

Katzie First Nation
Consolidated Financial Statements
March 31, 2017

Katzie First Nation Contents

For the year ended March 31, 2017

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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 Professional 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 26, 2017



Financial Manager

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, 2017, 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 statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Katzie First Nation as at March 31, 2017 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

July 26, 2017

MNP LLP

Chartered Professional Accountants

Katzie First Nation
Consolidated Statement of Financial Position
As at March 31, 2017

	2017	2016
Financial assets		
Cash	3,249,544	2,971,709
Investments (Note 3)	11,875,216	11,569,085
Accounts receivable	336,161	320,086
Investment in Nation business entities (Note 4)	2,413,584	2,495,234
Funds held in trust (Note 5)	478,263	467,994
Operating reserve (Note 6)	61,535	67,027
Replacement reserve (Note 7)	47,855	46,802
	18,462,158	17,937,937
Liabilities		
Accounts payable and accruals	776,809	296,519
Deferred revenue (Note 8)	51,385	66,238
Long-term debt (Note 9)	4,366,928	3,739,964
	5,195,122	4,102,721
Net financial assets	13,267,036	13,835,216
Non-financial assets		
Tangible capital assets (Schedule 1)	9,193,337	8,427,388
Prepaid expenses	68,133	87,060
	9,261,470	8,514,448
Accumulated surplus (Note 10)	22,528,506	22,349,664

Approved on behalf of the Council



Councilor



Councilor

Katzie First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2017

	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
Revenue			
Province of B.C.	530,800	578,368	2,609,795
Indigenous and Northern Affairs Canada	1,836,828	2,292,832	1,953,859
First Nations Health Authority	595,135	594,135	1,055,212
Canada Mortgage and Housing Corporation	93,116	134,700	136,801
Government of Canada	202,780	116,952	84,356
Equity earnings (loss) from Nation business entities			
Katzie Development Limited Partnership	-	(77,863)	288,098
Katzie Development Corporation	-	(12,738)	(2,057)
Investment income	422,493	330,350	18,391
Rental income	190,844	215,240	197,425
First Nations Land Management Resource Ctr	73,000	73,000	39,500
B.C. Treaty Commission	-	60,000	1,320
Administration fees	40,000	12,828	51,885
Surrey Schools	21,000	25,297	12,000
New Relationship Trust	25,000	25,000	-
B.C. Hydro	27,000	25,000	25,790
Sto:lo Aboriginal Skills & Employment Training	19,216	19,216	16,114
C.M.H.C. subsidy	-	15,252	7,972
Interest income	13,200	13,211	39,577
External revenue	-	12,308	30,694
Ridge Meadows A.C.L.	7,400	7,400	5,000
Other revenue	-	3,156	-
Special distribution - Ottawa trust interest	1,290	1,318	1,312
Fundraising and donations	-	120	1,617
First People's Heritage	-	-	18,500
Simon Fraser University	-	-	15,506
First Nations Education Steering Committee	-	-	5,353
Union of B.C. Municipalities	-	-	3,025
	4,099,102	4,465,082	6,617,045

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Katzie First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2017

	<i>Schedules</i>	<i>2017</i>	<i>2017</i>	<i>2016</i>
Revenue <i>(Continued from previous page)</i>		4,099,102	4,465,082	6,617,045
Expenses				
Administration	3	652,807	534,593	334,651
Capital Projects	4	69,194	19,475	10,235
Economic Development and Employment	5	380,540	471,645	1,303,629
Education	6	879,520	865,918	815,510
Health and Social Programs	7	1,200,000	1,209,856	1,184,327
Housing	8	284,900	253,679	274,027
Aboriginal Rights and Title	9	284,909	284,503	392,723
Maintenance	10	229,720	262,441	207,452
Other	11	350,000	362,876	350,300
First Nation Enterprises	12	136,340	140,449	140,227
		4,467,930	4,405,435	5,013,081
Surplus before other items		(368,828)	59,647	1,603,964
Other income				
Gain on disposal of tangible capital asset		-	-	49,201
Unrealized foreign exchange gain (loss)		-	119,194	(257,515)
		-	119,194	(208,314)
Surplus		(368,828)	178,842	1,395,650
Accumulated surplus, beginning of year		22,349,664	22,349,664	20,954,014
Accumulated surplus, end of year		21,980,836	22,528,506	22,349,664

Katzie First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2017

	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
Annual surplus	(368,828)	178,842	1,395,650
Purchases of tangible capital assets	(1,105,934)	(1,105,934)	(521,700)
Amortization of tangible capital assets	-	339,983	314,068
Proceeds on disposal of tangible capital assets	-	-	56,133
Gain on disposal of tangible capital asset	-	-	(49,201)
	(1,105,934)	(765,951)	(200,700)
Acquisition of prepaid expenses	-	(32,327)	(87,055)
Use of prepaid expenses	-	51,256	30,836
	-	18,929	(56,219)
Increase (decrease) in net financial assets	(1,474,762)	(568,180)	1,138,731
Net financial assets, beginning of year	13,835,216	13,835,216	12,696,485
Net financial assets, end of year	12,360,454	13,267,036	13,835,216

Katzie First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating activities		
Annual Surplus	178,842	1,395,650
Non-cash items		
Amortization	339,983	314,068
Change in funds held in trust	(10,268)	(10,746)
Equity loss (income) from investments	90,602	(286,041)
Gain (loss) on disposal of capital assets	-	(49,201)
	599,159	1,363,730
Changes in working capital accounts		
Accounts receivable	(36,903)	471,807
Prepaid expenses	18,929	(56,219)
Replacement reserve	(1,053)	(1,030)
Accounts payable and accruals	480,287	(517,146)
Investments	(8,950)	20,446
Deferred revenue	(14,852)	(7,372)
	1,036,617	1,274,216
Financing activities		
Advances of long-term debt	736,649	191,161
Repayment of long-term debt	(109,685)	(105,156)
	626,964	86,005
Capital activities		
Purchases of tangible capital assets	(1,105,934)	(521,700)
Investing activities		
Purchase of Investments	(590,683)	(4,625,757)
Investment in Katzie Development Corporation Ltd.	-	(312,571)
Restricted cash accounts	(4,438)	2,212
	(595,121)	(4,936,116)
Increase (decrease) in cash resources	(37,474)	(4,097,595)
Cash resources, beginning of year	9,608,022	13,705,617
Cash resources, end of year	9,570,548	9,608,022
Cash resources are composed of:		
Cash	3,249,544	2,971,709
Short-term investments	6,321,004	6,636,313
	9,570,548	9,608,022
Supplementary cash flow information		
Interest paid	32,666	30,975

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 straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives:

	Rate
Infrastructure	50 years
Community/Health building	50 years
Bridges	40 years
Buildings	25 years
Fencing	25 years
Roads	20 years
Equipment	10 years
Vehicles	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 Development Limited Partnership as the entity is 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 this entity 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 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 investment in Katzie Development Corporation Ltd. and Katzie Development Limited Partnership.

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)*

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2017.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. Management has determined that no liability exists as at March 31, 2017.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the statement of financial position date. Translation gains and losses are included in current year surplus.

Future accounting policies

PS 2200 Related Party Disclosures

This accounting pronouncement is effective for the 2018 fiscal year and defines related party and establishes disclosures required for related party transactions. Management is assessing the impact of the adoption of these standards, which is not known or can be reasonably estimated at this time.

PS 3210 Assets

This accounting pronouncement is effective for the 2018 fiscal year and provides guidance for applying the definitions of assets set out in PS 1000 Financial Statement Concepts and establishes general disclosure standards for assets. Management is assessing the impact of the adoption of these standards, which is not known or can be reasonably estimated at this time.

PS 3320 Contingent Assets

This accounting pronouncement is effective for the 2018 fiscal year and establishes disclosure standards on contingent assets. Management is assessing the impact of the adoption of these standards, which is not known or can be reasonably estimated at this time.

PS 3380 Contractual Rights

This accounting pronouncement is effective for the 2018 fiscal year and defines and establishes disclosure standards on contractual rights. Management is assessing the impact of the adoption of these standards, which is not known or can be reasonably estimated at this time.

PS 3420 Inter-entity Transactions

This accounting pronouncement is effective for the 2018 fiscal year and establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and a recipient's perspective. Management is assessing the impact of the adoption of these standards, which is not known or can be reasonably estimated at this time.

PS 3450 Financial Instruments

This accounting pronouncement establishes standards on how to account for and report all types of financial instruments including derivatives. Financial instruments include primary instruments and derivative instruments. It is effective for fiscal years beginning on or after April 1, 2019, with early adoption encouraged. Management is assessing the impact of the adoption of these standards, which is not known or can be reasonably estimated at this time.

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

3. Investments

	<i>Regular</i>	<i>Trust</i>	<i>2017</i>	<i>2016</i>
Fixed income	538,216	5,143,423	5,681,639	5,102,107
Equity investments	342,739	5,552,523	5,895,262	6,022,010
Cash	10,934	287,381	298,315	444,968
	353,673	5,839,904	6,193,577	6,466,978
	891,889	10,983,327	11,875,216	11,569,085

The market value of the marketable securities as at March 31, 2017 is \$12,772,794 (2016 - \$11,790,111).

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

4. Investments in Nation business entities

				2017
	Investment cost	Loans/ advances	Cumulative share of earnings	Total investment
Katzie Development Corporation (100%)	100	1,151,640	(14,708)	1,136,932
Katzie Development Limited Partnership (99.99%)	-	-	1,276,652	1,276,652
	100	1,151,640	1,261,944	2,413,584

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

	<i>Katzie Development Corporation Ltd. As at March 31, 2017</i>	<i>Katzie Development Corporation Ltd. As at March 31, 2016</i>
Assets		
Current assets	24,854	25,081
Due from related party	24,753	387,566
Property, plant and equipment	1,138,972	1,156,202
Total assets	1,188,579	1,568,849
Liabilities		
Current liabilities	-	387,566
Long-term liabilities	1,153,590	1,183,182
Total liabilities	1,153,590	1,570,748
Share capital	100	100
Equity	34,889	(1,999)
Total revenue	-	575,283
Total expenses	12,730	577,340
Net income (loss)	(12,730)	(2,057)

Continued on next page

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

4. Investments in Nation business entities (Continued from previous page)

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

	<i>Katzie Development Limited Partnership As at March 31, 2017</i>	<i>Katzie Development Limited Partnership As at March 31, 2016</i>
Assets		
Current assets	1,477,481	1,721,108
Property, plant and equipment	15,783	19,726
Total assets	1,493,264	1,740,834
Liabilities		
Accounts payable and accruals	216,728	23,784
Due to related party	24,753	357,527
Total liabilities	241,481	381,311
General partner's capital	(24,871)	(24,992)
Limited partner's capital	1,276,654	1,384,515
Total revenue	970,126	1,748,435
Total expenses	1,047,995	1,460,337
Net income	(77,869)	288,098

5. Funds held in trust

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

	2017	2016
Capital Trust		
Balance, end of year	6,320	6,320
Revenue Trust		
Balance, beginning of year	461,674	450,927
Interest	8,951	9,435
Special (BC)	1,318	1,312
Balance, end of year	471,943	461,674
	478,263	467,994

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, 2017, \$61,535 (2016 - \$67,027) 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 \$32,615 (2016 - \$32,401), to ensure replacement of buildings financed by CMHC. At March 31, 2017, \$47,855 (2016 - \$46,802) has been set aside to fund this reserve. The overfunded portion at March 31, 2017 was \$2,078 (2016 - \$11,800).

In accordance with terms of the agreements, CMHC reserve funds 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. Deferred revenue

Deferred revenue consists of unearned housing revenue and five forgivable CMHC On-Reserve Residential Rehabilitation Assistance Program loans. The loans will be forgiven over the next four years, provided the Nation continues to own and operate the properties and they remain occupied by band members with a total household income at or below the income threshold established by CMHC, for the term of the loan.

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

9. Long-term debt

	2017	2016
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	2,785,197	2,696,564
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	11,326	20,860
Non-Profit Housing VI - All Nations Trust - C.M.H.C. mortgage #15468986006; payments of \$2,637 per month, including interest at 1.30% per annum; renewal and maturity date of August 1, 2020	105,679	135,738
Non-Profit Housing VII - All Nations Trust - C.M.H.C. mortgage #15468986007; payments of \$1,670 per month, including interest at 1.43% per annum; renewal and maturity date of February 1, 2022.	95,100	113,512
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	115,848	131,664
Non-Profit Housing IX - All Nations Trust - C.M.H.C. mortgage #19360312001; payments of \$1,298 per month, including interest at 1.30% per annum; renewal and maturity date of August 1, 2020	52,028	66,827
Non-Profit Housing X - All Nations Trust - C.M.H.C. mortgage #19360312002; payments of \$485 per month, including interest at 1.98% per annum; renewal date of May 1, 2019; maturity date of May 1, 2034	84,675	88,783
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	289,237	299,678
Non-Profit Housing XII - All Nations Trust - C.M.H.C. mortgage #19360312004; payments of \$754 per month, including interest at 1.39% per annum; renewal date of June 1, 2020; maturity date of June 1, 2040	179,822	186,338
Non-Profit Housing XIII - All Nations Trust - C.M.H.C. mortgage #19360312005; only four of the five units for the project have been completed, therefore no interest adjustment date has been set.	648,016	-
	4,366,928	3,739,964

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

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Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

9. Long-term debt (Continued from previous page)

Principal repayments of 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:

2018	111,446
2019	104,984
2020	104,963
2021	78,955
2021	58,749

10. Accumulated surplus

	2017	2016
Equity in Ottawa Trust Funds (Note 5)	478,263	467,994
Equity in CMHC replacement reserve (Note 7)	47,855	46,802
Equity in CMHC operating reserve (Note 6)	61,535	67,027
Equity in tangible capital assets	7,611,609	7,383,988
Deficit of Nation Enterprises	(526,953)	(788,248)
Unrestricted surplus	14,856,197	15,172,101
	22,528,506	22,349,664

11. 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.

Foreign currency risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Nation is exposed to foreign currency risk through its portfolio investments denominated in U.S. currency.

12. 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.

13. Contingent liabilities

Katzie First Nation may be contingently liable for guaranteed housing mortgages, totaling \$83,854 (2016 - \$88,783).

14. Segments

During 2017, 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.

15. Comparative figures

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

Katzie First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended March 31, 2017

	<i>Buildings</i>	<i>Housing projects</i>	<i>Equipment</i>	<i>Infrastructure</i>	<i>Roads</i>	<i>Bridges</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	5,819,288	2,847,189	254,010	2,806,351	687,491	465,393	12,879,722
Acquisition of tangible capital assets	818,115	-	126,642	-	140,177	-	1,084,934
Construction-in-progress	21,000	-	-	-	-	-	21,000
Disposal of tangible capital assets	-	-	-	-	-	-	-
Balance, end of year	6,658,403	2,847,189	380,652	2,806,351	827,668	465,393	13,985,656
Accumulated amortization							
Balance, beginning of year	849,187	2,320,686	88,809	829,170	640,912	325,766	5,054,530
Annual amortization	98,472	113,888	20,415	56,125	38,559	11,635	339,094
Balance, end of year	947,659	2,434,574	109,224	885,295	679,471	337,401	5,393,624
Net book value of tangible capital assets	5,710,744	412,615	271,428	1,921,056	148,197	127,992	8,592,032
2016							
Net book value of tangible capital assets	4,970,101	526,503	165,201	1,977,181	46,579	139,627	7,825,192

Katzie First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2017

	<i>Subtotal</i>	<i>Vehicles</i>	<i>First Nation Enterprise assets</i>	<i>Fencing</i>	<i>2017</i>	<i>2016</i>
<hr/>						
Cost						
Balance, beginning of year	12,879,722	120,700	667,347	22,268	13,690,037	13,175,279
Acquisition of tangible capital assets	1,084,934	-	-	-	1,084,934	469,773
Construction-in-progress	21,000	-	-	-	21,000	262,162
Disposal of tangible capital assets	-	-	-	-	-	(217,177)
Balance, end of year	13,985,656	120,700	667,347	22,268	14,795,971	13,690,037
<hr/>						
Accumulated amortization						
Balance, beginning of year	5,054,530	120,700	86,677	742	5,262,649	4,948,581
Annual amortization	339,094	-	-	891	339,985	314,068
Balance, end of year	5,393,624	120,700	86,677	1,633	5,602,634	5,262,649
<hr/>						
Net book value of tangible capital assets	8,592,032	-	580,670	20,635	9,193,337	8,427,388
<hr/>						
	2016					
Net book value of tangible capital assets	7,825,192	-	580,670	21,526	8,427,388	
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Katzie First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2017

	2017	2016
Consolidated expenses by object		
Administrative expenses	309,023	208,606
Amortization of tangible capital assets	339,983	314,068
Bank charges and short-term interest	168	30,975
Contracted services	593,577	622,334
Inter-program administration fees	(222,226)	(110,977)
Interest on long-term debt	16,715	19,993
Loss on guarantee	29,893	707,423
Materials, goods and utilities	677,130	814,206
Member services and benefits	1,978,647	1,898,678
Replacement Reserve	44,126	39,647
Salaries, wages and benefits	638,399	468,128
	4,405,435	5,013,081

**Katzie First Nation
Administration**

Schedule 3 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2017

	2017	2016
Revenue		
Indigenous and Northern Affairs Canada	266,466	253,474
Equity earnings (loss) from Nation business entities		
Katzie Development Limited Partnership	(77,863)	288,098
Katzie Development Corporation	(12,738)	(2,057)
Capital gains (losses) on trust investments	296,530	(38,495)
Interest income	13,211	39,577
Administration fees	7,828	34,385
External revenue	600	635
	494,034	575,617
Expenses		
Administration fees charged to other functions	(222,226)	(180,572)
Bad debts expense (recovery)	-	(6,475)
Benefits	38,348	34,734
Community celebrations	63,840	13,575
Consulting	-	7,700
Election	-	9,459
Funeral costs	4,248	5,570
Honoraria	155,532	129,166
Insurance	16,151	15,233
Materials and supplies	37,249	32,114
Meetings	12,518	7,638
Office supplies and expenses	60,701	58,593
Professional fees	114,196	122,921
Repairs and maintenance	-	232
Salaries and benefits	204,854	61,334
Storage	6,225	-
Telephone	2,490	264
Travel	27,192	11,214
Utilities	13,275	11,951
	534,593	334,651
Surplus (deficit) before other items	(40,559)	240,966
Other income (expense)		
Unrealized foreign exchange loss	119,194	(257,515)
Surplus (deficit) before transfers	78,635	(16,549)
Transfers between segments	1,301,752	10,951,782
Surplus	1,380,387	10,935,233
Accumulated surplus, beginning of year	12,082,953	1,147,720
Accumulated surplus, end of year	13,463,340	12,082,953

Katzie First Nation
Capital Projects

Schedule 4 - Consolidated Schedule of Revenue and Expenses and Accumulated Deficit

For the year ended March 31, 2017

	2017	2016
Revenue		
Indigenous and Northern Affairs Canada	19,400	10,235
C.M.H.C. subsidy	15,252	7,972
	34,652	18,207
Expenses		
Repairs and maintenance	19,475	10,235
Surplus before transfers	15,177	7,972
Transfers between segments	-	(168,143)
Surplus (deficit)	15,177	(160,171)
Accumulated surplus (deficit), beginning of year	(92,651)	67,520
Accumulated deficit, end of year	(77,474)	(92,651)

Katzie First Nation
Economic Development and Employment

Schedule 5 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus
For the year ended March 31, 2017

	2017	2016
Revenue		
Province of B.C.	194,628	2,609,795
Indigenous and Northern Affairs Canada	120,932	112,774
Government of Canada	116,952	84,356
First Nations Land Management Resource Ctr	73,000	39,500
B.C. Hydro	25,000	25,790
Investment income	23,817	46,348
Rental income	22,500	21,225
Sto:lo Aboriginal Skills & Employment Training	19,216	16,114
Ridge Meadows A.C.L.	5,000	5,000
First Nations Education Steering Committee	-	5,353
Union of BC Municipalities	-	3,025
	601,045	2,969,280
Expenses		
Administration	7,250	36,711
Community benefits	6,200	14,872
Honoraria	-	675
Insurance	1,523	-
Loss on guarantee	29,893	707,423
Materials and supplies	56,149	240,394
Office supplies and expenses	-	4,307
Professional fees	314,049	173,441
Property tax	5,998	-
Repairs and maintenance	1,841	53,086
Salaries and benefits	37,295	31,152
Security	-	22,298
Training costs	5,198	14,476
Travel	5,989	4,081
Utilities	260	713
	471,645	1,303,629
Surplus before transfers	129,400	1,665,651
Transfers between segments	(777,825)	(11,032,460)
Deficit	(648,425)	(9,366,809)
Accumulated surplus, beginning of year	4,870,791	14,237,600
Accumulated surplus, end of year	4,222,366	4,870,791

**Katzie First Nation
Education**

**Schedule 6 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus
(Deficit)**

For the year ended March 31, 2017

	2017	2016
Revenue		
Indigenous and Northern Affairs Canada	923,606	752,905
Surrey Schools	25,297	12,000
New Relationship Trust	25,000	-
Ridge Meadows A.C.L.	2,400	-
Simon Fraser University	-	15,506
First People's Heritage	-	18,500
	976,303	798,911
Expenses		
Allocation	18,368	14,080
Consulting	2,340	1,819
Contracted payments	5,811	13,436
Guidance and counselling	8,576	5,080
Honoraria	-	235
Materials and supplies	40,545	18,371
Preschool fees	-	880
Professional fees	20,000	16,975
Salaries and benefits	-	15,258
Student allowances and supplies	10,096	12,022
Training costs	5,640	-
Travel	3,629	328
Tuition agreements	750,913	717,026
	865,918	815,510
Surplus (deficit) before transfers	110,385	(16,599)
Transfers between segments	(41,709)	19,806
Surplus	68,676	3,207
Accumulated deficit, beginning of year	(49,249)	(52,456)
Accumulated surplus (deficit), end of year	19,427	(49,249)

Katzie First Nation
Health and Social Programs

Schedule 7 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2017

	2017	2016
Revenue		
First Nations Health Authority	594,135	1,055,212
Indigenous and Northern Affairs Canada	522,181	503,013
Fundraising and donations	120	1,617
External revenue	-	1,482
	1,116,436	1,561,324

Continued on next page

Katzie First Nation
Health and Social Programs

Schedule 7 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2017

	2017	2016
<i>(Continued from previous page)</i>	1,116,436	1,561,324
Expenses		
Administration	4,342	1,920
Adult in home care	49,812	48,351
Basic needs	338,158	346,585
Brighter futures	90,322	70,425
Building healthy communities	35,008	32,899
Capital facilities/operation and maintenance	38,871	105,836
Capital items reallocated	-	(68,991)
Child out of parental home	12,924	16,807
Childrens oral health initiative	5,249	4,975
Community health	79,396	75,257
Crisis response	-	20,010
Diabetes initiative	33,115	34,528
Drinking water safety	12,095	11,732
HIV/AIDS strategy	899	899
Head start on reserve	75,912	69,837
Healthy living	1,823	4,095
Home and community care	89,326	84,669
Honoraria	160	-
Insurance	4,011	-
Management support	65,700	61,327
Mapping directions	430	9,562
Materials and supplies	309	2,534
NNADAP	44,641	46,105
National child benefit	62,930	63,572
Office supplies and expenses	1,933	541
Patient transportation services	22,607	22,607
Prenatal nutrition	10,346	9,807
Prevention projects	7,413	5,021
Professional fees	-	17,075
Repairs and maintenance	8,181	-
Salaries and benefits	19,710	19,721
Service delivery	42,424	42,424
Solvent abuse	7,541	7,148
Special needs	13,105	11,270
Transportation	27,323	5,779
Travel	3,840	-
	1,209,856	1,184,327
Surplus (deficit) before transfers	(93,420)	376,997
Transfers between segments	120,477	518,312
Surplus	27,057	895,309
Accumulated surplus, beginning of year	2,790,938	1,895,629
Accumulated surplus, end of year	2,817,995	2,790,938

**Katzie First Nation
Housing**

Schedule 8 - Consolidated Schedule of Revenue and Expenses and Accumulated Deficit

For the year ended March 31, 2017

	2017	2016
Revenue		
Canada Mortgage and Housing Corporation	134,700	136,801
Indigenous and Northern Affairs Canada	101,595	50,000
Rental income	188,165	175,275
Administration fees	5,000	17,500
Other revenue	2,156	-
	431,616	379,576
Expenses		
Administration	24,287	23,576
Garbage removal	24,960	18,750
Insurance	30,340	20,368
Katzie First Nation services	-	11,783
Materials and supplies	-	4,600
Mortgage payments	16,715	19,993
Professional fees	8,500	54,992
Repairs and maintenance	111,816	102,202
Replacement reserve expense	21,232	1,970
Utilities	4,981	6,529
Water and sewer	10,848	9,264
	253,679	274,027
Surplus before transfers	177,937	105,549
Transfers between segments	(134,210)	10,104
Surplus	43,727	115,653
Accumulated deficit, beginning of year	(146,496)	(262,149)
Accumulated deficit, end of year	(102,769)	(146,496)

Katzie First Nation
Aboriginal Rights and Title

Schedule 9 - Consolidated Schedule of Revenue and Expenses and Accumulated Deficit

For the year ended March 31, 2017

	2017	2016
Revenue		
Indigenous and Northern Affairs Canada	75,000	104,241
B.C. Treaty Commission - Contribution	60,000	1,320
	135,000	105,561
Expenses		
Administration	56	1,755
Capital acquisitions	-	1,249
Honoraria	-	10,000
Materials and supplies	76,753	12,042
Meetings	207	1,671
Professional fees	133,244	233,273
Salaries and benefits	72,462	108,208
Storage	-	8,727
Telephone	-	8,333
Travel and meetings	1,781	7,465
	284,503	392,723
Deficit before transfers	(149,503)	(287,162)
Transfers between segments	(841,019)	(499,999)
Deficit	(990,522)	(787,161)
Accumulated deficit, beginning of year	(1,294,983)	(507,822)
Accumulated deficit, end of year	(2,285,505)	(1,294,983)

**Katzie First Nation
Maintenance**

Schedule 10 - Consolidated Schedule of Revenue and Expenses and Accumulated Deficit

For the year ended March 31, 2017

	2017	2016
Revenue		
Indigenous and Northern Affairs Canada	263,652	167,217
Rental income	4,575	325
External revenue	575	-
	268,802	167,542
Expenses		
Administration	20,000	-
Insurance	15,395	2,078
Materials and supplies	12,200	13,906
Meeting	433	1,703
Repairs and maintenance	175,146	158,499
Salaries and benefits	23,029	23,307
Utilities	16,238	7,959
	262,441	207,452
Surplus (deficit) before transfers	6,361	(39,910)
Transfers between segments	(35,018)	29,610
Deficit	(28,657)	(10,300)
Accumulated surplus (deficit), beginning of year	(559)	9,741
Accumulated deficit, end of year	(29,216)	(559)

**Katzie First Nation
Other**

Schedule 11 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2017

	2017	2016
Revenue		
Interest income	10,004	10,465
Special distribution - Ottawa trust interest	1,318	1,312
	11,322	11,777
Expenses		
Amortization	339,983	312,623
Repairs and maintenance	22,893	37,677
	362,876	350,300
Deficit before other items	(351,554)	(338,523)
Other income		
Gain on disposal of capital assets	-	49,201
Deficit before transfers	(351,554)	(289,322)
Transfers between segments	379,680	101,392
Surplus (deficit)	28,126	(187,930)
Accumulated surplus, beginning of year	4,396,499	4,584,429
Accumulated surplus, end of year	4,424,625	4,396,499

Katzie First Nation
First Nation Enterprises

Schedule 12 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus (Deficit)

For the year ended March 31, 2017

	2017	2016
Revenue		
Province of B.C.	383,740	-
External revenue	11,133	28,577
Rental income	-	601
Investment income	-	73
	394,873	29,251
Expenses		
Administration	4,071	240
Amortization	-	1,445
Fuel	3,379	4,546
Insurance	8,215	13,698
Interest and bank charges	168	30,975
Materials and supplies	21,138	24,524
Office supplies and expenses	74	-
Professional fees	3,589	3,658
Property tax	-	5,832
Repairs and maintenance	8,318	19,356
Salaries and benefits	87,010	34,337
Telephone	989	935
Training costs	955	-
Travel	2,543	-
Utilities	-	681
	140,449	140,227
Surplus (deficit) before transfers	254,424	(110,976)
Transfers between segments	27,872	69,595
Surplus (deficit)	282,296	(41,381)
Accumulated deficit, beginning of year	(207,578)	(166,197)
Accumulated surplus (deficit), end of year	74,718	(207,578)