Katzie First Nation
Consolidated Financial Statements
March 31, 2014

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For the year ended March 31, 2014

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Management's Responsibility

To the Members of Katzie First Nation:

The accompanying consolidated financial statements of Katzie First Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Katzie First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

July 29, 2014

Independent Auditors' Report

To the Members of Katzie First Nation:

We have audited the accompanying consolidated financial statements of Katzie First Nation, which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion
During the course of the audit, a scope limitation was encountered as management was unable to provide sufficient and appropriate audit evidence to support the valuation of the investment in a Nation business entity.

Qualified Opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly in all material respects the financial position of Katzie First Nation as at March 31, 2014 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chilliwack, British Columbia

MNP LLP

July 29, 2014

Chartered Accountants

Consolidated Statement of Financial Position

As at March 31, 2014

	2014	*2013 Restated*
Financial assets		
Cash	**14,454,341**	566,610
Investments *(Note 3)*	**2,844,076**	2,833,237
Accounts receivable	**422,784**	609,657
Investment in Nation business entities *(Note 4)*	**157,660**	100
Funds held in trust *(Note 5)*	**445,202**	972,018
Operating reserve *(Note 6)*	**62,991**	73,073
Replacement reserve *(Note 7)*	**28,519**	32,162
	18,415,573	5,086,857
Liabilities		
Accounts payable and accruals	**537,288**	572,849
Contingent liability *(Note 15)*	**1,000,000**	-
Long-term debt *(Note 8)*	**3,492,487**	3,308,859
	5,029,775	3,881,708
Net financial assets	**13,385,798**	1,205,149
Contingencies *(Note 15)*		
Non-financial assets		
Tangible capital assets *(Note 9)*	**4,712,354**	4,128,324
Prepaid expenses *(Note 17)*	**99,127**	85,169
	4,811,481	4,213,493
Accumulated surplus *(Note 10), (Note 17)*	**18,197,279**	5,418,642

Approved on behalf of the Council

The accompanying notes are an integral part of these financial statements

Katzie First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2014

		2014 Budget	2014	2013 Restated
Revenue				
Province of B.C.		**12,830,000**	**12,828,587**	772,588
Aboriginal Affairs and Northern Development Canada *(Note 17)*		**1,647,284**	**1,966,018**	2,138,834
Canada Mortgage and Housing Corporation		**319,112**	**97,110**	101,378
First Nations Health Authority *(Note 11)*		**230,845**	**230,845**	-
Health Canada *(Note 11)*		**230,845**	**230,844**	571,859
Government of Canada		**41,350**	**39,675**	-
Human Resources and Skills Development Canada		**5,250**	**5,250**	-
B.C. Hydro		**1,335,000**	**1,338,392**	61,281
Rental income		**185,166**	**193,995**	219,965
Administration fees		**190,000**	**100,165**	108,888
Investment income		**100,000**	**95,721**	113,316
B.C. Treaty Commission		**89,440**	**89,440**	45,075
Sto:lo Aboriginal Skills & Employment Training		**18,862**	**12,679**	25,469
Simon Fraser University		**-**	**7,122**	-
Fundraising and donations		**10,000**	**8,611**	14,891
External revenue		**9,000**	**8,260**	2,794
First Nations Education Steering Committee		**8,324**	**7,982**	3,362
Fisheries and Oceans Canada		**7,200**	**7,200**	7,200
Ridge Meadows A.C.L.		**5,000**	**5,000**	5,000
Equity earnings from investments		**-**	**157,560**	-
Provincial Health Services Authority		**3,116**	**3,116**	7,100
New Relationship Trust		**2,500**	**2,500**	-
Bus revenue		**-**	**1,005**	950
Special distribution		**1,250**	**1,269**	1,252
Archaeology - Other		**-**	**-**	2,600
Surrey Schools		**-**	**5,000**	-
		17,269,544	**17,443,346**	4,203,802
Expenses				
Administration	*2*	**479,000**	**402,519**	244,569
Capital Projects	*3*	**10,250**	**10,250**	21,350
Economic Development and Employment	*4*	**15,000**	**1,303,659**	1,161,318
Education *(Note 17)*	*5*	**253,128**	**754,504**	753,472
Health and Social Programs *(Note 17)*	*6*	**934,895**	**1,219,910**	1,163,363
Housing	*7*	**358,850**	**170,434**	163,164
Aboriginal Rights and Title	*8*	**160,000**	**227,159**	271,472
Maintenance	*9*	**197,691**	**172,028**	189,994
Other	*10*	**250,000**	**276,992**	277,952
First Nation Enterprises	*11*	**-**	**127,254**	147,781
		2,658,814	**4,664,709**	4,394,435
Surplus (deficit)		**14,610,730**	**12,778,637**	(190,633)
Accumulated operating surplus, beginning of year *(Note 17)*		**5,418,642**	**5,418,642**	5,609,275
Accumulated operating surplus, end of year		**20,029,372**	**18,197,279**	5,418,642

Katzie First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2014

	2014 Budget	***2014***	*2013 Restated*
Annual operating surplus (deficit)	**14,610,730**	**12,778,637**	(190,633)
Purchases of tangible capital assets	**(850,000)**	**(839,471)**	-
Amortization of tangible capital assets	**-**	**255,440**	259,572
	(850,000)	**(584,031)**	259,572
Acquisition of prepaid expenses	**-**	**(25,676)**	(85,164)
Use of prepaid expenses	**-**	**11,719**	43,658
	-	**(13,957)**	(41,506)
Increase in net financial assets	**13,760,730**	**12,180,649**	27,433
Net financial assets, beginning of year	**1,205,149**	**1,205,149**	1,177,716
Net financial assets, end of year	**14,965,879**	**13,385,798**	1,205,149

The accompanying notes are an integral part of these financial statements

Katzie First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2014

	2014	2013 Restated
Cash provided by (used for) the following activities		
Operating activities		
Annual Surplus	**12,778,637**	(190,633)
Non-cash items		
Amortization	**255,440**	259,572
Change in funds held in trust	**526,815**	(23,470)
Valuation loss on investments	**-**	740,427
	13,560,892	785,896
Changes in working capital accounts		
Accounts receivable	**167,553**	(322,273)
Prepaid expenses	**(13,957)**	(41,506)
Accounts payable and accruals	**(6,240)**	262,540
Investments	**59,257**	(44,842)
Contingent liability	**1,000,000**	-
	14,767,505	639,815
Financing activities		
Advances of long-term debt	**329,112**	-
Repayment of long-term debt	**(145,484)**	(150,229)
	183,628	(150,229)
Capital activities		
Purchases of tangible capital assets	**(839,471)**	-
Investing activities		
Restricted cash accounts	**14,085**	(6,018)
Investment in Katzie Development Corporation Ltd.	**(157,560)**	-
Increase in cash resources	**13,968,187**	483,568
Cash resources, beginning of year	**1,046,014**	562,446
Cash resources, end of year	**15,014,201**	1,046,014
Cash resources are composed of:		
Investments	**549,500**	479,404
Cash	**14,464,701**	566,610
	15,014,201	1,046,014
Supplementary cash flow information		
Interest paid	**52,273**	55,310

The accompanying notes are an integral part of these financial statements

1. Operations

The Katzie First Nation (the "Nation") is located in the province of British Columbia, and provides various services to its members. Katzie First Nation includes the Nation's government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Asset classification

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

Net financial assets

The First Nation’s financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution.

Amortization

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	Rate
Infrastructure	straight-line	50 years
Bridges	straight-line	40 years
Buildings	straight-line	25 years
Roads	straight-line	20 years
Equipment	straight-line	10 years
Vehicles	straight-line	5 years

2. Significant accounting policies *(Continued from previous page)*

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust monies consist of:

- Capital trust monies derived from non-renewable resource transactions on the sale of land or other Nation tangible capital assets; and
- Revenue trust monies generated primarily through land leasing transactions or interest earned on deposits held in trust.

Revenue recognition

Funding

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the statement of financial position in the year of receipt.

Other revenue

Other revenue is recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Government transfers

Katzie First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Housing rental income

Rental revenue is recorded in the year it is earned. At the end of each year, management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

First Nation capital and revenue trust funds

Katzie First Nation recognizes revenues at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

Income from investments

Katzie First Nation uses the modified equity method to account for its investments in Katzie Development Corporation Ltd. and Katzie Coast Marine Services Inc. as the entities are not dependent on the Nation for its continuing operations. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the Nation. Thus, the Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received to the extent that retained earnings is above zero.

Other investment income

Interest and dividend income earned on portfolio investments are recognized as revenue when received.

2. Significant accounting policies *(Continued from previous page)*

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management 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 reporting period.

Accounts receivable, and amounts due from related Nation entities and departments, are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity, except for for those entities not dependent on the Nation for their continuing operations, which are included in the financial statements using the modified equity method.

The Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Katzie First Nation Bus Corporation
- Smuq'wa Development Corporation
- Katzie Cultural Education Society

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

The Nation has used the modified equity method to account for its investments in Katzie Coast Marine Services Inc. and Katzie Development Corporation Ltd.

Long-lived assets and discontinued operations

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When the Nation determines that a long-lived asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Segments

Katzie First Nation conducts its business through ten reportable segments: Administration, Capital Projects, Economic Development and Employment, Education, Health and Social Programs, Housing, Aboriginal Rights and Title, Maintenance, Other and First Nation Enterprises. These operating segments are established by senior management to facilitate the achievement of the Nation's long-term objectives, to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

2. Significant accounting policies *(Continued from previous page)*

Recent accounting pronouncements

Related party transactions

The Public Sector Accounting Board (PSAB) issued this Invitation to Comment (ITC) in October 2011 together with an Issues Paper, Related party transactions – Recognition and measurement, as part of its project to develop a new Public Sector Accounting (PSA) Handbook standard for related parties and related party transactions in the context of governments and government organizations. Comments on the ITC were required by November 14, 2011. The effective date of the new PSA Handbook standard has not yet been specified

Liability for contaminated sites

In June 2010, the Public Sector Accounting Board (PSAB) issued PS 3260 *Liability for Contaminated Sites* to establish recognition, measurement and disclosure standards for liabilities associated with the remediation of contaminated sites. The new section defines activities included in a liability for remediation, establishes when to recognize and how to measure a liability for remediation, and provides the related financial statement presentation and disclosure requirements.

PS 3260 is effective for fiscal years beginning on or after April 1, 2014. The First Nation expects to apply PS 3260 for its consolidated financial statements dated March 31, 2015. The First Nation has not yet determined the effect of the new section in its consolidated financial statements.

Financial instruments

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2015. Earlier adoption is permitted.

3. Investments

	2014	*2013*
Fixed income	**821,549**	**993,140**
Long-term GICs	**1,473,027**	**1,360,693**
	2,294,576	**2,353,833**
Equity investments	**446,196**	**450,063**
Cash	**103,304**	**29,341**
	549,500	**479,404**
	2,844,076	**2,833,237**

The market value of the marketable securities as at March 31, 2014 is $2,919,230 (2013 - $2,856,236)

4. Investments in Nation business entities

The Nation has investments in the following entities:

	Investment cost	*2014 Total investment*
Katzie Development Corporation Ltd. - 100%	**100**	**100**

The Nation's investment in Katzie Development Corporation Ltd. was established for the purposes of performing archaeology services off-reserve. Summary financial information, accounted for using the modified equity method, for its year-end is as follows:

	Katzie Development Corporation Ltd. As at March 31, 2014	*Katzie Development Corporation Ltd. As at March 31, 2013*
Assets		
Current assets	**181,977**	**21,319**
Total assets	**181,977**	**21,319**
Liabilities		
Current liabilities	**24,317**	**35,037**
Total liabilities	**24,317**	**35,037**
Share capital	**100**	**100**
Surplus (Deficit)	**157,560**	**(13,818)**
Total revenue	**3,206,791**	**1,850,906**
Total expenses	**3,035,411**	**1,838,044**
Net income	**171,380**	**12,862**
	171,380	**12,862**

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Investments in Nation business entities ***(Continued from previous page)***

The Nation has a 50% interest in Katzie Coast Marine Services Ltd. The general nature of the business is to provide water taxi and other commercial marine services in and around Pitt Meadows, BC. Financial information for the year ended July 31, 2013 was unavailable. The most recent summary financial information for Katzie Coast Marine Services Ltd., accounted for using the modified equity method, is as follows:

	Katzie Coast Marine Services Inc. As at July 31, 2012
Assets	
Current assets	**72,484**
Investments	**1**
Property, plant and equipment	**2,159,770**
Total assets	**2,232,255**
Liabilities	
Accounts payable and accruals	**233,702**
Long-term liabilities	**2,680,189**
Total liabilities	**2,913,891**
Share capital	**1**
Deficit	**(681,637)**
Total revenue	**149,881**
Total expenses	**662,799**
Net loss	**(512,918)**

5. Funds held in trust

Capital and revenue trust monies are transferred to the Nation on the authorization of the Minister of Aboriginal Affairs and Northern Development Canada, with the consent of the Nation's Council.

	2014	*2013*
Capital Trust		
Balance, end of year	**6,320**	6,320
Revenue Trust		
Balance, beginning of year	**965,698**	942,227
Interest	**21,915**	22,219
Special (BC)	**1,269**	1,252
Transfer to Health Building Construction	**(550,000)**	-
Balance, end of year	**438,882**	965,698
	445,202	972,018

6. Operating reserve

Under agreements with Canada Mortgage and Housing Corporation (CMHC), Katzie First Nation established the following:

An operating reserve resulting from annual surplus after the payment of all costs and expenses including allocation to the replacement reserve. These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as otherwise mutually agreed to by Katzie First Nation and CMHC. These funds may only be used for the ongoing operating costs of the housing projects committed under the 1997 On-Reserve Program. Accordingly, future years' deficits may be recovered from the Operating Reserve fund. At March 31, 2014, $62,991(2013 - $73,073) has been set aside to fund this reserve.

7. Replacement reserve

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the Nation established a replacement reserve, established by an annual allocation of $33,458 (2013 - $33,958), to ensure replacement of buildings financed by CMHC. At March 31, 2014, $28,519 (2013 - $32,162) has been set aside to fund this reserve.

In accordance with terms of the agreements, CMHC reserve moneys must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

8. Long-term debt

	2014	*2013*
Treaty Negotiations - Aboriginal Affairs and Northern Development Canada - repayment provisions are outlined in Sections 13.0 and 14.0 of the First Nation Negotiation Support Agreement	**2,272,204**	2,272,204
Non-Profit Housing IV - All Nations Trust - C.M.H.C. mortgage #15468986004; payments of $3,290 per month, including interest at 2.35% per annum; renewal and maturity date of June 1, 2014	**9,833**	48,587
Non-Profit Housing V - All Nations Trust - C.M.H.C. mortgage #15468986005; payments of $817 per month, including interest at 1.67% per annum; renewal and maturity date of May 1, 2018	**39,458**	48,441
Non-Profit Housing VI - All Nations Trust - C.M.H.C. mortgage #15468986006; payments of $2,715 per month, including interest at 2.56% per annum; renewal date of December 1, 2015; maturity date of August 1, 2020	**192,643**	219,934
Non-Profit Housing VII - All Nations Trust - C.M.H.C. mortgage #15468986007; payments of $1,680 per month, including interest at 1.67% per annum; renewal date of April 1, 2017; maturity date of February 1, 2022	**149,419**	166,932
Non-Profit Housing VIII - All Nations Trust - C.M.H.C. mortgage #15468986008; payments of $1,535 per month, including interest at 2.11% per annum; renewal date of January 1, 2019; maturity date of December 1, 2023	**162,298**	176,689
Non-Profit Housing IX - All Nations Trust - C.M.H.C. mortgage #19360312001; payments of $1,337 per month, including interest at 2.56% per annum; renewal date of December 1, 2015; maturity date of August 1, 2020	**94,843**	108,279
Non-Profit Housing X - All Nations Trust - C.M.H.C. mortgage #19360312002; payments of $487 per month, including interest at 1.99% per annum; renewal date of May 1, 2014; maturity date of May 1, 2034	**96,751**	100,630
Non-Profit Housing XI - All Nations Trust - C.M.H.C. mortgage #19360312003; payments of $1,339 per month, including interest at 1.92% per annum; renewal date of April 1, 2019; maturity date of April 1, 2039	**319,112**	-
First Nation Enterprise loan - Royal Bank; payments of $2,299 per month, including interest at 4.03% per annum; renewal date of April 13, 2014; secured by a general security agreement on the assets of the First Nation	**145,926**	167,163
First Nation Enterprise demand loan - Royal Bank; payments of interest at 3.75% per annum; secured by a general security agreement on the assets of the First Nation	**10,000**	-
	3,492,487	3,308,859

Long-term debt for housing projects are secured by Ministerial guarantees of the Ministry of Aboriginal Affairs and Northern Development Canada.

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Long-term debt ***(Continued from previous page)***

Principal repayments on long-term debt in each of the next five years, assuming all term debt is subject to contractual terms of repayment and long-term debt subject to refinancing is renewed with similar terms, are estimated as follows:

2015	160,732
2016	133,951
2017	127,265
2018	130,499
2019	133,825

9. Tangible capital assets

	Cost	***Additions***	***Disposals***	***Accumulated amortization***	***2014 Net book value***
Buildings	**847,478**	**839,471**	**-**	**752,553**	**934,396**
Housing projects	**3,007,151**	**-**	**-**	**2,181,676**	**825,475**
Equipment	**77,657**	**-**	**-**	**70,971**	**6,686**
Infrastructure	**2,806,351**	**-**	**-**	**716,916**	**2,089,435**
Roads	**671,586**	**-**	**-**	**577,570**	**94,016**
Bridges	**465,393**	**-**	**-**	**302,497**	**162,896**
Vehicle	**120,700**	**-**	**-**	**120,700**	**-**
First Nation Enterprise Assets	**667,347**	**-**	**-**	**67,897**	**599,450**
	8,663,663	**839,471**	**-**	**4,790,780**	**4,712,354**

	Cost	*Additions*	*Disposals*	*Accumulated amortization*	*2013 Net book value*
Buildings	327,326	520,152	-	743,779	103,699
Housing projects	3,527,303	-	520,152	2,061,390	945,761
Equipment	77,657	-	-	67,658	9,999
Infrastructure	2,806,351	-	-	660,789	2,145,562
Roads	671,586	-	-	546,231	125,355
Bridges	465,393	-	-	290,863	174,530
Vehicle	120,700	-	-	114,067	6,633
First Nation Enterprise Assets	667,347	-	-	50,562	616,785
	8,663,663	520,152	520,152	4,535,339	4,128,324

Amortization expense of $238,105 (2013 - $242,236) was recorded in the Capital Fund and $17,335 (2013 - $17,335) was recorded in the Katzie First Nation Bus Corporation.

First Nation Enterprise assets include land, buildings, and vehicles with a carrying value of $599,450 (2013 - $616,786).

10. Accumulated surplus

	2014	2013 Restated
Equity in Ottawa Trust Funds (Note 6)	**445,202**	972,017
Equity in CMHC replacement reserve (Note 8)	**28,519**	32,162
Equity in CMHC operating reserve (Note 7)	**62,991**	73,073
Equity in tangible capital assets	**3,492,071**	3,091,672
Deficit of Nation Enterprises	**(110,827)**	(757,259)
Restricted surplus (Note 13)	**131,342**	131,342
Unrestricted surplus	**14,989,522**	1,875,632
	19,038,820	5,418,639

11. Transition to First Nations Health Authority

Health Canada has transferred its funding responsibilities to First Nations Health Authority (FNHA) in accordance with a Three Party Novation Agreement signed by Her Majesty the Queen in Right of Canada, FNHA, and Katzie First Nation.

The FNHA and Katzie First Nation are deemed to have entered into a new agreement commencing October 1, 2013, having terms that are identical to those of the previous agreement between Health Canada and Katzie First Nation.

The new Health Funding Contribution Agreement has had no impact on the First Nation's financial position or operations. The allocation of funds received from Health Canada and FNHA, together with expenses associated with the contributions, are as follows:

	Health Canada	***FNHA***	***Total***
Revenue	**230,844**	**230,845**	**461,689**
Expenses	**(134,886)**	**(369,803)**	**(504,689)**
	95,958	**(138,958)**	**(43,000)**

12. Financial Instruments

Katzie First Nation's financial instruments consist of cash, investments, accounts receivable, bank indebtedness, accounts payable and accruals, and long-term debt. It is management's opinion that the Nation is not exposed to significant currency or credit risk arising from these financial instruments. The fair value of the instruments approximates their carrying values, unless otherwise noted.

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Nation manages exposure through its normal operating and financing activities. The Nation is exposed to interest rate cash flow risk through its Royal Bank line of credit with a variable interest rate of prime plus 1%. The Nation is exposed to interest rate price risk on its mortgages with fixed interest rates and on its investment portfolio consisting partially of fixed income securities.

13. Operations fund surplus

The following programs within the Operations Fund Surplus include balances which are appropriated (committed) to those programs and are unavailable for transfer to other programs:

	2014	*2013*
Sanitation System (CPMS 4814)	**130,538**	130,538
Physical Development Plan	**450**	450
I.R. #2 Sewer Feasibility Study	**354**	354
	131,342	131,342

14. Economic dependence

Katzie First Nation receives substantially all of its revenue from various government agreements. The ability of the Nation to continue operations is dependent upon the continued financial commitments as guaranteed by these agreements.

15. Contingent liabilities

As at March 31, 2014, the Nation has guaranteed the $2,000,000 (2013 - $2,000,000) credit facility term loan of Katzie Coast Marine Services Inc., a Nation government business enterprise, up to a maximum amount of $2,000,000 (2013 - $2,000,000). The guarantee is secured by directly held securities. As at March 31, 2014, $1,000,000 has been recorded associated with this guarantee.

The First Nation has been named as defendant in a lawsuit on behalf of Nicole Sandy Whitford, seeking to recover damages allegedly sustained by them as a result of an incident that occurred during Katzie Days. At this stage in the lawsuit it is not possible to predict the ultimate outcome of this lawsuit or to estimate the loss, if any, which may result. The First Nation's insurers have been advised of these claims and are cooperating with the First Nation in the defense of these lawsuits subject to policy deductibles, limits, and terms and conditions.

16. Segments

During 2014, the Nation had ten segments: Administration, Capital Projects, Economic Development and Employment, Education, Health and Social Programs, Housing, Aboriginal Rights and Title, Maintenance, Other, and First Nation Enterprises. These segments are differentiated by major activities; accountability and control relationships.

Administration - Includes general operation, support, and financial management of the Nation.

Capital Projects - Includes revenue and expenditures related to capital projects.

Economic Development and Employment - Includes activities related to the growth of revenue producing projects with the Nation, along with employment programs for the members of the Nation.

Education - Includes revenues and expenses related to primary, secondary and post secondary education of the members of the Nation.

Health and Social Programs - Includes activities related to the provision of health services and social programs within the Nation.

Housing - Includes activities related to the provision of housing to the members of the Nation.

Aboriginal Rights and Title - Includes revenue and expenditures related to the negotiation of treaty and specific claims.

Maintenance - Includes revenue and expenditures for maintenance projects associated with the Nation.

Other - Includes activities related to capital assets, replacement reserve, and Ottawa Trust.

First Nation Enterprises - Includes activities related to the Nation's business entities.

17. Correction of errors

During the year, the First Nation determined that the program funds that made up the $24,410 surplus recovery in 2013 were fully expended in the 2012-2013 fiscal year. The retroactive application of this correction of an error had no net effect on surplus at March 31, 2013 and did not have a material impact on the results of operations and financial condition of the First Nation.

During the year, the First Nation determined that tuition payments made in the 2012-2013 fiscal year were in excess of the actual amount due resulting in a prepayment of $21,166. The retroactive application of this correction of an error increased surplus at March 31, 2013 by $21,166 and did not have a material impact on the results of operations and financial condition of the First Nation.

18. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

	2014	2014	2013
Consolidated expenses by object			
Administration *(Note 17)*	-	**8,189**	2,689
Adult in home care	-	**46,359**	46,503
Advertising	-	**-**	512
Allowance for (recovery of) bad debts	-	**19,551**	(71,514)
Amortization	-	**255,440**	259,572
Basic needs	-	**380,606**	365,633
Benefits	-	**33,507**	30,733
Brighter futures	-	**44,685**	38,638
Building healthy communities	-	**29,538**	28,818
Child out of parental home	-	**27,030**	29,355
Community consultation *(Note 17)*	-	**4,131**	3,400
Community health reps	-	**67,567**	65,918
Consulting	-	**600**	-
Contracted payments	-	**3,307**	-
Diabetes initiative	-	**31,000**	31,000
Drinking water safety	-	**10,533**	10,116
Election	-	**16,457**	-
Fuel	-	**4,767**	3,066
Funeral costs	-	**815**	1,600
Guidance and counselling	-	**7,000**	10,142
HIV/AIDS strategy	-	**899**	899
Head start on reserve	-	**62,700**	57,425
Health planning and management	-	**55,060**	55,060
Home and community care	-	**80,484**	74,311
Honoraria *(Note 17)*	-	**131,146**	124,442
Insurance	-	**23,498**	32,136
Interest and bank charges	-	**34,007**	33,156
Materials and supplies *(Note 17)*	-	**128,031**	414,282
Mortgage payments	-	**18,266**	22,154
NNADAP	-	**41,393**	41,393
National child benefit	-	**56,869**	55,435
Office supplies and expenses	-	**94,933**	41,256
Patient transportation services	-	**22,607**	22,607
Loss on Guarantee	-	**1,000,000**	-
Prenatal nutrition	-	**8,805**	8,590
Preschool fees	-	**12,575**	9,695
Prevention projects	-	**3,871**	3,809
Professional fees *(Note 17)*	-	**260,282**	261,653
Renovation materials	-	**72,844**	-
Repairs and maintenance	-	**233,999**	300,550
Replacement reserve expense	-	**38,887**	35,716
Salaries and benefits	-	**443,585**	359,768
School fees and supplies	-	**16,720**	25,232
Septic tank pumping	-	**4,123**	-
Service delivery	-	**42,424**	42,424
Solvent abuse	-	**6,418**	6,261
Special needs	-	**8,435**	19,175
Student allowances and supplies	-	**5,843**	2,348
Telephone	-	**391**	1,404
Training costs	-	**1,329**	(4,711)
Travel *(Note 17)*	-	**63,397**	26,449
Tuition agreements *(Note 17)*	-	**659,418**	677,876
Utilities	-	**40,388**	47,032
Valuation loss on investments	-	**-**	740,427
	-	**4,664,709**	4,394,435

Katzie First Nation
Administration
Schedule 2 - Consolidated Schedule of Revenue and Expenses and Accumulated Operating Surplus (Deficit)
For the year ended March 31, 2014

	2014	***2014***	*2013*
Revenue			
Aboriginal Affairs and Northern Development Canada			
Band support	**-**	**278,746**	207,017
Band employee benefits	**-**	**30,939**	30,733
Indian registry	**-**	**3,988**	3,645
Equity earnings from investments	**-**	**157,560**	-
Administration fees	**-**	**92,011**	102,229
External revenue	**-**	**240**	-
	-	**563,484**	343,624
Expenses			
Allowance for (recovery of) bad debts	**-**	**15,519**	(71,514)
Benefits	**-**	**30,939**	30,733
Community consultations	**-**	**1,131**	-
Consulting	**-**	**4,350**	-
Election	**-**	**16,459**	-
Honoraria	**-**	**130,471**	124,143
Insurance	**-**	**5,998**	3,274
Materials and supplies	**-**	**43,700**	-
Office supplies and expenses	**-**	**31,909**	41,256
Professional fees	**-**	**42,635**	53,780
Repairs and maintenance	**-**	**14,377**	-
Salaries and benefits	**-**	**156,589**	138,573
Telephone	**-**	**391**	1,404
Travel	**-**	**13,525**	6,407
Administration fees charged to other functions	**-**	**(105,474)**	(83,487)
	-	**402,519**	244,569
Operating surplus before transfers	**-**	**160,965**	99,055
Transfers between programs	**-**	**92,593**	-
Operating surplus	**-**	**253,558**	99,055
Accumulated operating deficit, beginning of year	**-**	**(112,972)**	(212,027)
Accumulated operating surplus (deficit), end of year	**-**	**140,586**	(112,972)

Katzie First Nation
Capital Projects
Schedule 3 - Consolidated Schedule of Revenue and Expenses and Accumulated Operating Surplus
For the year ended March 31, 2014

	2014	***2014***	*2013*
Revenue			
Aboriginal Affairs and Northern Development Canada	**-**	**10,235**	10,235
Expenses			
Materials and supplies	**-**	**10,250**	21,350
	-	**10,250**	21,350
Operating deficit before transfers	**-**	**(15)**	(11,115)
Transfers between segments	**-**	**4,915**	-
Operating surplus (deficit)	**-**	**4,900**	(11,115)
Accumulated operating surplus, beginning of year	**-**	**98,540**	109,655
Accumulated operating surplus, end of year	**-**	**103,440**	98,540

Katzie First Nation
Economic Development and Employment
Schedule 4 - Consolidated Schedule of Revenue and Expenses and Accumulated Operating Surplus
For the year ended March 31, 2014

	2014	***2014***	*2013*
Revenue			
Province of B.C.	**-**	**12,828,587**	438,739
Government of Canada	**-**	**39,675**	-
Aboriginal Affairs and Northern Development Canada	**-**	**-**	264,024
B.C. Hydro	**-**	**1,334,892**	61,281
Investment income	**-**	**72,820**	79,610
Sto:lo Aboriginal Skills & Employment Training	**-**	**12,679**	25,469
Fisheries and Oceans Canada	**-**	**7,200**	7,200
Ridge Meadows A.C.L.	**-**	**5,000**	5,000
First Nations Education Steering Committee	**-**	**2,982**	3,362
Archaeology	**-**	**-**	2,600
	-	**14,303,835**	887,285
Expenses			
Administration	**-**	**15,012**	230
Loss on Guarantee	**-**	**1,000,000**	-
Materials and supplies	**-**	**42,641**	316,893
Professional fees	**-**	**61,704**	19,361
Repairs and maintenance	**-**	**4,150**	-
Salaries and benefits	**-**	**160,472**	78,501
Training costs (recovery of)	**-**	**-**	(7,084)
Travel	**-**	**19,680**	12,990
Valuation loss on investments	**-**	**-**	740,427
	-	**1,303,659**	1,161,318
Operating surplus (deficit) before transfers	**-**	**13,000,176**	(274,033)
Transfers between programs	**-**	**(1,536,887)**	(38,865)
Operating surplus (deficit)	**-**	**11,463,289**	(312,898)
Accumulated operating surplus, beginning of year	**-**	**4,210,062**	4,522,960
Accumulated operating surplus, end of year	**-**	**15,673,351**	4,210,062

Katzie First Nation
Education
Schedule 5 - Consolidated Schedule of Revenue and Expenses and Accumulated Operating Deficit
For the year ended March 31, 2014

	2014	***2014***	*2013*
Revenue			
Aboriginal Affairs and Northern Development Canada	**-**	**742,230**	761,254
Simon Fraser University	**-**	**7,122**	-
External revenue	**-**	**5,432**	-
First Nations Education Steering Committee	**-**	**5,000**	-
Surrey Schools	**-**	**5,000**	-
B.C. Hydro	**-**	**3,500**	-
New Relationship Trust	**-**	**2,500**	-
	-	**770,784**	761,254
Expenses			
Consulting	**-**	**600**	-
Contracted payments	**-**	**3,307**	-
Guidance and counselling	**-**	**7,000**	10,142
Honoraria	**-**	**375**	-
Materials and supplies	**-**	**16,407**	8,210
Preschool fees	**-**	**12,575**	9,695
Professional fees	**-**	**5,432**	-
School fees and supplies	**-**	**16,720**	25,232
Student allowances and supplies	**-**	**5,843**	2,469
Training costs	**-**	**1,329**	-
Travel	**-**	**5,391**	-
Tuition agreements	**-**	**679,525**	697,724
	-	**754,504**	753,472
Operating surplus before transfers	**-**	**16,280**	7,782
Transfers between segments	**-**	**(112)**	-
Operating surplus	**-**	**16,168**	7,782
Accumulated operating deficit, beginning of year	**-**	**(73,198)**	(80,980)
Accumulated operating deficit, end of year	**-**	**(57,030)**	(73,198)

Katzie First Nation
Health and Social Programs
Schedule 6 - Consolidated Schedule of Revenue and Expenses and Accumulated Operating Surplus (Deficit)
For the year ended March 31, 2014

	2014	***2014***	*2013*
Revenue			
Aboriginal Affairs and Northern Development Canada	-	**617,214**	621,343
First Nations Health Authority	-	**230,845**	-
Health Canada	-	**230,844**	571,859
Human Resources and Skills Development Canada	-	**5,250**	-
Fundraising and donations	-	**8,611**	14,891
Vehicle user fees	-	**8,154**	6,659
Aboriginal Sports & Recreation Association of B.C.	-	**3,116**	7,100
	-	**1,104,034**	1,221,852
Expenses			
Administration	-	**6,750**	6,750
Adult in home care	-	**46,359**	46,503
Basic needs	-	**380,606**	365,633
Brighter futures	-	**44,685**	43,595
Building healthy communities	-	**29,538**	28,818
Child out of parental home	-	**27,027**	29,355
Community consultation	-	**3,000**	3,400
Community health reps	-	**67,567**	65,918
Design phase	-	**72,844**	75,000
Diabetes initiative	-	**31,000**	31,000
Drinking water safety	-	**10,533**	10,116
Education services	-	**-**	2,373
Funeral costs	-	**815**	1,600
HIV/AIDS strategy	-	**899**	899
Head start on reserve	-	**62,700**	62,700
Health planning and management	-	**55,060**	55,060
Home and community care	-	**80,484**	74,311
Honoraria	-	**300**	300
Materials and supplies	-	**60,391**	11,210
NNADAP	-	**41,393**	41,393
National child benefit	-	**63,320**	61,594
Patient transportation services	-	**22,607**	22,607
Prenatal nutrition	-	**8,805**	8,590
Prevention projects	-	**3,871**	3,809
Professional fees	-	**33,750**	34,400
Repairs and maintenance	-	**2,929**	3,619
Service delivery	-	**42,424**	42,424
Solvent abuse	-	**6,418**	6,261
Special needs	-	**8,435**	19,175
Travel	-	**5,400**	4,950
	-	**1,219,910**	1,163,363
Operating surplus (deficit) before transfers	-	**(115,876)**	58,489

Continued on next page

	2014	***2014***	*2013*
Operating surplus (deficit) before transfers *(Continued from previous page)*	**-**	**(115,876)**	58,489
Transfers between segments	**-**	**1,910,923**	-
Operating surplus	**-**	**1,795,047**	58,489
Accumulated operating deficit, beginning of year	**-**	**(107,229)**	(165,718)
Accumulated operating surplus (deficit), end of year	**-**	**1,687,818**	(107,229)

Katzie First Nation
Housing
Schedule 7 - Consolidated Schedule of Revenue and Expenses and Accumulated Operating Deficit
For the year ended March 31, 2014

	2014	2014	2013
Revenue			
Canada Mortgage and Housing Corporation	-	**97,110**	101,378
Aboriginal Affairs and Northern Development Canada	-	**40,638**	-
Rental income	-	**183,963**	208,990
	-	**321,711**	310,368
Expenses			
Administration	-	**16,010**	16,640
Allowance for bad debts	-	**4,032**	-
Garbage removal	-	**18,325**	18,325
Insurance	-	**19,050**	23,060
Mortgage payments	-	**18,266**	22,154
Professional fees	-	**8,524**	7,500
Repairs and maintenance	-	**69,257**	58,732
Utilities	-	**7,070**	6,888
Water and sewer	-	**9,900**	9,865
	-	**170,434**	163,164
Operating surplus before transfers	-	**151,277**	147,204
Transfers between segments	-	**(198,342)**	(163,788)
Operating deficit	-	**(47,065)**	(16,584)
Accumulated operating deficit, beginning of year	-	**(202,727)**	(186,143)
Accumulated operating deficit, end of year	-	**(249,792)**	(202,727)

Katzie First Nation
Aboriginal Rights and Title
Schedule 8 - Consolidated Schedule of Revenue and Expenses and Accumulated Operating Deficit

For the year ended March 31, 2014

	2014	***2014***	*2013*
Revenue			
Aboriginal Affairs and Northern Development Canada	**-**	**70,000**	84,384
Province of B.C.	**-**	**-**	300,000
B.C. Treaty Commission - Contribution	**-**	**89,440**	45,075
	-	**159,440**	429,459
Expenses			
Administration	**-**	**6,600**	-
Materials and supplies	**-**	**16,218**	29,307
Professional fees	**-**	**100,869**	142,792
Repairs and maintenance	**-**	**6,895**	-
Salaries and benefits	**-**	**77,177**	97,272
Travel and meetings	**-**	**19,400**	2,101
	-	**227,159**	271,472
Operating surplus (deficit)	**-**	**(67,719)**	157,987
Accumulated operating deficit, beginning of year	**-**	**(1,732,426)**	(1,890,413)
Accumulated operating deficit, end of year	**-**	**(1,800,145)**	(1,732,426)

Katzie First Nation
Maintenance
Schedule 9 - Consolidated Schedule of Revenue and Expenses and Accumulated Operating Surplus
For the year ended March 31, 2014

	2014	***2014***	*2013*
Revenue			
Aboriginal Affairs and Northern Development Canada	**-**	**172,028**	156,199
Province of B.C.	**-**	**-**	33,849
	-	**172,028**	190,048
Expenses			
Insurance	**-**	**1,475**	-
Materials and supplies	**-**	**-**	33,849
Professional fees	**-**	**3,596**	-
Repairs and maintenance	**-**	**146,654**	156,145
Salaries and benefits	**-**	**16,180**	-
Septic tank pumping	**-**	**4,123**	-
	-	**172,028**	189,994
Operating surplus	**-**	**-**	54
Accumulated operating deficit, beginning of year	**-**	**-**	(54)
Accumulated operating surplus, end of year	**-**	**-**	-

Katzie First Nation
Other
Schedule 10 - Consolidated Schedule of Revenue and Expenses and Accumulated Operating Surplus
For the year ended March 31, 2014

	2014	***2014***	*2013*
Revenue			
Interest income	**-**	**22,901**	23,182
Special distribution	**-**	**1,269**	1,252
	-	**24,170**	24,434
Expenses			
Amortization	**-**	**238,105**	242,236
Repairs and maintenance	**-**	**38,887**	35,716
	-	**276,992**	277,952
Operating deficit before transfers	**-**	**(252,822)**	(253,518)
Transfers between segments	**-**	**(351,658)**	163,788
Operating deficit	**-**	**(604,480)**	(89,730)
Accumulated operating surplus, beginning of year	**-**	**3,646,229**	3,735,959
Accumulated operating surplus, end of year	**-**	**3,041,749**	3,646,229

Katzie First Nation
First Nation Enterprises
Schedule 11 - Consolidated Schedule of Revenue and Expenses and Accumulated Operating Deficit
For the year ended March 31, 2014

	2014	*2014*	*2013*
Revenue			
Rental income	-	**10,032**	10,975
External revenue	-	**2,588**	2,794
Bus revenue	-	**1,005**	950
Investment income	-	**-**	10,524
	-	**13,625**	25,243
Expenses			
Administration	-	**5,250**	9,098
Advertising	-	**-**	512
Amortization	-	**17,335**	17,335
Fuel	-	**4,767**	3,066
Insurance	-	**2,974**	5,802
Interest and bank charges	-	**34,007**	33,156
Materials and supplies	-	**3,936**	9,183
Professional fees	-	**3,773**	3,819
Repairs and maintenance	-	**14,383**	8,555
Salaries and benefits	-	**35,737**	45,422
Utilities	-	**5,092**	11,833
	-	**127,254**	147,781
Operating deficit before transfers	-	**(113,629)**	(122,538)
Transfers between segments	-	**78,568**	38,865
Operating deficit	-	**(35,061)**	(83,673)
Accumulated operating deficit, beginning of year	-	**(307,637)**	(223,964)
Accumulated operating deficit, end of year	-	**(342,698)**	(307,637)