

Katzie First Nation
Consolidated Financial Statements
March 31, 2021

Katzie First Nation

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For the year ended March 31, 2021

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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, 2021

Financial Manager

To the Members of Katzie First Nation:

Opinion

We have audited the consolidated financial statements of Katzie First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2021, and the results of its consolidated operations, changes in its net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chilliwack, British Columbia

July 26, 2021

MNP LLP

Chartered Professional Accountants

Katzie First Nation
Consolidated Statement of Financial Position
As at March 31, 2021

	2021	2020 <i>(Restated)</i>
Financial assets		
Cash	1,707,487	1,210,569
Investments <i>(Note 3)</i>	13,842,671	12,908,716
Accounts receivable	1,104,083	566,866
Restricted cash <i>(Note 4)</i>	129,770	118,620
Funds held in trust <i>(Note 5)</i>	7,745	7,761
Investment in Nation business entities <i>(Note 6)</i>	2,661,206	2,203,930
	19,452,962	17,016,462
Liabilities		
Accounts payable and accruals	657,044	639,157
Long-term debt <i>(Note 7), (Note 13)</i>	4,034,197	3,672,694
	4,691,241	4,311,851
Net financial assets	14,761,721	12,704,611
Contingencies <i>(Note 11)</i>		
Non-financial assets		
Tangible capital assets <i>(Schedule 1)</i>	11,422,243	11,332,751
Prepaid expenses	42,147	37,872
Total non-financial assets	11,464,390	11,370,623
Accumulated surplus <i>(Note 8)</i>	26,226,111	24,075,234

Approved on behalf of the Council

	Councillor		Councillor
	Councillor		

Katzie First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2021

	2021 <i>Budget</i>	2021	2020 <i>(Restated)</i>
Revenue (Note 13)			
Indigenous Services Canada	1,729,780	3,684,960	2,336,457
Province of British Columbia	1,422,218	3,393,291	1,331,989
First Nations Health Authority	807,859	899,872	759,158
Earnings (loss) from Nation business entities	-	465,865	(308,365)
Canada Mortgage and Housing Corporation	129,463	93,303	185,364
Canada Mortgage and Housing Corporation - Supplemental Assistance	-	92,746	-
Government of Canada	412,574	-	163,089
Other funding and revenue	631,004	1,084,794	345,553
Investment income	400,000	668,476	341,118
B.C. Treaty Commission	550,000	550,000	550,000
First Nation Land Management Resources Centre	25,000	423,285	455,140
World Wildlife Fund (WWF)	250,714	250,714	146,518
Rental income	205,551	193,231	261,478
Surrey Schools	30,000	65,428	35,880
Referral fees	99,920	35,000	134,892
First People's Heritage	56,167	33,700	-
Sto:lo Aboriginal Skills & Employment Training	22,700	22,729	41,900
Fisheries and Oceans Canada	-	20,289	-
Indigenous Services Canada - Loan forgiveness	-	-	2,986,279
New Relationship Trust	-	-	50,000
First Nations Education Steering Committee	-	-	7,969
	6,772,950	11,977,683	9,824,419
Expenses by segment			
Administration	677,725	695,337	798,125
Economic Development and Employment	2,369,128	1,748,793	1,101,351
Education	864,848	924,840	903,214
Health and Social Programs	2,546,870	3,167,347	2,314,442
Housing	505,435	268,192	273,587
Aboriginal Rights and Title	780,090	735,159	1,214,027
Maintenance	652,750	631,416	635,206
Other	16,500	475,344	423,511
First Nation Enterprises	865,155	647,809	826,047
Total expenditures	9,278,501	9,294,237	8,489,510
Surplus before other items	(2,505,551)	2,683,446	1,334,909

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Katzie First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2021

	<i>Schedules</i>	<i>2021 Budget</i>	<i>2021</i>	<i>2020 (Restated)</i>
Surplus before other items <i>(Continued from previous page)</i>		(2,505,551)	2,683,446	1,334,909
Other income (expense)				
Foreign exchange gain (loss)		-	(532,569)	224,504
Surplus		(2,505,551)	2,150,877	1,559,413
Accumulated surplus, beginning of year, as previously stated		24,615,566	24,615,566	22,515,821
Correction of an error <i>(Note 13)</i>		(540,332)	(540,332)	-
Accumulated surplus, beginning of year, as restated		24,075,234	24,075,234	22,515,821
Accumulated surplus, end of year		21,569,683	26,226,111	24,075,234

Katzie First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2021

	2021 Budget	2021	2020 (Restated)
Annual surplus (Note 13)	(2,505,551)	2,150,877	1,559,413
Purchases of tangible capital assets	-	(511,008)	(1,189,604)
Amortization of tangible capital assets	-	397,238	398,567
Adjustment on CP Transfer	-	24,278	-
	-	(89,492)	(791,037)
Acquisition of prepaid expenses	-	(5,004)	(16)
Use of prepaid expenses	-	729	43,248
	-	(4,275)	43,232
Increase (decrease) in net financial assets	(2,505,551)	2,057,110	811,608
Net financial assets, beginning of year	12,704,611	12,704,611	11,893,003
Net financial assets, end of year	10,199,060	14,761,721	12,704,611

Katzie First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2021

	2021	2020 (Restated)
Cash provided by (used for) the following activities		
Operating activities		
Surplus	2,150,877	1,559,413
Non-cash items		
Amortization	397,238	398,567
Income from funds held in trust	(1,425)	(1,441)
(Earnings) loss from Nation business entities	(465,865)	308,365
Adjustment on CP Transfer	24,278	-
Treaty loan forgiveness	-	(2,986,280)
	2,105,103	(721,376)
Changes in working capital accounts		
Accounts receivable	(537,217)	(251,125)
Prepaid expenses	(4,275)	43,232
Restricted cash	(11,150)	26,773
Accounts payable and accruals	17,887	158,549
	1,570,348	(743,947)
Financing activities		
Advances of long-term debt (Note 13)	950,000	1,028,354
Repayment of long-term debt	(588,497)	(159,286)
Withdrawal of funds held in trust	1,441	3,418
	362,944	872,486
Capital activities		
Purchases of tangible capital assets	(511,008)	(1,189,604)
Investing activities		
Purchase of Investments	(840,709)	(248,503)
Contribution to Nation business entities	-	(7,866)
Distribution from Nation business entities	8,589	-
	(832,120)	(256,369)
Increase (decrease) in cash resources	590,164	(1,317,434)
Cash resources, beginning of year	8,119,015	9,436,449
Cash resources, end of year	8,709,179	8,119,015
Cash resources are composed of:		
Cash	1,707,487	1,210,569
Portfolio Investments	7,001,692	6,908,446
	8,709,179	8,119,015
Supplementary cash flow information		
Interest paid	74,847	55,635

The accompanying notes are an integral part of these financial statements

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.

Impact on operations of COVID-19 (coronavirus)

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

The First Nation's operations were impacted by COVID-19 due to remote staff working out of office, the implementation of COVID-19 emergency response procedures, increased reliance on electronic transactions, and the additional financial strain on its members.

The impact of COVID-19 has been partially offset by available Government funding for which the First Nation was eligible. The First Nation has received COVID-19 support funding from Indigenous Services Canada as part of its standard yearly funding.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the First Nation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause supply disruptions, staff shortages, and increased government regulations, all of which may negatively impact the First Nation's operations and financial condition.

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 consolidated financial statements are presented so as to highlight net financial assets as the measurement of consolidated 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 consolidated financial position, accumulated surplus.

Cash and cash equivalents

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Portfolio investments

Long-term investments in entities that are not owned, controlled or influenced by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

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

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
Housing projects	50 years
Bridges	40 years
Buildings	25 years
Fencing	25 years
Roads	20 years
Equipment	10 years
Vehicles	5 years
First Nation Enterprise Assets	5-25 years

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 consolidated 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 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.

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.

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

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 consolidated 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 subsidies are recognized when there is reasonable assurance that the Nation has complied and will continue to comply with all conditions of the assistance.

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 investment in Nation business entities

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.

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

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 consolidated 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
- Katzie First Nation Housing Society
- Katzie First Nation Affordable Housing Development 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, 2021

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, 2021.

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, 2021.

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>2021</i>	<i>2020</i>
Fixed income	326,409	6,514,570	6,840,979	6,000,270
Equity investments	605,006	5,816,644	6,421,650	6,293,282
Cash	26,708	553,334	580,042	615,164
	631,714	6,369,978	7,001,692	6,908,446
	958,123	12,884,548	13,842,671	12,908,716

The market value of the marketable securities as at March 31, 2021 is \$16,617,224 (- \$13,380,491).

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

4. Restricted cash

	2021	2020
CMHC Replacement Reserve	125,384	84,144
CMHC Operating Reserve	4,386	34,476
Total	129,770	118,620

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 \$28,400 (2020 - \$33,653), to ensure replacement of buildings financed by CMHC. At March 31, 2021, \$125,384 (2020 - \$84,144) has been set aside to fund this reserve. The overfunded portion at March 31, 2021 was \$4,380 (2020 - \$4,381) plus the \$63,310 received for supplemental assistance.

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, 2021, \$4,386 (2020 - \$34,476) 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.

	2021	2020
Capital Trust		
Balance, end of year	6,320	6,320
Revenue Trust		
Balance, beginning of year	1,441	3,419
Interest	84	112
Special (BC)	1,341	1,329
Less: Transfers to Nation	1,441	3,419
Balance, end of year	1,425	1,441
	7,745	7,761

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

6. Investment in Nation business entities

	2021			
	<i>Investment cost</i>	<i>Loans/ advances</i>	<i>Cumulative share of earnings</i>	<i>Total investment</i>
Katzie Development Corporation (100%)	100	1,153,590	(18,353)	1,135,337
Katzie Development Limited Partnership (99.99%)	-	(1,057)	1,526,926	1,525,869
	100	1,152,533	1,508,573	2,661,206

	2020			
	<i>Investment cost</i>	<i>Loans/ advances</i>	<i>Cumulative share of earnings</i>	<i>Total investment</i>
Katzie Development Corporation (100%)	100	1,153,155	(17,208)	1,136,047
Katzie Development Limited Partnership (99.99%)	-	7,865	1,060,018	1,067,883
	100	1,161,020	1,042,810	2,203,930

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 December 31, 2020</i>	<i>Katzie Development Corporation Ltd. As at March 31, 2020</i>
Assets		
Current assets	21,314	22,400
Due from related party	(24,849)	(24,890)
Property, plant and equipment	1,138,972	1,138,972
Total assets	1,135,437	1,136,482
Liabilities		
Long-term liabilities	1,153,590	1,153,590
Total liabilities	1,153,590	1,153,590
Share capital	100	100
Equity	(18,253)	(17,208)
Total revenue	41	(25)
Total expenses	1,086	1,075
Net loss	(1,045)	(1,100)

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Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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 December 31, 2020</i>	<i>Katzie Development Limited Partnership As at March 31, 2020</i>
Assets		
Current assets	1,719,023	1,057,448
Investments	38,352	31,558
Property, plant and equipment	56,053	14,995
Total assets	1,813,428	1,104,001
Liabilities		
Accounts payable and accruals	270,867	46,578
Goods and Services Tax payable	19,267	-
Due to related party	21,214	22,300
Total liabilities	311,348	68,878
General partner's capital	(24,848)	(24,895)
Limited partner's capital	1,526,928	1,060,018
Total revenue	2,012,456	1,470,930
Total expenses	1,684,472	1,778,226
Net income (loss)	327,984	(307,296)
Other income	138,973	-
Net income (loss)	466,957	(307,296)

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

7. Long-term debt

	2021	2020 <i>(Restated)</i>
Non-Profit Housing V - All Nations Trust - C.M.H.C. mortgage #19360312005; payments of \$5,049 per month, including interest at 2.68% per annum; renewal date of October 1, 2023; maturity date of October 1, 2043.	1,027,264	1,060,066
RBC Demand Loan; payments of \$5,389 per month, including interest of prime plus 0.25%; renewal and maturity date of April 26, 2022.	959,642	978,440
RBC Demand Loan; payments of \$4,624 per month, including interest of prime plus 0.25%; renewal and maturity date of one year from drawdown.	950,000	488,022
BC Housing Loan; no set repayment schedule or interest rate; loan to be forgiven if Loan Commitment is not received prior to April 2022.	540,332	540,332
Non-Profit Housing XI - All Nations Trust - C.M.H.C. mortgage #19360312003; payments of \$1,307 per month, including interest at 1.86% per annum; renewal date of April 1, 2024; maturity date of April 1, 2039.	240,840	251,960
Non-Profit Housing XII - All Nations Trust - C.M.H.C. mortgage #19360312004; payments of \$699 per month, including interest at 0.69% per annum; renewal date of June 1, 2025; maturity date of June 1, 2040.	151,272	159,746
Non-Profit Housing X - All Nations Trust - C.M.H.C. mortgage #19360312002; payments of \$481 per month, including interest at 1.87% per annum; renewal date of May 1, 2024; maturity date of May 1, 2034.	67,363	71,838
Non-Profit Housing VIII - All Nations Trust - C.M.H.C. mortgage #15468986008; payments of \$1,539 per month, including interest at 2.22% per annum; maturity date of December 1, 2023.	49,241	66,423
Scotiabank Canada Emergency Business Account (CEBA) loan bearing interest at 0.00% per annum until December 31, 2022, payable at anytime with no set payments. Beginning January 1, 2023, the loan bears interest at 5.00% per annum, payable at maturity on December 31, 2025.	30,000	-
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; maturity date of February 1, 2022.	18,243	37,873
Non-Profit Housing VI - All Nations Trust - C.M.H.C. mortgage.	-	13,139
Non-Profit Housing IX - All Nations Trust - C.M.H.C. mortgage.	-	4,855
	4,034,197	3,672,694

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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

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

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:

2022	2,002,144
2023	105,910
2024	72,973
2025	60,564
2025	61,915
	<u>2,303,506</u>

8. Accumulated surplus

	2021	2020
Equity in Ottawa Trust Funds (Note 5)	7,745	7,761
Equity in CMHC replacement reserve (Note 4)	125,384	84,144
Equity in CMHC operating reserve (Note 4)	4,386	34,476
Equity in tangible capital assets	7,388,046	7,660,057
Deficit of Nation Entities	(699,640)	(583,286)
Unrestricted surplus	19,400,190	16,872,082
	<u>26,226,111</u>	<u>24,075,234</u>

9. Financial Instruments

Katzie First Nation's financial instruments consist of cash, investments, accounts receivable, 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, and market risk on demand loans with variable rates.

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.

11. Contingencies

Katzie First Nation may be contingently liable for guaranteed housing mortgages, totaling \$67,469 (- \$71,838).

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 revenue 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. Correction of an error

During the year, the First Nation determined that amounts received by Katzie First Nation Housing Society from BC Housing were incorrectly recorded as revenue instead of debt. For 2020, the impact of this correction has resulted in an increase in long-term debt of \$540,332, decrease in revenue of \$540,332 a decrease in annual surplus of \$540,332.

Katzie First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2021

	<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	8,870,346	3,742,108	523,736	2,806,351	827,668	465,393	17,235,602
Acquisition of tangible capital assets	280,824	-	104,981	-	-	-	385,805
Construction-in-progress	125,203	-	-	-	-	-	125,203
Disposal of tangible capital assets	(113,774)	-	-	-	-	-	(113,774)
Transfer of Project VI to Band Housing	614,363	(614,363)	-	-	-	-	-
Transfer of Project IX to Band Housing	227,548	(227,548)	-	-	-	-	-
Balance, end of year	10,004,510	2,900,197	628,717	2,806,351	827,668	465,393	17,632,836
Accumulated amortization							
Balance, beginning of year	1,494,046	2,646,414	234,884	1,049,401	702,883	372,306	6,499,934
Annual amortization	158,883	116,008	43,621	54,702	7,804	11,635	392,653
Accumulated amortization on disposals	(89,496)	-	-	-	-	-	(89,496)
Transfer of Project VI to Band Housing	602,092	(602,092)	-	-	-	-	-
Transfer of Project IX to Band Housing	178,992	(178,992)	-	-	-	-	-
Balance, end of year	2,344,517	1,981,338	278,505	1,104,103	710,687	383,941	6,803,091
Net book value of tangible capital assets	7,659,993	918,859	350,212	1,702,248	116,981	81,452	10,829,745
2020 Net book value of tangible capital assets	7,376,300	1,095,694	288,852	1,756,950	124,785	93,087	10,737,688

Katzie First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2021

	<i>Subtotal</i>	<i>Vehicles</i>	<i>First Nation Enterprise assets</i>	<i>Fencing</i>	<i>2021</i>	<i>2020</i>
Cost						
Balance, beginning of year	17,235,602	120,700	669,111	22,268	18,047,681	16,858,077
Acquisition of tangible capital assets	385,805	-	-	-	385,805	-
Construction-in-progress	125,203	-	-	-	125,203	1,189,604
Disposal of tangible capital assets	(113,774)	-	-	-	(113,774)	-
Transfer of Project VI to Band Housing	-	-	-	-	-	-
Transfer of Project IX to Band Housing	-	-	-	-	-	-
Balance, end of year	17,632,836	120,700	669,111	22,268	18,444,915	18,047,681
Accumulated amortization						
Balance, beginning of year	6,499,934	120,700	89,991	4,305	6,714,930	6,316,363
Annual amortization	392,653	-	3,694	891	397,238	398,567
Accumulated amortization on disposals	(89,496)	-	-	-	(89,496)	-
Transfer of Project VI to Band Housing	-	-	-	-	-	-
Transfer of Project IX to Band Housing	-	-	-	-	-	-
Balance, end of year	6,803,091	120,700	93,685	5,196	7,022,672	6,714,930
Net book value of tangible capital assets	10,829,745	-	575,426	17,072	11,422,243	11,332,751
2020 Net book value of tangible capital assets	10,737,688	-	579,120	17,963	11,332,751	

Katzie First Nation
Schedule 2 - Segmented Information
For the year ended March 31, 2021

	Administration	Capital Projects	Economic Development and Employment	Education	Health and Social Programs	Housing	Aboriginal Rights and Title	Maintenance	Other	First Nation Enterprises	2021
Revenue											
ISC	\$ 389,643	\$ -	\$ 329,613	\$ 825,559	\$ 1,582,351	\$ -	\$ 134,838	\$ 422,956	\$ -	\$ -	\$ 3,684,960
Other government	-	-	2,287,458	-	1,100,807	186,049	654,417	68,411	-	371,491	4,668,633
Economic activities and other	1,144,778	-	1,036,955	99,128	899,007	183,553	33,500	13,180	3,319	210,670	3,624,090
	1,534,421	-	3,654,026	924,687	3,582,165	369,603	822,755	504,547	3,319	582,161	11,977,683
Expenses											
Amortization	-	-	-	-	-	-	-	-	393,544	3,695	397,239
Administrative expenses (recovery)	(351,315)	-	205,330	8,823	151,843	57,793	209,900	46,573	-	(21,964)	306,982
Contracted services	115,171	-	577,184	1,626	65,794	107,671	347,211	393,614	-	30,564	1,638,835
Interest on long-term debt	11,429	-	-	-	-	36,502	-	-	-	26,917	74,847
Materials, goods and utilities	57,049	-	337,507	47,017	236,437	41,947	16,474	87,205	-	40,039	863,675
Member services and benefits	117,461	-	225,381	867,374	2,389,309	24,278	-	-	-	8,083	3,631,886
Replacement Reserve	-	-	-	-	-	-	-	-	81,800	-	81,800
Salaries, wages and benefits	745,542	-	403,389	-	323,963	-	161,573	104,024	-	560,477	2,298,967
	695,337	-	1,748,793	924,840	3,167,347	268,192	735,159	631,416	475,344	647,809	9,294,237
Surplus (deficit) before transfers and other items	839,084	-	1,905,233	(153)	414,818	101,411	87,596	(126,869)	(472,025)	(65,648)	2,683,446
Transfers between programs	237,316	-	(548,069)	(149)	105,223	(211,432)	-	175,112	176,146	65,852	-
Other Income (expense)	(532,569)	-	-	-	-	-	-	-	-	-	(532,569)
Annual surplus (deficit)	\$ 543,831	\$ -	\$ 1,357,164	\$ (302)	\$ 520,041	\$ (110,021)	\$ 87,596	\$ 48,243	\$ (295,878)	\$ 204	\$ 2,150,877

	Administration	Capital Projects	Economic Development and Employment	Education	Health and Social Programs	Housing	Aboriginal Rights and Title	Maintenance	Other	First Nation Enterprises	2020 (Restated)
Revenue											
ISC	\$ 302,385	\$ -	\$ 299,864	\$ 778,769	\$ 646,858	\$ 100,000	\$ 2,986,279	\$ 208,581	\$ -	\$ -	\$ 5,322,736
Other government (Note 14)	-	-	723,779	40,000	944,186	185,364	935,140	153,743	-	392,529	3,374,740
Economic activities and other	41,264	-	454,776	64,889	26,525	240,135	75,000	7,001	3,650	213,703	1,126,942
	343,649	-	1,478,418	883,658	1,617,569	525,499	3,996,419	369,325	3,650	606,232	9,824,419
Expenses											
Amortization	-	-	-	-	-	-	-	-	396,442	2,125	398,567
Administrative expenses (recovery)	(183,878)	-	77,544	542	205,257	68,669	390,232	33,007	-	28,759	620,133
Contracted services	85,739	-	596,546	-	175,754	107,459	544,692	488,355	-	32,565	2,031,110
Interest on long-term debt	15,713	-	-	-	-	39,922	-	-	-	25,578	81,213
Materials, goods and utilities	59,907	-	103,873	90,120	222,225	57,537	79,383	27,886	-	70,711	711,641
Member services and benefits	127,945	-	84,049	789,050	1,382,812	-	-	-	-	12,118	2,395,974
Replacement Reserve	-	-	-	-	-	-	-	-	27,069	-	27,069
Salaries, wages and benefits	692,700	-	239,337	23,502	328,393	-	199,720	85,959	-	654,192	2,223,803
	798,125	-	1,101,351	903,214	2,314,442	273,587	1,214,027	635,206	423,511	826,047	8,489,510
Surplus (deficit) before transfers and other items	(454,475)	-	377,067	(19,556)	(696,873)	251,912	2,782,392	(265,881)	(419,861)	(219,816)	1,334,909
Transfers between programs	109,509	300	(1,015,622)	(6,462)	507,906	(26,541)	-	305,000	33,234	92,675	-
Other Income (expense)	224,504	-	-	-	-	-	-	-	-	-	224,504
Annual surplus (deficit)	\$ (120,462)	\$ 300	\$ (638,555)	\$ (26,018)	\$ (188,967)	\$ 225,371	\$ 2,782,392	\$ 39,119	\$ (386,626)	\$ (127,140)	\$ 1,559,413