

**Katzie First Nation
Consolidated Financial Statements**
March 31, 2022

Katzie First Nation

Contents

For the year ended March 31, 2022

	Page
Management's Responsibility	
Independent Auditors' Report	
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Changes in Net Financial Assets.....	4
Consolidated Statement of Cash Flows.....	5
Notes to the Consolidated Financial Statements.....	6
Schedules	
Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	18
Schedule 2 - Consolidated Segmented Information.....	20

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 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 27, 2022

Finance Director

To the Members of Katzie First Nation:

Opinion

We have audited the consolidated financial statements of Katzie First Nation and its subsidiaries (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2022, 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, 2022, 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.

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

Chilliwack, British Columbia

July 27, 2022

MNP LLP

Chartered Professional Accountants

MNP

Katzie First Nation
Consolidated Statement of Financial Position
As at March 31, 2022

	2022	2021
Financial assets		
Cash	2,145,005	1,707,487
Investments (Note 4)	14,413,390	13,842,671
Accounts receivable	2,495,824	1,104,083
Restricted cash (Note 5)	71,192	129,770
Funds held in trust (Note 6)	7,797	7,745
Investment in Nation business entities (Note 7)	2,889,964	2,661,206
	22,023,172	19,452,962
Liabilities		
Accounts payable and accruals	846,608	657,044
Deferred revenue	909,826	-
Long-term debt (Note 8)	4,127,160	4,034,197
	5,883,594	4,691,241
Net financial assets	16,139,578	14,761,721
Contingencies (Note 12)		
Non-financial assets		
Tangible capital assets (Note 1)	11,391,242	11,422,243
Prepaid expenses	75,035	42,147
Total non-financial assets	11,466,277	11,464,390
Accumulated surplus (Note 9)	27,605,855	26,226,111

Approved on behalf of the Council

Chief

Councillor

Councillor

Councillor

Katzie First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2022

	2022 Budget	2022	2021
Revenue			
Indigenous Services Canada	1,728,857	4,061,229	3,684,960
Province of British Columbia	674,585	1,259,448	3,393,291
First Nations Health Authority	826,158	1,124,988	899,872
Earnings (loss) from Nation business entities	-	379,611	465,865
Government of Canada	539,504	418,654	423,285
Canada Mortgage and Housing Corporation	-	80,430	93,303
Canada Mortgage and Housing Corporation - Supplemental Assistance	-	-	92,746
Other funding and revenue	1,126,591	1,133,342	1,118,494
Investment income	300,000	817,183	668,476
Fisheries and Oceans Canada	807,280	807,280	20,289
B.C. Treaty Commission	620,000	620,000	550,000
World Wildlife Fund (WWF)	457,801	476,873	250,714
Rental income	247,440	181,993	193,231
Referral fees	200,000	178,861	35,000
Sto:lo Aboriginal Skills & Employment Training	150,580	152,289	22,729
First Nations Education Steering Committee	100,939	100,939	-
New Relationship Trust	-	4,000	-
Surrey Schools	60,000	1,385	65,428
	7,839,735	11,798,505	11,977,683
Expenses by segment			
Administration	749,974	543,689	695,337
Economic Development and Employment	2,360,259	1,792,770	1,748,793
Education	922,649	1,134,546	924,840
Health and Social Programs	2,933,790	3,161,862	3,167,347
Housing	397,656	211,935	268,192
Aboriginal Rights and Title	1,312,797	1,639,579	735,159
Maintenance	533,282	460,068	631,416
Other	51,500	466,247	475,344
First Nation Enterprises	1,073,799	973,331	647,809
Total expenditures	10,335,706	10,384,027	9,294,237
Surplus (deficit) before other items	(2,495,971)	1,414,478	2,683,446

Continued on next page

Katzie First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2022

	<i>Schedules</i>	<i>2022 Budget</i>	<i>2022</i>	<i>2021</i>
Surplus (deficit) before other items <i>(Continued from previous page)</i>		(2,495,971)	1,414,478	2,683,446
Other expense				
Foreign exchange loss		-	(34,734)	(532,569)
Surplus (deficit)		(2,495,971)	1,379,744	2,150,877
Accumulated surplus, beginning of year		26,226,111	26,226,111	24,075,234
Accumulated surplus, end of year		23,730,140	27,605,855	26,226,111

Katzie First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2022

	2022 Budget	2022	2021
Annual surplus (deficit)	(2,495,971)	1,379,744	2,150,877
Purchases of tangible capital assets	-	(359,455)	(511,008)
Amortization of tangible capital assets	-	390,456	397,238
Adjustment on CP transfer	-	-	24,278
	-	31,001	(89,492)
Acquisition of prepaid expenses	-	(32,894)	(5,004)
Use of prepaid expenses	-	6	729
	-	(32,888)	(4,275)
Increase (decrease) in net financial assets	(2,495,971)	1,377,857	2,057,110
Net financial assets, beginning of year	14,761,721	14,761,721	12,704,611
Net financial assets, end of year	12,265,750	16,139,578	14,761,721

Katzie First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating activities		
Surplus	1,379,744	2,150,877
Non-cash items		
Amortization	390,456	397,237
Income from funds held in trust	(1,477)	(1,425)
(Earnings) loss from Nation business entities	(379,611)	(465,865)
Adjustment on CP Transfer	-	24,278
Foreign exchange (gain) loss	34,734	532,569
Investment income	(768,944)	(632,184)
	654,902	2,005,487
Changes in working capital accounts		
Accounts receivable	(1,391,741)	(537,217)
Prepaid expenses	(32,888)	(4,275)
Restricted cash	58,578	(11,150)
Accounts payable and accruals	189,564	17,887
Deferred revenue	909,826	-
	388,241	1,470,732
Financing activities		
Advances of long-term debt	279,502	950,000
Repayment of long-term debt	(186,539)	(588,497)
Withdrawal of funds held in trust	1,425	1,441
	94,388	362,944
Capital activities		
Purchases of tangible capital assets	(359,455)	(511,008)
Investing activities		
Changes in investments	163,491	(834,339)
Distribution from Nation business entities	150,853	8,589
	314,344	(825,750)
Increase in cash resources	437,518	496,918
Cash resources, beginning of year	1,707,487	1,210,569
Cash resources, end of year	2,145,005	1,707,487
Supplementary cash flow information		
Interest paid	60,190	74,847

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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.

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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

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.

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 Department of Indigenous Services 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 (use of estimates)

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.

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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.

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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

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 consolidated 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, 2022

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, 2022.

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, 2022.

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 consolidated statement of financial position date. Translation gains and losses are included in current year surplus.

3. Recent accounting pronouncement

PS 3280 Asset Retirement Obligations (New)

In August 2018, new PS 3280 Asset Retirement Obligations was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new PS 3280 establishes standards on how to account for and report a liability for asset retirement obligations (ARO). As asset retirement obligations associated with landfills are included in the scope of new PS 3280, PS 3270 Solid Waste Landfill Closure and Post-Closure Liability will be withdrawn.

The main features of this standard are as follows:

- An ARO represents a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic matter.
- When an asset is no longer in productive use, the associated asset retirement costs are expensed.
- Measurement of the ARO liability should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date.
- Subsequent measurement of the ARO liability results in either a change in the carrying amount of the related tangible capital asset or an expense. The accounting treatment depends on the nature of the remeasurement and whether the asset remains in productive use.
- The best method to estimate the liability is often a present value technique.

This standard was to be effective for fiscal years beginning on or after April 1, 2021. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new Section is now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted.

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

4. Investments

	<i>Regular</i>	<i>Trust</i>	<i>2022</i>	<i>2021</i>
Fixed income	299,227	7,072,445	7,371,672	6,840,979
Equity investments	674,590	5,751,343	6,425,933	6,421,650
Cash	40,859	574,926	615,785	580,042
	715,449	6,326,269	7,041,718	7,001,692
	1,014,676	13,398,714	14,413,390	13,842,671

The market value of the marketable securities as at March 31, 2022 is \$17,073,545 (- \$16,617,224).

5. Restricted cash

	<i>2022</i>	<i>2021</i>
CMHC Replacement Reserve	71,192	125,384
CMHC Operating Reserve	-	4,386
Total	71,192	129,770

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 \$23,179 (2021 - \$28,400), to ensure replacement of buildings financed by CMHC. At March 31, 2022, \$71,192 (2021 - \$125,384) has been set aside to fund this reserve. The overfunded portion at March 31, 2022 was \$4,381 (2021 - \$4,381) plus the \$487 remaining 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, 2022, \$nil (2021 - \$4,386) has been set aside to fund this reserve.

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

6. Funds held in trust

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

	2022	2021
Capital Trust		
Balance, end of year	6,320	6,320
Revenue Trust		
Balance, beginning of year	1,425	1,441
Interest	142	84
Special (BC)	1,335	1,341
Less: Transfers to Nation	1,425	1,441
Balance, end of year	1,477	1,425
	7,797	7,745

7. Investment in Nation business entities

	2022			
	<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	(20,576)	1,133,114
Katzie Development Limited Partnership (99.99%)	-	141	1,756,709	1,756,850
		100	1,153,731	1,736,133
				2,889,964

	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

Continued on next page

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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

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, 2021</i>	<i>Katzie Development Corporation Ltd. As at December 31, 2020</i>
Assets		
Current assets	19,052	21,314
Due from related party	(24,810)	(24,849)
Property, plant and equipment	1,138,972	1,138,972
Total assets	1,133,214	1,135,437
Liabilities		
Long-term liabilities	1,153,590	1,153,590
Total liabilities	1,153,590	1,153,590
Share capital	100	100
Equity	(20,476)	(18,253)
Total revenue	39	41
Total expenses	2,262	1,086
Net loss	(2,223)	(1,045)

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Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

7. 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, 2021</i>	<i>Katzie Development Limited Partnership As at December 31, 2020</i>
Assets		
Current assets	2,141,849	1,719,023
Investments	16,924	38,352
Property, plant and equipment	131,570	56,053
Total assets	2,290,343	1,813,428
Liabilities		
Accounts payable and accruals	181,718	270,867
Goods and Services Tax payable	44,083	19,267
Due to related party	18,952	21,214
Deferred Revenue	313,692	-
Total liabilities	558,445	311,348
General partner's capital	(24,810)	(24,848)
Limited partner's capital	1,756,708	1,526,928
Total revenue	3,886,929	2,012,456
Total expenses	3,516,495	1,684,472
Net income	370,434	327,984
Other income	11,438	138,973
Net income	381,872	466,957

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

8. Long-term debt

	2022	2021
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.	993,643	1,027,264
RBC Demand Loan; payments of \$5,389 per month, including interest of prime plus 0.25%; renewal and maturity date of April 26, 2022.	920,699	959,642
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.	925,078	950,000
BC Housing Loan; no set repayment schedule or interest rate; payments to start upon completion of the project	819,835	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.	229,523	240,840
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.	143,898	151,272
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.	62,806	67,363
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.	31,678	49,241
Scotiabank Canada Emergency Business Account (CEBA), paid in full	-	30,000
Non-Profit Housing VII - All Nations Trust - C.M.H.C. mortgage #15468986007, paid in full	-	18,243
	4,127,160	4,034,197

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

8. 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:

2023	964,670
2024	143,877
2025	133,509
2026	136,958
2027	140,500
	<hr/>
	1,519,514

9. Accumulated surplus

	2022	2021
Equity in Ottawa Trust Funds (Note 6)	7,797	7,745
Equity in CMHC replacement reserve (Note 5)	71,192	125,384
Equity in CMHC operating reserve (Note 5)	-	4,386
Equity in tangible capital assets	7,264,082	7,388,046
Investment in Nation business entities	2,889,964	2,661,206
Unrestricted surplus	17,372,820	16,039,344
	<hr/>	<hr/>
	27,605,855	26,226,111

10. 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.

11. 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.

12. Contingencies

Katzie First Nation may be contingently liable for guaranteed housing mortgages, totaling \$62,806 (- \$67,469).

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

13. 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.

14. 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, 2022

	<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	10,004,510	2,900,197	628,717	2,806,351	827,668	465,393	17,632,836
Acquisition of tangible capital assets	167,397	-	62,247	-	-	-	229,644
Construction-in-progress	129,811	-	-	-	-	-	129,811
Disposal of tangible capital assets	(512,587)	-	-	-	-	-	(512,587)
Transfer of Project VII to Band Housing	510,367	(510,367)	-	-	-	-	-
Balance, end of year	10,299,498	2,389,830	690,964	2,806,351	827,668	465,393	17,479,704
Accumulated amortization							
Balance, beginning of year	2,344,517	1,981,338	278,505	1,104,103	710,687	383,941	6,803,091
Annual amortization	162,248	95,593	53,182	54,702	7,804	11,635	385,164
Accumulated amortization on disposals	(512,587)	-	-	-	-	-	(512,587)
Transfer of Project VII to Band Housing	491,685	(491,685)	-	-	-	-	-
Balance, end of year	2,485,863	1,585,246	331,687	1,158,805	718,491	395,576	6,675,668
Net book value of tangible capital assets	7,813,635	804,584	359,277	1,647,546	109,177	69,817	10,804,036
2021 Net book value of tangible capital assets	7,659,993	918,859	350,212	1,702,248	116,981	81,452	10,831,766

Katzie First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2022

	<i>Subtotal</i>	<i>Vehicles</i>	<i>First Nation Enterprise assets</i>	<i>Fencing</i>	2022	2021
Cost						
Balance, beginning of year	17,632,836	120,700	669,111	22,268	18,444,915	18,047,681
Acquisition of tangible capital assets	229,644	-	-	-	229,644	385,805
Construction-in-progress	129,811	-	-	-	129,811	125,203
Disposal of tangible capital assets	(512,587)	-	(10)	-	(512,597)	(113,774)
Transfer of Project VII to Band Housing	-	-	-	-	-	-
Balance, end of year	17,479,704	120,700	669,101	22,268	18,291,773	18,444,915
Accumulated amortization						
Balance, beginning of year	6,803,091	120,700	93,685	5,196	7,022,672	6,714,930
Annual amortization	385,164	-	4,401	891	390,456	397,238
Accumulated amortization on disposals	(512,587)	-	(10)	-	(512,597)	(89,496)
Transfer of Project VII to Band Housing	-	-	-	-	-	-
Balance, end of year	6,675,668	120,700	98,076	6,087	6,900,531	7,022,672
Net book value of tangible capital assets	10,804,036	-	571,025	16,181	11,391,242	11,422,243
2021 Net book value of tangible capital assets	10,831,766	-	575,426	17,072	11,422,243	

Katzie First Nation
Schedule 2 - Segmented Information
For the year ended March 31, 2022

	Administration	Economic Development and Employment	Education	Health and Social Programs	Housing	Aboriginal Rights and Title	Maintenance	Other	First Nation Enterprises	2022
Revenue										
ISC	\$ 423,314	\$ 334,052	\$ 1,045,402	\$ 1,725,100	\$ -	\$ 533,361	\$ -	\$ -	\$ -	\$ 4,061,229
Other government	-	972,827	100,939	1,327,981	80,430	1,426,950	4,000	-	587,566	4,500,693
Economic activities and other	1,407,665	804,039	272,141	264,455	182,842	77,300	-	4,298	223,843	3,236,583
	1,830,979	2,110,918	1,418,482	3,317,537	263,272	1,504,250	537,361	4,298	811,409	11,798,505
Expenses										
Amortization	-	-	-	-	-	-	-	386,055	4,401	390,456
Administrative expenses (recovery)	(764,294)	360,605	86,648	510,534	54,762	252,721	84,402	-	128,034	713,413
Contracted services	183,014	600,951	81,559	74,678	55,383	707,569	241,014	-	27,103	1,971,271
Interest on long-term debt	7,161	-	-	-	34,459	-	-	-	18,569	60,190
Materials, goods and utilities	93,513	245,469	142,732	497,486	67,332	360,156	33,080	-	90,429	1,530,196
Member services and benefits	232,212	51,232	713,595	1,590,365	-	4,500	700	-	2,225	2,594,828
Replacement Reserve	-	-	-	-	-	-	-	80,192	-	80,192
Salaries, wages and benefits	792,084	534,512	110,011	488,797	-	314,632	100,873	-	702,571	3,043,480
	543,689	1,792,770	1,134,546	3,161,862	211,935	1,639,579	460,068	466,247	973,331	10,384,027
Surplus (deficit) before transfers and other items										
Transfers between programs	1,287,290	318,148	283,937	155,675	51,337	(135,329)	77,293	(461,948)	(161,922)	1,414,478
Other Income (expense)	566,969	(773,079)	(11,941)	(167,651)	18,821	(4,534)	62,592	252,823	56,000	0
	(34,734)	-	-	-	-	-	-	-	-	(34,734)
Annual surplus (deficit)										
	\$ 1,819,526	\$ (454,931)	\$ 271,996	\$ (11,976)	\$ 70,158	\$ (139,863)	\$ 139,885	\$ (209,125)	\$ (105,922)	\$ 1,379,744

	Administration	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 (Note 14)	-	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	397,238
Administrative expenses (recovery)	(351,065)	178,329	8,823	175,843	57,793	209,900	46,573	-	(21,964)	304,231
Contracted services	115,171	604,184	1,626	65,794	107,671	347,211	393,614	-	30,564	1,665,835
Interest on long-term debt	11,429	-	-	-	36,502	-	-	-	26,917	74,847
Materials, goods and utilities	57,049	337,507	47,018	656,004	41,947	16,474	87,205	-	40,039	1,283,243
Member services and benefits	117,211	225,381	867,373	1,945,742	24,278	-	-	-	8,083	3,188,068
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										
Transfers between programs	839,084	1,905,233	(153)	414,818	101,411	87,596	(126,869)	(472,025)	(65,648)	2,683,440
Other Income (expense)	237,316	(548,069)	(149)	105,223	(211,432)	-	175,112	176,146	65,852	-
	(532,569)	-	-	-	-	-	-	-	-	(532,569)
Annual surplus (deficit)										
	\$ 543,831	\$ 1,357,164	\$ (302)	\$ 520,041	\$ (110,021)	\$ 87,596	\$ 48,243	\$ (295,879)	\$ 204	\$ 2,150,877