

**Katzie First Nation**  
**Consolidated Financial Statements**  
*March 31, 2018*

# Katzie First Nation Contents

For the year ended March 31, 2018

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## **Management's Responsibility**

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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 fulfills 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.

September 27, 2018

Original Signed by Denis Vaillancourt

Financial Manager

# Independent Auditors' Report

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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, 2018, 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, 2018 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

September 27, 2018

*MNP LLP*

Chartered Professional Accountants

**Katzie First Nation**  
**Consolidated Statement of Financial Position**  
*As at March 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Financial assets</b>		
Cash	1,226,552	3,249,544
Investments (Note 3)	12,161,758	11,875,216
Accounts receivable	409,541	336,161
Restricted cash (Note 4)	93,212	109,390
Funds held in trust (Note 5)	338,495	478,263
Investment in Nation business entities (Note 6)	2,506,597	2,413,584
	<b>16,736,155</b>	18,462,158
<b>Liabilities</b>		
Accounts payable and accruals	346,040	776,903
Deferred revenue	-	51,291
Long-term debt (Note 7)	4,636,017	4,366,928
	<b>4,982,057</b>	5,195,122
<b>Net financial assets</b>	<b>11,754,098</b>	13,267,036
<b>Contingencies (Note 11)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	10,962,579	9,193,337
Prepaid expenses	31,079	68,133
<b>Total non-financial assets</b>	<b>10,993,658</b>	9,261,470
<b>Accumulated surplus (Note 8)</b>	<b>22,747,756</b>	22,528,506

**Approved on behalf of the Council**

*Original signed by Grace Leon Cunningham*

Chief

*Original signed by David Kenworthy*

Councillor

**Katzie First Nation**  
**Consolidated Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2018*

	<i>Schedules</i>	<i>2018 Budget</i>	<i>2018</i>	<i>2017</i>
<b>Revenue</b>				
Indigenous Services Canada		1,542,724	2,564,583	2,305,927
First Nations Health Authority		671,054	649,194	594,135
Province of B.C.		405,736	558,148	578,368
Canada Mortgage and Housing Corporation		99,329	134,786	149,952
Government of Canada		-	88,060	116,952
Equity earnings (loss) from Nation business entities		-	78,118	(90,601)
Rental income		201,796	239,053	215,240
Other funding and revenue		55,000	115,717	73,709
B.C. Treaty Commission		200,000	100,000	60,000
Sto:lo Aboriginal Skills & Employment Training		-	23,853	19,216
Investment income		12,000	417,449	344,879
Ridge Meadows A.C.L.		-	5,000	7,400
New Relationship Trust		-	4,000	25,000
First Nation Land Management Resources Centre		-	-	73,000
Repayment of funding		-	(3,669)	(13,095)
		<b>3,187,639</b>	<b>4,974,292</b>	<b>4,460,082</b>
<b>Expenses by segment</b>				
Administration	3	520,405	406,536	534,592
Capital Projects	4	-	-	19,475
Economic Development and Employment	5	284,847	584,981	471,645
Education	6	363,862	764,481	865,918
Health and Social Programs	7	1,232,844	1,292,406	1,209,856
Housing	8	329,112	166,670	248,679
Aboriginal Rights and Title	9	200,000	509,253	284,503
Maintenance	10	249,412	317,449	262,441
Other	11	-	389,125	362,876
First Nation Enterprises	12	-	205,578	140,449
<b>Total expenditures</b>		<b>3,180,482</b>	<b>4,636,479</b>	<b>4,400,434</b>
<b>Surplus before other items</b>		<b>7,157</b>	<b>337,813</b>	<b>59,648</b>
<b>Other income</b>				
Foreign exchange gain (loss)		-	(118,563)	119,194
<b>Surplus</b>		<b>7,157</b>	<b>219,250</b>	<b>178,842</b>
<b>Accumulated surplus, beginning of year</b>		<b>22,528,506</b>	<b>22,528,506</b>	<b>22,349,664</b>
<b>Accumulated surplus, end of year</b>		<b>22,535,663</b>	<b>22,747,756</b>	<b>22,528,506</b>

**Katzie First Nation**  
**Consolidated Statement of Change in Net Financial Assets**  
*For the year ended March 31, 2018*

	<b>2018 Budget</b>	<b>2018</b>	2017
<b>Annual surplus</b>	<b>7,157</b>	<b>219,250</b>	178,842
Purchases of tangible capital assets	-	(2,136,191)	(1,105,934)
Amortization of tangible capital assets	-	366,951	339,983
	-	(1,769,240)	(765,951)
Acquisition of prepaid expenses	(31,081)	(31,081)	(32,327)
Use of prepaid expenses	68,133	68,133	51,256
	37,052	37,052	18,929
<b>Decrease in net financial assets</b>	<b>44,209</b>	<b>(1,512,938)</b>	(568,180)
<b>Net financial assets, beginning of year</b>	<b>13,267,036</b>	<b>13,267,036</b>	13,835,216
<b>Net financial assets, end of year</b>	<b>13,311,245</b>	<b>11,754,098</b>	13,267,036

**Katzie First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual Surplus	219,250	178,842
Non-cash items		
Amortization	366,951	339,983
Income from funds held in trust	(10,233)	(10,268)
Equity loss (income) from investments	(78,118)	90,602
	<b>497,850</b>	599,159
Changes in working capital accounts		
Accounts receivable	(73,380)	(36,903)
Prepaid expenses	37,052	18,929
Restricted cash	16,178	(1,053)
Accounts payable and accruals	(430,863)	479,687
Investments	(16,019)	(8,950)
Deferred revenue	(51,385)	(14,252)
	<b>(20,567)</b>	1,036,617
<b>Financing activities</b>		
Advances of long-term debt	381,723	736,649
Repayment of long-term debt	(112,634)	(109,685)
Withdrawal of funds held in trust	150,000	-
	<b>419,089</b>	626,964
<b>Capital activities</b>		
Purchases of tangible capital assets	(2,136,191)	(1,105,934)
<b>Investing activities</b>		
Purchase of Investments	(242,358)	(590,683)
Contribution to Nation business entities	(14,895)	-
Restricted cash accounts	-	(4,438)
	<b>(257,253)</b>	(595,121)
<b>Decrease in cash resources</b>	<b>(1,994,922)</b>	(37,474)
<b>Cash resources, beginning of year</b>	<b>9,570,548</b>	9,608,022
<b>Cash resources, end of year</b>	<b>7,575,626</b>	9,570,548
<b>Cash resources are composed of:</b>		
Cash	1,226,552	3,249,544
Portfolio Investments	6,349,074	6,321,004
	<b>7,575,626</b>	9,570,548
<b>Supplementary cash flow information</b>		
Interest paid	14,766	32,666

**Katzie First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

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**1. Operations**

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

**Katzie First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

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**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 entities are not dependent on the Nation for their 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.

**Katzie First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

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**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
- Katzie Early Years 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 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.

**Katzie First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

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**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, 2018.

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, 2018.

***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.

**3. Investments**

	<i>Regular</i>	<i>Trust</i>	<i>2018</i>	<i>2017</i>
Fixed income	<b>378,296</b>	<b>5,434,388</b>	<b>5,812,684</b>	<b>5,681,639</b>
Equity investments	<b>515,056</b>	<b>5,300,892</b>	<b>5,815,948</b>	<b>5,895,262</b>
Cash	<b>16,301</b>	<b>516,825</b>	<b>533,126</b>	<b>298,315</b>
	<b>531,357</b>	<b>5,817,717</b>	<b>6,349,074</b>	<b>6,193,577</b>
	<b>909,653</b>	<b>11,252,105</b>	<b>12,161,758</b>	<b>11,875,216</b>

The market value of the marketable securities as at March 31, 2018 is \$12,262,533 (2017 - \$12,772,794).

**Katzie First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

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**4. Restricted cash**

	<b>2018</b>	<b>2017</b>
CMHC Replacement Reserve	55,266	47,855
CMHC Operating Reserve	37,946	61,535
<b>Total</b>	<b>93,212</b>	<b>109,390</b>

**Notes to restricted assets**

**CMHC Replacement reserve**

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the Nation established a replacement reserve, funded by an annual allocation of \$32,615 (2017 - \$32,615), to ensure replacement of buildings financed by CMHC. At March 31, 2018, \$55,266 (2017 - \$44,855) has been set aside to fund this reserve. The overfunded portion at March 31, 2018 was \$4,057 (2017 - \$2,078).

In accordance with terms of the agreements, CMHC reserve monies 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.

**CMHC Operating reserve**

Under agreements with Canada Mortgage and Housing Corporation (CMHC) 1997 On-Reserve Program requirements, the First Nation established an operating reserve retained by Katzie First Nation 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, 2018, \$37,946 (2017 - \$61,535) has been set aside to fund this reserve.

**5. Funds held in trust**

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

	<b>2018</b>	<b>2017</b>
<b>Capital Trust</b>		
Balance, end of year	6,320	6,320
<b>Revenue Trust</b>		
Balance, beginning of year	471,943	461,674
Interest	8,908	8,951
Special (BC)	1,324	1,318
Less: Transfers to Nation	150,000	-
Balance, end of year	332,175	471,943
	<b>338,495</b>	<b>478,263</b>

**Katzie First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**6. Investments in Nation business entities**

				<b>2018</b>
	<i>Investment</i>	<i>Loans/ advances</i>	<i>Cumulative share of earnings</i>	<i>Total investment</i>
Katzie Development Corporation (100%)	100	1,150,317	(14,730)	1,135,687
Katzie Development Limited Partnership (99.99%)	-	16,117	1,354,793	1,370,910
	<b>100</b>	<b>1,166,434</b>	<b>1,340,063</b>	<b>2,506,597</b>

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, 2018</i>	<i>Katzie Development Corporation Ltd. As at March 31, 2017</i>
<b>Assets</b>		
Current assets	24,853	24,854
Due from related party	(24,865)	(24,873)
Property, plant and equipment	1,138,972	1,138,972
<b>Total assets</b>	<b>1,138,960</b>	<b>1,138,953</b>
<b>Liabilities</b>		
Long-term liabilities	1,153,590	1,153,590
<b>Total liabilities</b>	<b>1,153,590</b>	<b>1,153,590</b>
<b>Share capital</b>	<b>100</b>	<b>100</b>
<b>Equity</b>	<b>(14,730)</b>	<b>(14,737)</b>
<b>Total revenue</b>	<b>8</b>	<b>(8)</b>
<b>Total expenses</b>	<b>-</b>	<b>12,730</b>
<b>Net income (loss)</b>	<b>8</b>	<b>(12,738)</b>

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**Katzie First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

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

The Nation's investment in Katzie Development Limited Partnership was established for the purpose of conducting various business opportunities on and 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, 2018</i>	<i>Katzie Development Limited Partnership As at March 31, 2017</i>
<b>Assets</b>		
Current assets	1,338,165	1,477,481
Investments	59,805	-
Property, plant and equipment	12,626	15,783
<b>Total assets</b>	<b>1,410,596</b>	<b>1,493,264</b>
<b>Liabilities</b>		
Accounts payable and accruals	39,796	216,728
Due to related party	24,753	24,753
<b>Total liabilities</b>	<b>64,549</b>	<b>241,481</b>
<b>General partner's capital</b>	<b>(24,864)</b>	<b>(24,871)</b>
<b>Limited partner's capital</b>	<b>1,370,911</b>	<b>1,276,654</b>
<b>Total revenue</b>	<b>1,531,953</b>	<b>970,126</b>
<b>Total expenses</b>	<b>1,453,805</b>	<b>1,047,995</b>
<b>Net income</b>	<b>78,148</b>	<b>(77,869)</b>

**Katzie First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**7. Long-term debt**

	<b>2018</b>	<b>2017</b>
Treaty Negotiations - Indigenous Services Canada - repayment provisions are outlined in Sections 13.0 and 14.0 of the First Nation Negotiation Support Agreement	<b>2,986,279</b>	2,785,197
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; maturity date of May 1, 2018	<b>1,632</b>	11,326
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	<b>75,231</b>	105,679
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.	<b>76,302</b>	95,100
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	<b>99,703</b>	115,848
Non-Profit Housing IX - All Nations Trust - C.M.H.C. mortgage #19360312001; payments of \$974 per month, including interest at 1.30% per annum; renewal and maturity date of August 1, 2020	<b>27,783</b>	52,028
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	<b>80,489</b>	84,675
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	<b>278,609</b>	289,237
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	<b>173,221</b>	179,822
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	<b>836,768</b>	648,016
	<b>4,636,017</b>	4,366,928

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

*Continued on next page*

**Katzie First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

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**7. 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:

2019	101,184
2020	101,118
2021	77,361
2022	58,752
2023	41,289

**8. Accumulated surplus**

	<b>2018</b>	<b>2017</b>
Equity in Ottawa Trust Funds (Note 5)	338,495	478,263
Equity in CMHC replacement reserve (Note 4)	55,266	47,855
Equity in CMHC operating reserve (Note 4)	37,946	61,535
Equity in tangible capital assets	9,312,843	7,611,609
Deficit of Nation Entities	(959,988)	(526,953)
Unrestricted surplus	13,963,194	14,856,197
	<b>22,747,756</b>	<b>22,528,506</b>

**9. 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 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.

**10. Economic dependence**

Katzie First Nation receives a significant portion 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.

**Katzie First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

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**11. Contingent liabilities**

Katzie First Nation may be contingently liable for guaranteed housing mortgages, totaling \$80,489 (2017 - \$83,854).

**12. Segments**

During the year 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.

**13. Comparative figures**

Certain comparative figures have been reclassified to conform with current year's presentation. A \$5,000 contribution to replacement reserve was reclassified to housing expenses in the comparative figures.

**Katzie First Nation**

**Schedule 1 - Consolidated Schedule of Tangible Capital Assets**

For the year ended March 31, 2018

	<b>Buildings</b>	<b>Housing projects</b>	<b>Equipment</b>	<b>Infrastructure</b>	<b>Roads</b>	<b>Bridges</b>	<b>Subtotal</b>
<b>Cost</b>							
Balance, beginning of year	<b>6,658,403</b>	<b>2,847,189</b>	<b>380,652</b>	<b>2,806,351</b>	<b>827,668</b>	<b>465,393</b>	<b>13,985,656</b>
Acquisition of tangible capital assets	<b>1,993,107</b>	<b>-</b>	<b>143,084</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,136,191</b>
Construction-in-progress	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balance, end of year	<b>8,651,510</b>	<b>2,847,189</b>	<b>523,736</b>	<b>2,806,351</b>	<b>827,668</b>	<b>465,393</b>	<b>16,121,847</b>
<b>Accumulated amortization</b>							
Balance, beginning of year	<b>947,659</b>	<b>2,434,574</b>	<b>109,224</b>	<b>885,295</b>	<b>679,471</b>	<b>337,401</b>	<b>5,393,624</b>
Annual amortization	<b>107,684</b>	<b>146,642</b>	<b>37,591</b>	<b>54,702</b>	<b>7,804</b>	<b>11,635</b>	<b>366,058</b>
Balance, end of year	<b>1,055,343</b>	<b>2,581,216</b>	<b>146,815</b>	<b>939,997</b>	<b>687,275</b>	<b>349,036</b>	<b>5,759,682</b>
<b>Net book value of tangible capital assets</b>							
2017	<b>7,596,167</b>	<b>265,973</b>	<b>376,921</b>	<b>1,866,354</b>	<b>140,393</b>	<b>116,357</b>	<b>10,362,165</b>
Net book value of tangible capital assets							
	<b>5,710,744</b>	<b>412,615</b>	<b>271,428</b>	<b>1,921,056</b>	<b>148,197</b>	<b>127,992</b>	<b>8,592,032</b>

## Katzie First Nation

### Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended March 31, 2018

	<i>Subtotal</i>	<i>Vehicles</i>	<i>First Nation Enterprise assets</i>	<i>Fencing</i>	<i>2018</i>	<i>2017</i>
<b>Cost</b>						
Balance, beginning of year	13,985,656	120,700	667,347	22,268	14,795,971	13,690,037
Acquisition of tangible capital assets	2,136,191	-	-	-	2,136,191	1,084,934
Construction-in-progress	-	-	-	-	-	21,000
Balance, end of year	16,121,847	120,700	667,347	22,268	16,932,162	14,795,971
<b>Accumulated amortization</b>						
Balance, beginning of year	5,393,624	120,700	86,677	1,633	5,602,634	5,262,649
Annual amortization	366,058	-	-	891	366,949	339,985
Balance, end of year	5,759,682	120,700	86,677	2,524	5,969,583	5,602,634
<b>Net book value of tangible capital assets</b>						
2017	10,362,165	-	580,670	19,744	10,962,579	9,193,337
Net book value of tangible capital assets						
	8,592,032	-	580,670	20,635	9,193,337	

**Katzie First Nation**  
**Schedule 2 - Schedule of Consolidated Expenses by Object**  
*For the year ended March 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Consolidated expenses by object</b>		
Administrative expenses	351,443	309,023
Amortization of tangible capital assets	366,951	339,983
Contracted services	758,088	593,577
Inter-program administration fees	(263,440)	(222,226)
Interest on long-term debt	14,766	16,883
Loss on guarantee	-	29,893
Materials, goods and utilities	825,907	677,130
Member services and benefits	1,898,517	1,978,647
Replacement Reserve	31,215	39,126
Salaries, wages and benefits	653,032	638,399
	<b>4,636,479</b>	4,400,435

**Katzie First Nation**  
**Administration**  
**Schedule 3 - Consolidated Schedule of Revenue and Expenses and Surplus**  
*For the year ended March 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Indigenous Services Canada	327,346	266,466
Equity earnings (loss) from Nation business entities	78,118	(90,601)
Investment income	377,594	309,741
Other funding and revenue	400	8,428
	<b>783,458</b>	494,034
<b>Expenses</b>		
Administration fees charged to other functions	(263,440)	(222,226)
Benefits	40,725	38,348
Community celebrations	75,502	63,840
Contracted services	25,200	-
Funeral costs	1,183	4,248
Honoraria	127,942	155,532
Insurance	10,684	16,151
Materials and supplies	37,047	37,249
Meetings	17,001	12,518
Office supplies and expenses	49,951	60,703
Professional fees	61,965	114,196
Salaries and benefits	173,794	204,854
Storage	6,803	6,225
Telephone	4,158	2,490
Travel	27,868	27,189
Utilities	10,153	13,275
	<b>406,536</b>	534,592
<b>Surplus (deficit) before other items</b>	<b>376,922</b>	(40,558)
<b>Other income (expense)</b>		
Unrealized foreign exchange gain (loss)	(118,563)	119,194
<b>Surplus before transfers</b>	<b>258,359</b>	78,636
<b>Transfers between programs</b>	<b>(75,889)</b>	1,301,751
<b>Surplus</b>	<b>182,470</b>	1,380,387

**Katzie First Nation**  
**Capital Projects**  
**Schedule 4 - Consolidated Schedule of Revenue and Expenses and Surplus**  
*For the year ended March 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Indigenous Services Canada	-	19,400
Canada Mortgage and Housing Corporation	50,291	15,252
	<b>50,291</b>	34,652
<b>Expenses</b>		
Repairs and maintenance	-	19,475
<b>Surplus before transfers</b>	<b>50,291</b>	15,177
<b>Transfers between segments</b>	<b>27,183</b>	-
<b>Surplus</b>	<b>77,474</b>	15,177

**Katzie First Nation**  
**Economic Development and Employment**  
**Schedule 5 - Consolidated Schedule of Revenue and Expenses and Deficit**  
*For the year ended March 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Province of B.C.	175,128	194,628
Indigenous Services Canada	330,393	120,932
Government of Canada	88,060	116,952
Other funding and revenue	56,500	25,000
Investment income	28,545	23,817
Sto:lo Aboriginal Skills & Employment Training	23,853	19,216
Ridge Meadows A.C.L.	5,000	5,000
First Nation Land Management Resources Centre	-	73,000
Rental income (repayment)	(1,250)	22,500
	<b>706,229</b>	601,045
<b>Expenses</b>		
Administration	-	7,250
Community benefits	-	6,200
Consulting	12,496	-
Contracted services	60,189	-
Insurance	1,390	1,523
Loss on guarantee	-	29,893
Materials and supplies	235,694	56,149
Office supplies and expenses	15,593	-
Professional fees	197,840	314,049
Property tax	4,551	5,998
Repairs and maintenance	-	1,841
Salaries and benefits	51,817	37,295
Training costs	590	5,198
Travel	4,821	5,989
Utilities	-	260
	<b>584,981</b>	471,645
<b>Surplus before transfers</b>	<b>121,248</b>	129,400
<b>Transfers between segments</b>	<b>(253,315)</b>	(777,825)
<b>Deficit</b>	<b>(132,067)</b>	(648,425)

**Katzie First Nation**  
**Education**  
**Schedule 6 - Consolidated Schedule of Revenue and Expenses and Surplus**  
*For the year ended March 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Indigenous Services Canada	890,232	923,606
Other funding and revenue	29,676	25,297
New Relationship Trust	4,000	25,000
Ridge Meadows A.C.L.	-	2,400
Repayment of funding	(11,554)	-
	<b>912,354</b>	976,303
<b>Expenses</b>		
Consulting	5,971	2,340
Contracted services	7,370	5,811
Guidance and counselling	5,004	8,576
Materials and supplies	43,774	40,545
Professional fees	-	20,000
Salaries and benefits	6,059	-
Student allowances and supplies	30,101	28,464
Training costs	-	5,640
Travel	1,497	3,629
Tuition agreements	664,705	750,913
	<b>764,481</b>	865,918
<b>Surplus before transfers</b>	<b>147,873</b>	110,385
<b>Transfers between segments</b>	<b>(72,026)</b>	(41,709)
<b>Surplus</b>	<b>75,847</b>	68,676

**Katzie First Nation**  
**Health and Social Programs**  
**Schedule 7 - Consolidated Schedule of Revenue and Expenses and Surplus (Deficit)**  
*For the year ended March 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
First Nations Health Authority	649,194	594,135
Indigenous Services Canada	588,662	535,276
Province of B.C.	201,317	-
Other funding and revenue	828	1,120
Repayment of funding	7,885	(13,095)
	<b>1,447,886</b>	1,117,436
<b>Expenses</b>		
Administration	3,530	4,342
Adult in home care	50,007	49,812
Basic needs	352,443	338,158
Brighter futures	86,948	90,322
Building healthy communities	67,602	35,008
Capital facilities operations and maintenance	41,009	38,871
Child out of parental home	13,399	12,924
Children's oral health initiative	5,249	5,249
Community health	42,890	79,396
Contracted services	1,200	-
Diabetes initiative	41,743	33,115
Drinking water safety	12,760	12,095
HIV/AIDS strategy	-	899
Head start on reserve	77,730	75,912
Healthy living	2,274	1,823
Home and community care	94,238	89,326
Honoraria	-	160
Income support	31,771	-
Insurance	6,001	4,011
Management support	68,259	65,700
Mapping directions	-	430
Materials and supplies	27,274	309
NNADAP	51,316	44,641
National child benefit	62,931	62,930
Office supplies and expenses	1,000	1,933
Outings	4,396	-
Patient transportation services	22,607	22,607
Prenatal nutrition	10,915	10,346
Prevention projects	7,393	7,413
Repairs and maintenance	5,993	8,181
Salaries and benefits	14,699	19,710
Service delivery	45,484	42,424
Solvent abuse	7,956	7,541
Special needs	9,084	13,105
Training costs	33	-
Transportation	17,511	27,323
Travel	4,761	3,840
	<b>1,292,406</b>	1,209,856
<b>Surplus (deficit) before transfers</b>	<b>155,480</b>	(92,420)
<b>Transfers between segments</b>	<b>(2,697,724)</b>	120,477
<b>Surplus (deficit)</b>	<b>(2,542,244)</b>	28,057

**Katzie First Nation**  
**Housing**  
**Schedule 8 - Consolidated Schedule of Revenue and Expenses and Surplus**  
*For the year ended March 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Canada Mortgage and Housing Corporation	84,495	134,700
Indigenous Services Canada	-	101,595
Rental income	226,699	188,165
Other funding and revenue	-	2,156
	<b>311,194</b>	426,616
<b>Expenses</b>		
Administration	28,081	24,287
Garbage removal	24,660	24,960
Insurance	30,599	30,340
Mortgage payments	14,766	16,715
Professional fees	8,800	8,500
Repairs and maintenance	42,520	106,816
Replacement reserve expense	2,957	21,232
Utilities	3,439	4,981
Water and sewer	10,848	10,848
	<b>166,670</b>	248,679
<b>Surplus before transfers</b>	<b>144,524</b>	177,937
<b>Transfers between segments</b>	<b>(9,228)</b>	(134,210)
<b>Surplus</b>	<b>135,296</b>	43,727

**Katzie First Nation**  
**Aboriginal Rights and Title**  
**Schedule 9 - Consolidated Schedule of Revenue and Expenses and Deficit**  
*For the year ended March 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Indigenous Services Canada	220,000	75,000
B.C. Treaty Commission - Contribution	100,000	60,000
	<b>320,000</b>	135,000
 <b>Expenses</b>		
Administration	18,207	56
Materials and supplies	347,808	76,753
Meetings	1,026	207
Professional fees	54,400	133,244
Salaries and benefits	76,410	72,462
Storage	4,759	-
Telephone	940	-
Travel and meetings	5,703	1,781
	<b>509,253</b>	284,503
 <b>Deficit before transfers</b>	<b>(189,253)</b>	(149,503)
 <b>Transfers between segments</b>	<b>150,000</b>	(841,019)
 <b>Deficit</b>	<b>(39,253)</b>	(990,522)

**Katzie First Nation**  
**Maintenance**  
**Schedule 10 - Consolidated Schedule of Revenue and Expenses and Deficit**  
*For the year ended March 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Indigenous Services Canada	207,950	263,652
Rental income	13,604	4,575
Other funding and revenue	(100)	575
	<b>221,454</b>	268,802
<b>Expenses</b>		
Administration	22,674	20,000
Contracted services	35,875	-
Insurance	9,361	15,395
Materials and supplies	16,213	12,200
Professional fees	450	-
Repairs and maintenance	180,551	175,146
Salaries and benefits	35,721	23,029
Travel	2,104	433
Utilities	14,500	16,238
	<b>317,449</b>	262,441
<b>Surplus (deficit) before transfers</b>	<b>(95,995)</b>	6,361
<b>Transfers between segments</b>	<b>79,753</b>	(35,018)
<b>Deficit</b>	<b>(16,242)</b>	(28,657)

**Katzie First Nation**  
**Other**  
**Schedule 11 - Consolidated Schedule of Revenue and Expenses and Surplus**  
*For the year ended March 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Interest income	11,310	11,321
<b>Expenses</b>		
Amortization	360,867	339,983
Repairs and maintenance	28,258	22,893
	<b>389,125</b>	362,876
<b>Deficit before transfers</b>	<b>(377,815)</b>	(351,555)
<b>Transfers between segments</b>	<b>2,775,987</b>	379,680
<b>Surplus</b>	<b>2,398,172</b>	28,125

**Katzie First Nation**  
**First Nation Enterprises**  
**Schedule 12 - Consolidated Schedule of Revenue and Expenses and Surplus**  
*For the year ended March 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Province of B.C.	181,703	383,740
Other funding and revenue	28,413	11,133
	<b>210,116</b>	394,873
<b>Expenses</b>		
Administration	5,764	4,071
Amortization	6,083	-
Fuel	3,373	3,379
Insurance	3,065	8,215
Interest and bank charges	-	168
Materials and supplies	42,225	21,138
Office supplies and expenses	428	74
Professional fees	6,675	3,589
Repairs and maintenance	9,584	8,318
Salaries and benefits	125,866	87,010
Telephone	912	989
Training costs	537	955
Travel	354	2,543
Utilities	712	-
	<b>205,578</b>	140,449
<b>Surplus before transfers</b>	<b>4,538</b>	254,424
<b>Transfers between segments</b>	<b>75,260</b>	27,872
<b>Surplus</b>	<b>79,798</b>	282,296