

KLAHOOSE FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2022

The accompanying consolidated financial statements of Klahoose First Nation and all the information in this annual report for the year ended March 31, 2022 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.

Steven Brown
Steven Brown (Jul 29, 2022 10:48 PDT)

Chief

Date

Marion McKellar

2022/07/29

Administrator

Date

SB

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, 2022, 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2022, and the results of its consolidated operations, its changes in its consolidated net financial assets, and its consolidated cash flows for the year then ended in accordance with PSAB.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



REID HURST NAGY INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

RICHMOND, B.C.
JULY 29, 2022

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<u>As at March 31</u>	<u>2022</u>	<u>2021</u>
FINANCIAL ASSETS		
Cash	\$ 5,660,730	\$ 4,645,099
Restricted cash (Note 6)	1,077,063	951,765
Accounts receivable (Note 7)	1,306,557	244,470
Rent receivable	7,085	7,956
Due from First Nation Controlled Entities	60	60
Long-term investments (Note 8)	<u>20,652,040</u>	<u>21,800,917</u>
	<u>28,703,535</u>	<u>27,650,267</u>
LIABILITIES		
Accounts payable (Note 10)	306,118	311,697
Deferred revenue (Note 11)	1,725,906	1,172,941
Long-term debt (Note 12)	458,612	528,133
Replacement Reserve Fund (Note 14)	<u>168,264</u>	<u>144,019</u>
	<u>2,658,900</u>	<u>2,156,790</u>
NET FINANCIAL ASSETS	26,044,635	25,493,477
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	13,434,497	13,744,592
Prepaid expenses	197,237	28,042
Inventory	2,614	5,472
	<u>13,634,348</u>	<u>13,778,106</u>
ACCUMULATED SURPLUS	\$ 39,678,983	\$ 39,271,583
MEMBERS' EQUITY		
Equity in Operating Fund	\$ 5,353,508	\$ 3,640,869
Equity in Social Housing	320,825	320,826
Equity in Capital Fund	12,629,354	12,853,997
Equity in Ottawa Trust Fund	641,994	612,429
Equity in First Nation Negotiation Support Agreement Fund	81,262	42,545
Equity in Enterprise Fund	<u>20,652,040</u>	<u>21,800,917</u>
ACCUMULATED SURPLUS	\$ 39,678,983	\$ 39,271,583

APPROVED ON BEHALF OF THE KLAHOOSE FIRST NATION

Steven Brown, Chief

Marion McKellar, Administrator

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended March 31	2022 Budget	2022 Actual	2021
ANNUAL SURPLUS	\$ 526,660	\$ 407,400	\$ 9,285,879
Acquisition of tangible capital assets	-	(689,902)	(1,311,519)
<u>Amortization of tangible capital assets</u>	<u>-</u>	<u>999,997</u>	<u>874,473</u>
	-	310,095	(437,047)
Acquisition of prepaid asset	(169,195)	(197,237)	30,762
<u>Use of prepaid asset</u>	<u>-</u>	<u>28,042</u>	<u>(28,042)</u>
	(169,195)	(169,195)	2,720
Acquisition of inventory	2,858	(2,614)	(5,472)
<u>Use of inventory</u>	<u>-</u>	<u>5,472</u>	<u>2,756</u>
	2,858	2,858	(2,716)
INCREASE IN NET FINANCIAL ASSETS	360,323	551,158	8,848,836
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	-	25,493,477	16,644,641
NET FINANCIAL ASSETS AT END OF YEAR	\$ -	\$ 26,044,635	\$ 25,493,477

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31	2022 Budget	2022 Actual	2021 Actual
REVENUE			
Indigenous Services Canada	\$ 730,814	\$ 2,647,107	\$ 2,457,321
Canada Mortgage and Housing Corporation subsidies	-	7,952	10,034
Forestry and range income	75,000	640,312	85,000
Cigarette sales	24,000	38,097	37,900
Department of Fisheries and Oceans	81,120	130,114	112,748
First Nations Health Authority	479,837	671,086	552,961
Interest income	16,100	29,242	31,365
Other	85,060	649,962	535,912
Province of BC	140,000	1,691,032	1,313,318
Rental income	85,800	130,170	140,623
Revenue sharing	1,750,000	2,251,450	1,760,900
Share of loss of First Nation Controlled Entities	-	(1,148,877)	8,136,506
Treaty negotiation support agreement	275,820	250,834	255,546
	3,743,551	7,988,481	15,430,134
EXPENSES			
Band Programs	1,573,567	2,605,665	2,086,918
Education	372,679	444,258	451,813
Job creation	181,120	1,001,942	486,238
Health	437,881	615,549	841,475
Social development	15,400	539,448	377,898
Capital	360,424	592,433	639,165
Social housing	-	32,492	47,241
Capital fund	-	984,211	901,434
Ottawa Trust Fund	-	-	-
First Nation Negotiation Support Agreement Fund	275,820	212,117	233,282
Enterprise Fund	-	-	-
	3,216,891	7,028,115	6,065,464
ANNUAL SURPLUS BEFORE OTHER ITEMS	526,660	960,365	9,364,670
OTHER ITEMS			
Transfer to deferred revenue	-	(552,965)	(78,791)
ANNUAL SURPLUS	526,660	407,400	9,285,879
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	-	39,271,583	29,985,704
ACCUMULATED SURPLUS AT END OF YEAR	\$ 526,660	\$ 39,678,983	\$ 39,271,583

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS

<u>For the year ended March 31, 2022</u>	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
ANNUAL SURPLUS	\$ 407,400	\$ 9,285,879
Items not affecting cash		
Amortization	999,997	874,473
Share of (income) loss of First Nation controlled entities	1,148,877	(8,136,506)
	2,556,274	2,023,846
Change in non-cash operating net assets	(655,922)	820,366
	1,900,352	2,844,212
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(689,902)	(1,361,766)
Disposal of tangible capital assets	-	50,247
	(689,902)	(1,311,519)
FINANCING ACTIVITIES		
Principal repayment of long-term debt	(69,521)	(70,796)
CHANGES IN CASH DURING THE YEAR	1,140,929	1,461,897
CASH, BEGINNING OF YEAR	5,596,864	4,134,967
CASH, END OF YEAR	\$ 6,737,793	\$ 5,596,864
REPRESENTED BY:		
Cash	\$ 5,660,730	\$ 4,645,099
Restricted cash	1,077,063	951,765
	\$ 6,737,793	\$ 5,596,864

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

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 the Canadian Institute of Chartered Accountants.

(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, 2022

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, 2022

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, 2021 and 2022, no liability for contaminated sites has been recorded.

(j) Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or to finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible assets, prepaid expenses and inventory of supplies.

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

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, 2022

2. RELATED PARTY TRANSACTIONS

Transactions with related parties, if any, are in the normal course of business, and are for fair consideration that is mutually agreed upon by the related parties.

3. BUDGET

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

4. 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.

5. 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.

	2022	2021
Opening trust fund balance	\$ 1,154,420	\$ 1,161,092
Contribution during the year	144,000	123,000
Interest income	9,768	11,433
Distribution during the year	(40,968)	(141,105)
 Ending trust fund balance	 \$ 1,267,220	 \$ 1,154,420

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

6. 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 \$38,327 (2021 - overfunded by \$54,855).

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.

	2022	2021
Replacement Reserve Fund - restricted cash	\$ 206,591	\$ 198,874
Ottawa Trust Funds - restricted cash	641,994	612,429
First Nation Negotiation Support Agreement Fund - restricted cash	228,478	140,462
	<hr/> \$ 1,077,063	<hr/> \$ 951,765

7. ACCOUNTS RECEIVABLE

	2022	2021
Accounts receivable - general	\$ 606,854	\$ 709,260
Indigenous Services Canada	388,859	96,116
First Nations Health Authority	-	487
Province of British Columbia	498,084	-
	<hr/> 1,493,797	<hr/> 805,863
Allowance for doubtful accounts	(187,240)	(390,549)
	<hr/> \$ 1,306,557	<hr/> \$ 244,470

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2022

8. LONG-TERM INVESTMENTS

	2022	2021
Investment in Qathen Xwegus Management Corporation		
Shares	\$ 1	\$ 1
Accumulated deficit in earnings	<u>(3,989,406)</u>	<u>(3,408,558)</u>
	<u>(3,989,405)</u>	<u>(3,408,557)</u>
Investment in Klahoose Investment Limited Partnership		
Accumulated equity in earnings	<u>24,337,869</u>	<u>25,162,087</u>
	<u>24,337,869</u>	<u>25,162,087</u>
Investment in Klahoose Forestry No.2 Limited Partnership		
Accumulated equity (deficit) in earnings	<u>303,466</u>	<u>47,277</u>
Investment in BC First Nations Gaming Fund		
Shares	10	10
Partnership interest	100	100
	<u>110</u>	<u>110</u>
	<u>\$ 20,652,040</u>	<u>\$ 21,800,917</u>

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

9. 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%)	2022 Total
Cash	\$ 87,012	\$ 3,637	\$ 382	\$ 91,031
Prepays	51,292	-	-	51,292
Tangible capital assets	10,011	-	-	10,011
Investments	5,164	13,683,940	331,904	14,021,008
Other assets	935,396	10,652,715	-	11,588,111
Total assets	\$ 1,088,875	\$ 24,340,292	\$ 332,286	\$ 25,761,453
Accounts payable	\$ 56,417	\$ 418	\$ -	\$ 56,835
Long-term debt	38,889	-	-	38,889
Other liabilities	4,982,975	-	29,200	5,012,175
Total liabilities	5,078,281	418	29,200	5,107,899
Equity	(3,989,406)	24,339,874	303,086	20,653,554
Total liabilities and equity	\$ 1,088,875	\$ 24,340,292	\$ 332,286	\$ 25,761,453
	Qathen Xwegus Management Corporation (100%)	Klahoose Investment Limited Partnership (99.99%)	Klahoose Forestry No.2 Limited Partnership (99.99%)	2022 Total
Revenue	\$ (4,177)	\$ (760,505)	\$ 258,681	\$ (506,001)
Expenses	576,671	63,795	2,466	642,932
	\$ (580,848)	\$ (824,300)	\$ 256,215	\$ (1,148,933)

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2022

10. ACCOUNTS PAYABLE

	2022	2021
Accounts payable - general	\$ 189,702	\$ 191,420
School District #72	25,711	53,926
Wages and benefits payable	90,705	66,351
	<hr/> \$ 306,118	<hr/> \$ 311,697

11. DEFERRED REVENUE

	March 31, 2021	Funding received, 2022	Revenue recognized, 2022	March 31, 2022
Indigenous Services Canada	\$ 354,367	\$ 784,978	\$ (185,600)	\$ 953,745
Province of BC - Gaming Revenue	457,338	344,588	(308,507)	493,419
Province of BC - Marine Access Revitalization	361,236	-	(82,494)	278,742
	<hr/> \$ 1,172,941	<hr/> \$ 1,129,566	<hr/> \$ (576,601)	<hr/> \$ 1,725,906

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

12. LONG-TERM DEBT

	2022	2021
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.	\$ 80,474	\$ 98,203
Bank of Montreal - repayable in monthly instalments of \$3,986 including interest at prime plus 1% per annum. Secured by a general security agreement.	371,469	407,475
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.	<u>6,669</u>	<u>22,455</u>
Current portion	458,612	528,133
	60,168	58,008
Long-term portion	<u>\$ 398,444</u>	<u>\$ 470,125</u>

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

2023	\$ 60,168
2024	55,500
2025	81,874
2026	39,400
2027 and thereafter	221,670
	<hr/>
	\$ 458,612

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

13. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated amortization				2022 net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	2022 net book value	
Buildings	\$ 10,803,533	\$ -	\$ -	\$ 10,803,533	\$ 6,263,461	\$ 471,891	\$ 6,735,352	\$ 4,068,181	
Automotive equipment	217,597	8,000	-	225,597	53,663	41,559	95,222	130,375	
Equipment	755,648	67,160	-	822,808	347,443	109,744	457,187	365,621	
Dock	318,869	65,000	-	383,869	317,731	759	318,490	65,379	
Assets under construction	836,035	549,742	-	1,385,777	-	-	-	1,385,777	
Infrastructure	7,844,269	-	-	7,844,269	847,393	376,044	1,223,437	6,620,832	
Land	798,332	-	-	798,332	-	-	-	798,332	
Social housing	458,120	-	-	458,120	458,120	-	458,120	-	
	\$ 22,032,403	\$ 689,902	\$ -	\$ 22,722,305	\$ 8,287,811	\$ 999,997	\$ 9,287,808	\$ 13,434,497	
	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	2021 Net book value	
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	-	836,035	-	836,035	-	-	-	836,035	
Infrastructure	7,802,621	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	-	
	\$ 20,720,884	\$ 1,361,766	\$ (50,247)	\$ 22,032,403	\$ 7,413,338	\$ 874,473	\$ 8,287,811	\$ 13,744,592	

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

14. 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.

	2022	2021
Balance, beginning of year	\$ 144,019	\$ 137,843
Contributions, required during the year	675	1,099
Withdrawals	(14,867)	(4,012)
Interest	6,439	9,089
Supplemental funding	31,998	-
	<hr/> \$ 168,264	<hr/> \$ 144,019

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

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, 2022

15. SEGMENTED INFORMATION, continued

	Band Programs		Education		Job Creation		2022 Budget	2022 Actual	2021 Actual
	2022 Budget	2022 Actual	2021 Actual	2022 Budget	2021 Actual	2022 Budget			
Revenues									
Indigenous Services Canada	\$ 254,327	\$ 869,959	\$ 738,848	\$ 284,663	\$ 320,454	\$ 419,582	-	\$ 48,567	\$ 48,019
First Nations Health Authority	-	-	-	-	-	-	-	81,210	29,766
Province of BC	140,000	893,617	730,150	-	-	-	-	224,942	221,578
Rental income	85,800	112,290	110,518	-	-	-	-	-	-
Interest income	16,100	15,301	21,797	-	-	-	-	-	-
Revenue sharing	1,750,000	2,251,450	1,760,900	-	-	-	-	-	-
Other revenue	179,000	263,870	419,968	38,016	86,328	22,787	81,120	930,601	135,905
Total revenue	2,425,227	4,406,487	3,782,181	322,679	406,782	442,369	81,120	1,285,320	435,268
Expenses									
Honoraria	31,200	31,979	29,186	-	-	-	-	-	-
Materials and supplies	-	11,631	21,470	12,850	7,249	5,452	13,000	7,737	17,044
Principal payments on loans	-	15,071	21,294	-	-	-	-	-	-
Professional fees	200,000	372,891	370,736	-	-	-	-	-	375
Travel	54,040	19,225	4,677	17,350	16,871	11,572	2,050	13,930	13,098
Utilities and telephone	-	2,827	-	600	-	-	800	1,729	2,053
Wages and benefits	256,800	403,939	375,759	51,514	47,845	51,107	144,412	225,795	211,638
Other expenses	1,031,527	1,748,102	1,263,796	290,365	372,293	383,682	20,858	752,751	242,030
Total expenses	1,573,567	2,605,665	2,086,918	372,679	444,258	451,813	181,120	1,001,942	486,238
Other items	851,660	1,800,822	1,695,263	(50,000)	(37,476)	(9,444)	(100,000)	283,378	(50,970)
Annual surplus (deficit)	\$ 851,660	\$ 1,608,687	\$ 1,725,704	\$ (50,000)	\$ (37,476)	\$ 23,934	\$ (100,000)	\$ 283,600	\$ (62,601)

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

15. SEGMENTED INFORMATION, continued

	2022 Budget	Health 2022 Actual	2021 Actual	2022 Budget	Social Development 2022 Actual	2021 Actual	2022 Budget	Capital 2022 Actual	2021 Actual
Revenues									
Indigenous Services Canada	\$ -	\$ 120,428	\$ 478,876	\$ 15,400	\$ 592,932	\$ 495,951	\$ 176,424	\$ 694,767	\$ 276,045
First Nations Health Authority	437,881	589,876	523,195	-	-	-	-	-	-
Province of BC	-	-	-	-	30,000	-	-	525,834	361,590
Other revenue	-	108,345	70,708	-	49,952	69,000	9,000	13,743	48,470
Total revenue	437,881	818,649	1,072,779	15,400	672,884	564,951	185,424	1,234,344	686,105
Expenses									
Capital expenses	-	-	-	-	4,922	-	5,600	6,793	1,664
Honoraria	-	200	-	-	988	1,477	-	125	-
Materials and supplies	53,857	61,603	298,990	9,600	6,994	10,022	22,812	21,868	28,727
Professional fees	5,000	45,733	21,011	-	39,345	-	1,800	210,032	36,997
Travel	36,798	64,441	49,911	100	22,169	1,586	6,000	1,376	4,328
Utilities and telephone	13,800	14,595	7,790	1,200	781	1,485	37,200	55,612	46,317
Wages and benefits	239,570	329,465	381,733	4,500	143,806	90,543	121,992	104,293	104,990
Other expenses	88,856	99,512	82,040	-	320,443	272,785	165,020	192,334	416,142
Total expenses	437,881	615,549	841,475	15,400	539,448	377,898	360,424	592,433	639,165
Other items	-	203,100	231,304	-	133,436	187,053	(175,000)	641,911	46,940
Annual surplus (deficit)	\$ -	\$ 203,100	\$ 231,304	-	\$ 133,436	\$ 187,053	\$ (175,000)	\$ 280,859	\$ (84,039)

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

15. SEGMENTED INFORMATION, continued

	2022 Budget	Social Housing		2021 Actual	2022 Budget	Capital Fund		2021 Actual	2022 Budget	Ottawa Trust Fund	
		2022 Actual	2021 Actual			2022 Actual	2021 Actual			2022 Actual	2021 Actual
Revenues											
Province of BC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,639	\$ -
Rental income	-	17,880	30,105	-	-	-	-	-	-	-	-
Interest income	-	1,015	1,586	-	-	-	-	-	-	12,926	7,982
Distributions from First Nation Limited Partnership	-	5,646	4,722	-	-	-	-	-	-	-	-
Other revenue	-	7,952	10,034	-	-	-	-	-	-	-	-
Total revenue	-	32,493	46,447	-	-	-	-	-	-	29,565	7,982
Expenses											
Capital expenses	-	-	-	-	-	984,211	901,434	-	-	-	-
Principal payments on loans	-	(7,499)	-	-	-	-	-	-	-	-	-
Professional fees	-	4,375	4,126	-	-	-	-	-	-	-	-
Other expenses	-	35,617	43,115	-	-	-	-	-	-	-	-
Total expenses	-	32,493	47,241	-	984,211	901,434	-	-	-	29,565	7,982
Other items	-	-	(794)	-	(984,211)	(901,434)	-	-	-	29,565	7,982
Annual surplus (deficit)	\$ -	\$ -	\$ (794)	\$ -	\$ (984,211)	\$ (901,434)	\$ -	\$ -	\$ -	\$ 29,565	\$ 7,982

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

15. SEGMENTED INFORMATION, continued

	First Nation Negotiation Support Agreement				Enterprise Fund				Consolidated totals		
	Fund				Enterprise Fund				Consolidated totals		
	2022 Budget	2022 Actual	2021 Actual	2022 Budget	2022 Actual	2021 Actual	2022 Budget	2022 Actual	2021 Actual	2021 Actual	2021 Actual
Revenues											
Indigenous Services Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 730,814	\$ 2,647,107	\$ 2,457,321		
First Nations Health Authority	-	-	-	-	-	-	437,881	671,086	552,961		
Province of BC	-	-	-	-	-	-	140,000	1,691,032	1,313,318		
Rental income	-	-	-	-	-	-	85,800	130,170	140,623		
Interest income	-	-	-	-	-	-	16,100	29,242	31,365		
Share of income of First Nation Controlled Entities	-	-	-	-	-	-	1,750,000	2,251,450	1,760,900		
Distributions from First Nation Limited Partnership	-	-	-	-	-	-	-	-	5,646	4,722	
Other revenue	275,820	250,834	255,546	-	(1,148,877)	8,136,506	582,956	562,748	9,168,924		
Total revenue	275,820	250,834	255,546	-	(1,148,877)	8,136,506	3,743,551	7,988,481	15,430,134		
Expenses											
Capital expenses	-	-	-	-	-	-	5,600	995,926	903,098		
Honoraria	4,800	4,400	4,800	-	-	-	36,000	37,692	35,463		
Materials and supplies	7,702	1,516	153	-	-	-	119,821	118,598	381,858		
Principal payments on loans	-	-	-	-	-	-	-	7,572	21,294		
Professional fees	51,000	25,198	35,414	-	-	-	257,800	697,574	468,659		
Travel	7,500	860	83	-	-	-	123,838	138,872	85,255		
Utilities and telephone	-	-	-	-	-	-	53,600	75,544	57,645		
Wages and benefits	146,318	150,146	162,810	-	-	-	965,106	1,405,289	1,378,580		
Other expenses	58,500	29,997	30,022	-	-	-	1,655,126	3,551,049	2,733,612		
Total expenses	275,820	212,117	233,282	-	-	-	3,216,891	7,028,116	6,065,464		
Other items	-	38,717	22,264	-	(1,148,877)	8,136,506	526,660	960,365	9,364,670		
Annual surplus (deficit)	\$ -	\$ 38,717	\$ 22,264	\$ -	\$ (1,148,877)	\$ 8,136,506	\$ 526,660	\$ 407,400	\$ 9,285,879		