting cash		
Amortization	874,473	534,951
Share of (income) loss of First Nation controlled entities	(8,136,506)	1,634,301
Decrease in investment in treaty	-	3,593,459
	<b>2,023,846</b>	8,022,081
Change in non-cash operating net assets	<b>820,366</b>	(188,703)
	<b>2,844,212</b>	7,833,378
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(1,361,766)	6,316,451
Proceeds on tangible capital assets	<b>50,247</b>	-
	<b>(1,311,519)</b>	6,316,451
<b>FINANCING ACTIVITIES</b>		
Advances to First Nation Controlled Entities	-	52,215
Principal repayment of long-term debt	(70,796)	(3,745,734)
Advances to First Nation Controlled Entities	-	32,133
	<b>(70,796)</b>	(3,661,386)
<b>INVESTING ACTIVITIES</b>		
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)
<b>CHANGES IN CASH DURING THE YEAR</b>	<b>1,461,897</b>	(2,154,350)
<b>CASH, BEGINNING OF YEAR</b>	<b>4,134,967</b>	6,289,317
<b>CASH, END OF YEAR</b>	<b>\$ 5,596,864</b>	\$ 4,134,967
<b>REPRESENTED BY:</b>		
Cash	\$ 4,645,099	\$ 3,244,393
Restricted cash	<b>951,765</b>	890,574
	<b>\$ 5,596,864</b>	\$ 4,134,967

# KLAHOOSE FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

### 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

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

### 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

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

### 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, 2020 and 2021, 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

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

### 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

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

### 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.

	<b>2021</b>	<b>2020</b>
Opening trust fund balance	\$ 1,161,092	\$ 1,044,636
Contribution during the year	123,000	123,000
Interest income	11,433	20,838
Distribution during the year	(141,105)	(27,382)
 Ending trust fund balance	 \$ 1,154,420	 \$ 1,161,092

### 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 \$54,855 (2020 - overfunded by \$63,360).

Ottawa Trust Funds:

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

	<b>2021</b>	<b>2020</b>
Replacement Reserve Fund - restricted cash	\$ 198,874	\$ 201,203
Ottawa Trust Funds - restricted cash	612,429	604,447
First Nation Negotiation Support Agreement Fund - restricted cash	140,462	84,924
 \$ 951,765	 \$ 890,574	

# KLAHOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2021

### 6. ACCOUNTS RECEIVABLE

	2021	2020
Accounts receivable - general	\$ 538,416	\$ 132,029
Indigenous Services Canada	96,116	805,482
Fisheries and Oceans Canada	-	115,112
First Nations Health Authority	487	487
Province of British Columbia	-	10,000
	<b>635,019</b>	1,063,110
Allowance for doubtful accounts	(390,549)	(122,765)
	<b>\$ 244,470</b>	<b>\$ 940,345</b>

### 7. LONG-TERM INVESTMENTS

	2021	2020
Investment in Qathen Xwegus Management Corporation		
Shares	\$ 1	\$ 1
Accumulated deficit in earnings	(3,408,558)	(2,967,957)
	<b>(3,408,557)</b>	(2,967,956)
Investment in Klahoose Investment Limited Partnership		
Accumulated equity in earnings	<b>25,162,087</b>	16,573,163
	<b>25,162,087</b>	16,573,163
Investment in Klahoose Forestry No.2 Limited Partnership		
Accumulated equity (deficit) in earnings	47,277	59,094
	<b>47,277</b>	59,094
Investment in BC First Nations Gaming Fund		
Shares	10	10
Partnership interest	100	100
	<b>110</b>	110
	<b>\$ 21,800,917</b>	<b>\$ 13,664,411</b>

# KLAHOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

### 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%)	2021 Total
Cash	\$ 113,395	\$ 5,818	\$ 274	\$ 119,487
Accounts receivable	38,351	-	-	38,351
Prepays	2,500	-	-	2,500
Tangible capital assets	8,463	-	-	8,463
Investments	5,255	21,632,813	73,697	21,711,765
Deposit	162,002	-	-	162,002
Other assets	18,953	3,525,543	-	3,544,496
<b>Total assets</b>	<b>\$ 348,919</b>	<b>\$ 25,164,174</b>	<b>\$ 73,971</b>	<b>\$ 25,587,064</b>
Accounts payable	\$ 44,955	\$ -	\$ -	\$ 44,955
Long-term debt	40,000	-	-	40,000
Other liabilities	3,672,523	-	27,100	3,699,623
<b>Total liabilities</b>	<b>3,757,478</b>	<b>-</b>	<b>27,100</b>	<b>3,784,578</b>
<b>Equity</b>	<b>(3,408,559)</b>	<b>25,164,174</b>	<b>46,871</b>	<b>3,784,578</b>
<b>Total liabilities and equity</b>	<b>\$ 348,919</b>	<b>\$ 25,164,174</b>	<b>\$ 73,971</b>	<b>\$ 7,569,156</b>
	Qathen Xwegus Management Corporation (100%)	Klahoose Investment Limited Partnership (99.99%)	Klahoose Forestry No.2 Limited Partnership (99.99%)	2021 Total
Revenue	\$ 126,240	\$ 8,658,575	\$ (9,377)	\$ 8,775,438
Expenses	566,841	68,792	2,441	638,074
	<b>\$ (440,601)</b>	<b>\$ 8,589,783</b>	<b>\$ (11,818)</b>	<b>\$ 8,137,364</b>

# KLAHOOSE FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

### 9. ACCOUNTS PAYABLE

	2021	2020
Accounts payable - general	\$ 191,420	\$ 221,351
School District #72	53,926	-
Wages and benefits payable	66,351	44,689
	<hr/> <b>\$ 311,697</b>	<hr/> <b>\$ 266,040</b>

### 10. DEFERRED REVENUE

	March 31, 2020	Funding received, 2021	Revenue recognized, 2021	March 31, 2021
Indigenous Services Canada (Fixed - NTF9 (CPMS 10893))	\$ 714,000	\$ -	\$ (359,632)	\$ 417,762
Province of BC - Gaming Revenue	380,150	587,299	(212,270)	755,179
	<hr/> <b>\$ 1,094,150</b>	<hr/> <b>\$ 587,299</b>	<hr/> <b>\$ (571,902)</b>	<hr/> <b>\$ 1,172,941</b>

# KLAHOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2021

### 11. LONG-TERM DEBT

	<b>2021</b>	<b>2020</b>
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.	\$ 98,203	\$ 114,164
Bank of Montreal - repayable in monthly instalments of \$3,986 including interest at prime plus 1% per annum. Secured by a general security agreement.	407,475	439,024
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
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.	22,455	37,937
<u>Current portion</u>	<u>528,133</u>	<u>598,929</u>
	58,008	64,706
<u>Long-term portion</u>	<u>\$ 470,125</u>	<u>\$ 534,223</u>

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

2022	\$ 58,008
2023	51,347
2024	46,900
2025	49,500
2026 and thereafter	322,378
	<b>\$ 528,133</b>

# KLAHOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

### 12. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization				2021 net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
Buildings	\$ 10,357,855	\$ -	\$ -	\$ 10,803,533	\$ 5,791,569	\$ 471,892	\$ 6,263,461	\$ 4,540,072
Automotive equipment	58,813	158,784	-	217,597	28,844	24,819	53,663	163,934
Equipment	480,596	325,299	(50,247)	755,648	344,731	2,712	347,443	408,205
Dock	318,869	-	-	318,869	316,973	758	317,731	1,138
Assets under construction	7,182,558	836,035	-	836,035	-	-	-	836,035
Infrastructure	620,063	41,648	-	7,844,269	473,101	374,292	847,393	6,996,876
Land	798,332	-	-	798,332	-	-	-	798,332
Social housing	903,798	-	-	458,120	458,120	-	458,120	-
	<b>\$ 20,720,884</b>	<b>\$ 1,361,766</b>	<b>\$ (50,247)</b>	<b>\$ 22,032,403</b>	<b>\$ 7,413,338</b>	<b>\$ 874,473</b>	<b>\$ 8,287,811</b>	<b>\$ 13,744,592</b>
	Cost			Accumulated amortization				2020 Net book value
	Balance, beginning of year	Additions	Disposals	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	-
	<b>\$ 14,085,746</b>	<b>\$ 6,635,138</b>	<b>\$ -</b>	<b>\$ 20,720,884</b>	<b>\$ 6,878,388</b>	<b>\$ 534,951</b>	<b>\$ 7,413,339</b>	<b>\$ 13,307,545</b>

# KLAHOOSE FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2021

### 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.

	2021	2020
Balance, beginning of year	\$ 137,843	\$ 166,254
Interest	1,099	4,789
Repairs and maintenance	(4,012)	(11,835)
Appropriations from the Operating Fund	9,089	17,001
Transfer of matured unit equity	-	(38,366)
	<hr/> <b>\$ 144,019</b>	<hr/> <b>\$ 137,843</b>

### 14. RELATED PARTY

During the year, \$340,458 was paid for housing construction services to a family member of the management team. This transaction is in the normal course of operations and is measured at the exchange amount

### 15. ACCUMULATED SURPLUS

	2021	2020
Unrestricted		
Operating Fund	\$ 3,640,869	\$ 3,012,830
Capital Fund	12,853,997	11,999,440
Enterprise Fund	21,800,917	13,664,411
	<hr/> <b>38,295,783</b>	<hr/> 28,676,681
Restricted		
Social Housing	320,826	684,295
Ottawa Trust Fund	612,429	604,447
First Nation Negotiation Support Agreement Fund	42,545	20,281
	<hr/> <b>975,800</b>	<hr/> 1,309,023
	<hr/> <b>\$ 39,271,583</b>	<hr/> <b>\$ 29,985,704</b>

# KLAHOOSE FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

### 16. 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, 2021

### 16. SEGMENTED INFORMATION, continued

	Band Programs		Education		Job Creation		2021 Budget	2021 Actual	2020 Actual
	2021 Budget	2021 Actual	2020 Actual	2021 Budget	2020 Actual	2021 Budget			
<b>Revenues</b>									
Indigenous Services Canada	\$ 189,327	\$ 738,848	\$ 464,736	\$ 292,679	\$ 419,582	\$ 294,183	-	\$ 48,019	\$ 21,019
First Nations Health Authority	-	-	-	-	-	-	-	29,766	-
Province of BC	-	730,150	690,245	-	-	-	-	221,578	12,255
Rental income	117,300	110,518	113,033	-	-	-	-	-	-
Interest income	63,000	21,797	66,542	-	-	-	-	-	-
Revenue sharing	1,825,000	1,760,900	1,986,550	-	-	-	-	-	-
Other revenue	79,000	419,968	164,922	30,000	22,787	54,884	81,120	135,905	360,173
<b>Total revenue</b>	<b>2,273,627</b>	<b>3,782,181</b>	<b>3,480,634</b>	<b>322,679</b>	<b>442,369</b>	<b>349,067</b>	<b>81,120</b>	<b>435,268</b>	<b>393,447</b>
<b>Expenses</b>									
Capital expenses	-	-	2,151	-	-	-	-	-	-
Honoraria	40,500	29,186	34,233	-	-	-	-	-	-
Materials and supplies	-	21,470	44,176	12,850	5,452	16,161	6,000	17,044	8,808
Principal payments on loans	-	21,294	29,092	-	-	-	-	-	-
Professional fees	195,000	370,736	238,943	-	-	-	-	375	-
Travel	31,400	4,677	64,164	17,350	11,572	16,290	2,050	13,098	11,127
Utilities and telephone	95	-	92	600	-	525	800	2,053	1,060
Wages and benefits	130,705	375,759	395,404	51,514	51,107	51,378	51,412	211,638	127,090
Other expenses	876,727	1,263,795	1,358,037	240,365	383,682	375,263	20,858	242,030	28,773
<b>Total expenses</b>	<b>1,274,427</b>	<b>2,086,917</b>	<b>2,166,292</b>	<b>322,679</b>	<b>451,813</b>	<b>426,239</b>	<b>81,120</b>	<b>486,238</b>	<b>176,858</b>
<b>Other items</b>	<b>999,200</b>	<b>1,695,264</b>	<b>1,461,114</b>	<b>-</b>	<b>(9,444)</b>	<b>(77,172)</b>	<b>-</b>	<b>(50,970)</b>	<b>216,589</b>
<b>Annual surplus (deficit)</b>	<b>\$ 999,200</b>	<b>\$ 1,725,705</b>	<b>\$ 1,314,342</b>	<b>-</b>	<b>\$ 23,934</b>	<b>\$ (110,550)</b>	<b>-</b>	<b>\$ (62,601)</b>	<b>216,589</b>

# KLAHOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

### 16. SEGMENTED INFORMATION, continued

	2021 Budget	Health 2021 Actual	2020 Actual	2021 Budget	Social Development 2021 Actual	2020 Actual	2021 Budget	Capital 2021 Actual	2020 Actual
<b>Revenues</b>									
Indigenous Services Canada	\$ -	\$ 478,876	\$ 12,766	-	\$ 495,951	\$ 393,254	\$ 160,824	\$ 276,045	\$ 4,232,719
First Nations Health Authority	479,837	523,195	503,721	-	-	-	-	-	-
Province of BC	-	-	-	-	-	-	-	361,590	-
Other revenue	-	70,708	2,380	-	69,000	-	9,000	48,470	13,688
<b>Total revenue</b>	<b>479,837</b>	<b>1,072,779</b>	<b>518,867</b>	<b>-</b>	<b>564,951</b>	<b>393,254</b>	<b>169,824</b>	<b>686,105</b>	<b>4,246,407</b>
<b>Expenses</b>									
Capital expenses	-	-	-	-	-	-	5,600	1,664	18,548
Honoraria	-	-	-	-	1,477	6,585	-	-	-
Materials and supplies	48,457	298,990	69,945	-	10,022	1,257	82,760	28,727	26,179
Professional fees	4,763	21,011	21,483	-	-	-	1,800	36,997	92,393
Travel	37,698	49,911	42,969	-	1,586	5,304	23,000	4,328	22,798
Utilities and telephone	13,800	7,790	13,349	-	1,485	1,599	48,000	46,317	45,370
Wages and benefits	279,970	381,733	195,864	-	90,543	74,064	181,992	104,990	179,720
Other expenses	95,149	82,040	33,375	-	272,785	275,569	151,320	416,143	211,778
<b>Total expenses</b>	<b>479,837</b>	<b>841,475</b>	<b>376,985</b>	<b>-</b>	<b>377,898</b>	<b>364,378</b>	<b>494,472</b>	<b>639,166</b>	<b>596,786</b>
<b>Other items</b>	<b>-</b>	<b>231,304</b>	<b>141,882</b>	<b>-</b>	<b>187,053</b>	<b>28,876</b>	<b>(324,648)</b>	<b>46,939</b>	<b>3,649,621</b>
<b>Annual surplus (deficit)</b>	<b>\$ -</b>	<b>\$ 231,304</b>	<b>\$ 141,882</b>	<b>-</b>	<b>\$ 187,053</b>	<b>\$ 28,876</b>	<b>\$ (324,648)</b>	<b>\$ (84,040)</b>	<b>\$ 2,735,621</b>

# KLAHOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

### 16. SEGMENTED INFORMATION, continued

	Social Housing			Capital Fund			Ottawa Trust Fund		
	2021 Budget	2021 Actual	2020 Actual	2021 Budget	2021 Actual	2020 Actual	2021 Budget	2021 Actual	2020 Actual
<b>Revenues</b>									
Rental income	\$ -	\$ 30,105	\$ 63,321	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	1,586	3,935	-	-	-	-	7,982	17,019
Distributions from First Nation Limited Partnership	-	4,722	-	-	-	-	-	-	-
Other revenue	-	10,034	24,364	-	-	-	-	-	-
<b>Total revenue</b>	<b>-</b>	<b>46,447</b>	<b>91,620</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,982</b>	<b>17,019</b>
<b>Expenses</b>									
Capital expenses	-	-	-	-	901,434	488,689	-	-	-
Professional fees	-	4,126	3,936	-	-	-	-	-	-
Other expenses	-	43,115	79,274	-	-	-	-	-	-
<b>Total expenses</b>	<b>-</b>	<b>47,241</b>	<b>83,210</b>	<b>-</b>	<b>901,434</b>	<b>488,689</b>	<b>-</b>	<b>7,982</b>	<b>17,019</b>
<b>Other items</b>	<b>-</b>	<b>(794)</b>	<b>8,410</b>	<b>-</b>	<b>(901,434)</b>	<b>(488,689)</b>	<b>-</b>	<b>7,982</b>	<b>17,019</b>
<b>Annual surplus (deficit)</b>	<b>\$ -</b>	<b>\$ (794)</b>	<b>\$ 8,410</b>	<b>\$ -</b>	<b>\$ (901,434)</b>	<b>\$ (488,689)</b>	<b>\$ -</b>	<b>\$ 7,982</b>	<b>\$ 17,019</b>

# KLAHOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

### 16. SEGMENTED INFORMATION, continued

	First Nation Negotiation Support Agreement				Enterprise Fund			Consolidated totals		
	Fund									
	2021 Budget	2021 Actual	2020 Actual	2021 Budget	2021 Actual	2020 Actual	2021 Budget	2021 Actual	2020 Actual	
<b>Revenues</b>										
Indigenous Services Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 642,830	\$ 2,457,321	\$ 5,418,677	
First Nations Health Authority	-	-	-	-	-	-	479,837	552,961	503,721	
Province of BC	-	-	-	-	-	-	-	1,313,318	702,500	
Rental income	-	-	-	-	-	-	117,300	140,623	176,354	
Interest income	-	-	-	-	-	-	63,000	31,365	87,496	
Share of income of First Nation Controlled Entities	-	-	-	-	-	-	1,825,000	1,760,900	1,986,550	
Distributions from First Nation Limited Partnership	-	-	-	-	-	-	-	4,722	-	
Other revenue	255,546	255,546	252,465	-	8,136,506	(1,624,301)	454,666	9,168,924	(751,425)	
<b>Total revenue</b>	<b>255,546</b>	<b>255,546</b>	<b>252,465</b>	<b>-</b>	<b>8,136,506</b>	<b>(1,624,301)</b>	<b>3,582,633</b>	<b>15,430,134</b>	<b>8,118,479</b>	
<b>Expenses</b>										
102288	-	-	-	-	-	-	5,600	903,098	509,388	
Honoraria	7,200	4,800	4,800	-	-	-	47,700	35,463	45,618	
Materials and supplies	5,200	153	916	-	-	-	155,267	381,858	167,442	
Principal payments on loans	-	-	-	-	-	-	-	21,294	29,092	
Professional fees	53,000	35,414	36,966	-	-	-	254,563	468,659	393,721	
Travel	7,500	83	5,182	-	-	-	118,998	85,255	167,834	
Utilities and telephone	-	-	-	-	-	-	63,295	57,645	61,995	
Wages and benefits	144,968	162,810	144,851	-	-	-	840,561	1,378,580	1,168,371	
Other expenses	56,500	30,022	39,469	-	-	110	1,440,919	2,733,612	2,401,648	
<b>Total expenses</b>	<b>274,368</b>	<b>233,282</b>	<b>232,184</b>	<b>-</b>	<b>-</b>	<b>110</b>	<b>2,926,903</b>	<b>6,065,464</b>	<b>4,911,731</b>	
Other items	(18,822)	22,264	20,281	-	8,136,506	(1,624,411)	655,730	9,364,670	3,353,520	
	-	-	-	-	-	-	-	(78,791)	(1,094,150)	
<b>Annual surplus (deficit)</b>	<b>\$ (18,822)</b>	<b>\$ 22,264</b>	<b>\$ 20,281</b>	<b>\$ -</b>	<b>\$ 8,136,506</b>	<b>\$ (1,624,411)</b>	<b>\$ 655,730</b>	<b>\$ 9,285,879</b>	<b>\$ 2,259,370</b>	

# **KLAHOOSE FIRST NATION**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2021**

### **17. COVID-19**

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.