

Katzie First Nation
Consolidated Financial Statements
March 31, 2023

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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 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, 2023

Finance Director

To the Members of Katzie First Nation:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Katzie First Nation (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations and accumulated operating surplus, remeasurement gains and losses, changes in net financial assets and cash flows 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 Nation as at March 31, 2023, and the results of its consolidated operations, its consolidated remeasurement gains and losses, 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 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 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 Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 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 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 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 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 26, 2023

MNP LLP

Chartered Professional Accountants

Katzie First Nation
Consolidated Statement of Financial Position
As at March 31, 2023

	2023	2022
Financial assets		
Cash	9,048,632	2,144,895
Portfolio investments (Note 4)	16,368,340	14,413,500
Accounts receivable	1,636,541	2,495,824
Restricted cash (Note 5)	80,130	71,192
Funds held in trust (Note 6)	7,801	7,797
Investment in Nation business entities (Note 7)	5,114,186	2,889,964
	32,255,630	22,023,172
Liabilities		
Accounts payable and accruals	1,029,530	846,608
Deferred revenue (Note 8)	4,510,308	909,826
Long-term debt (Note 9)	6,332,629	4,127,160
	11,872,467	5,883,594
Net financial assets	20,383,163	16,139,578
Contingencies (Note 10)		
Non-financial assets		
Tangible capital assets (Schedule 1)	13,508,549	11,391,242
Prepaid expenses	34,759	75,035
Total non-financial assets	13,543,308	11,466,277
Accumulated surplus (Note 11)	33,926,471	27,605,855
Accumulated surplus is comprised of:		
Accumulated surplus	32,310,021	27,605,855
Accumulated remeasurement gains	1,616,450	-
	33,926,471	27,605,855

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, 2023

	<i>2023 Budget</i>	<i>2023</i>	<i>2022</i>
Revenue			
Indigenous Services Canada	6,898,403	5,632,356	4,061,229
Earnings from Nation business entities	-	2,599,265	379,611
Province of British Columbia	3,550,285	2,180,035	1,259,448
First Nations Health Authority	855,599	1,078,730	1,124,988
Government of Canada	492,224	555,055	418,654
Canada Mortgage and Housing Corporation	72,646	150,587	80,430
Other funding and revenue	1,463,402	1,542,242	1,133,342
Fisheries and Oceans Canada	1,176,192	1,295,000	807,280
B.C. Treaty Commission	620,000	645,000	620,000
Investment income	414,103	672,591	782,449
World Wildlife Fund (WWF)	255,900	253,900	476,873
Rental income	155,340	151,635	181,993
Surrey Schools	150,000	150,407	1,385
Sto:lo Aboriginal Skills & Employment Training	90,000	88,551	152,289
First Nations Education Steering Committee	56,240	27,766	100,939
New Relationship Trust	-	40,000	4,000
Referral fees	200,000	15,490	178,861
Fraser Health Authority	-	5,000	-
Repayment of funding	-	(72,099)	-
	16,450,334	17,011,511	11,763,771
Expenditures			
Administration	1,377,127	1,123,650	543,689
Economic Development and Employment	2,795,156	2,435,133	1,792,770
Education	1,595,706	1,118,638	1,134,546
Health and Social Programs	3,475,657	2,520,533	3,161,862
Housing	303,193	597,091	211,935
Aboriginal Rights and Title	1,523,190	2,188,243	1,639,579
Maintenance	606,190	922,041	460,068
Other	50,000	407,119	466,247
First Nation Enterprises	2,833,000	994,897	973,331
	14,559,219	12,307,345	10,384,027
Surplus	1,891,115	4,704,166	1,379,744
Accumulated surplus, beginning of year	27,605,855	27,605,855	26,226,111
Accumulated surplus, end of year	29,496,970	32,310,021	27,605,855

The accompanying notes are an integral part of these financial statements

Katzie First Nation
Consolidated Statement of Remeasurement Gains and Losses
For the year ended March 31, 2023

	2023	2022
Accumulated remeasurement gains losses, beginning of year	-	-
Unrealized gains attributable to:		
Foreign exchange	410,457	-
Portfolio investments	1,310,154	-
Amounts reclassified to the statement of operations:		
Foreign exchange	(51,766)	-
Portfolio investments	(52,395)	-
Accumulated remeasurement gains, end of year	1,616,450	-

Katzie First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2023

	2023	2023	2022
Annual surplus	1,891,115	4,704,166	1,379,744
Purchases of tangible capital assets	-	(2,516,389)	(359,455)
Amortization of tangible capital assets	-	399,082	390,456
	-	(2,117,307)	31,001
Acquisition of prepaid expenses	-	-	(32,894)
Use of prepaid expenses	-	40,276	6
Change in remeasurement gains (losses) for the year	-	1,616,450	-
	-	1,656,726	(32,888)
Increase in net financial assets	1,891,115	4,243,585	1,377,857
Net financial assets, beginning of period	16,139,578	16,139,578	14,761,721
Net financial assets, end of period	18,030,693	20,383,163	16,139,578

The accompanying notes are an integral part of these financial statements

Katzie First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating activities		
Surplus	4,704,166	1,379,744
Non-cash items		
Amortization	399,082	390,456
Income from funds held in trust	(1,480)	(1,477)
Earnings from Nation business entities	(2,599,265)	(379,611)
Bad debts	30,070	-
Foreign exchange (gain) loss	(281,012)	34,734
Remeasurement gains	1,616,450	-
	3,868,011	1,423,846
Changes in working capital accounts		
Accounts receivable	859,283	(1,391,741)
Prepaid expenses	40,276	(32,888)
Restricted cash	(8,938)	58,578
Portfolio investments	(1,703,899)	(605,563)
Accounts payable and accruals	182,922	189,564
Deferred revenue	3,600,482	909,826
	6,838,137	551,622
Financing activities		
Advances of long-term debt	2,305,917	279,502
Repayment of long-term debt	(100,448)	(186,539)
	2,205,469	92,963
Capital activities		
Purchases of tangible capital assets	(2,516,389)	(359,455)
Investing activities		
Distribution from Nation business entities	375,043	150,853
Withdrawal of funds held in trust	1,477	1,425
	376,520	152,278
Increase in cash resources	6,903,737	437,408
Cash resources, beginning of year	2,144,895	1,707,487
Cash resources, end of year	9,048,632	2,144,895
Supplementary cash flow information		
Interest paid	129,353	60,190

1. Operations

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

2. Significant accounting policies

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

Basis of presentation

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

Asset classification

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

Net financial assets

The 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 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

Portfolio investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less 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 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.

A liability for asset retirement obligations reflects management's best estimate of the amount required to retire the related tangible capital asset (or component thereof). The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future asset retirement.

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., Katzie Master GP Ltd., and Katzie Master 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.

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., Katzie Master GP Ltd., and Katzie Master Limited Partnership. During the 2023, the Nation became a Limited Partner in Katzie Master Limited Partnership. The Nation then transferred its limited partnership interest in Katzie Development Limited Partnership to Katzie Master Limited Partnership at fair market value.

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

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

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

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

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the 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, 2023.

At each financial reporting date, the 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 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, 2023.

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 and non-monetary items included in the fair value category reflect the exchange rates at the statement of financial position date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses.

In the period of settlement, foreign exchange gains and losses are reclassified to the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains (losses).

Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the Nation to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at March 31, 2023. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the Nation reviews the carrying amount of the liability. The Nation recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The 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.

Statement of Remeasurement Gains and Losses

By presenting remeasurement gains (losses) separately, changes in the carrying value of financial instruments arising from fair value measurement, unrealized foreign exchange gains (losses) and other comprehensive income arising from investments in government business entities are distinguished from revenues and expenses reported in the statement of operations. The statement of operations reports the extent to which revenues raised in the period were sufficient to meet the expenses incurred. Remeasurement gains (losses) do not affect this assessment as they are recognized in the statement of remeasurement gains and losses. Taken together, the two statements account for changes in a Nation's net assets (liabilities) in the period.

Upon settlement, the cumulative gain (loss) is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to all financial instruments are reported in the statement of operations.

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

Financial instruments

The Nation recognizes its financial instruments when the Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The Nation has not made such an election during the year.

The Nation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating surplus (deficit). Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

3. Change in accounting policies

Financial instruments

Effective April 1, 2022, the Nation adopted the Public Sector Accounting Board's (PSAB) new recommendations for the recognition, measurement, and presentation and disclosure of financial assets, financial liabilities and derivatives under Section PS 3450 *Financial Instruments*. The new Section is applied prospectively, and prior periods have not been restated.

As described in Accounting Policies, Note 2, the Nation recognizes investments in equity instruments quoted in an active market at fair value. Previously, equity instruments quoted in an active market were recorded at cost with the fair value disclosed in the notes to the financial statements. The effect in the current year, of adopting this change in accounting policy is an increase portfolio investments by \$1,205,364, and an increase opening accumulated remeasurement gains by \$1,205,364.

Asset retirement obligations

Effective April 1, 2022, the Nation adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of a liability for asset retirement obligations under PS 3280 *Asset Retirement Obligations*. The new standard establishes when to recognize and how to measure a liability for an asset retirement obligation, and provides the related financial statement presentation and disclosure requirements. Pursuant to these recommendations, the change was applied prospectively, and prior periods have been restated.

There was no material impact on the consolidated financial statements from the prospective application of the new accounting recommendations.

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

4. Portfolio investments

	2023	<i>2022 Cost</i>
Measured at fair value:		
RBC Dominion Securities Portfolio	1,261,602	1,011,195
RBC Dominion Securities Portfolio - Trust	15,106,628	13,402,195
	16,368,230	14,413,390
Measured at cost:		
BC First Nations Gaming Revenue Sharing LP	100	100
BC First Nations Gaming Sharing General Partner Ltd.	10	10
	110	110
	16,368,340	14,413,500

5. Restricted cash

	2023	<i>2022</i>
CMHC Replacement Reserve	80,130	71,192

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 \$17,706 (2022 - \$23,179), to ensure replacement of buildings financed by CMHC. At March 31, 2023, \$80,130 (2022 - \$71,192) has been set aside to fund this reserve. The overfunded portion at March 31, 2023 was \$6,718 (2022 - \$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, 2023, \$nil (2022 - \$nil) has been set aside to fund this reserve.

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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.

	2023	2022
Capital Trust		
Balance, beginning/end of year	6,320	6,320
Revenue Trust		
Balance, beginning of year	1,477	1,425
Interest	121	142
BC Special Distribution	1,360	1,335
Less: Transfers to Nation	1,477	1,425
Balance, end of year	1,481	1,477
	7,801	7,797

7. Investment in Nation business entities

The Nation has investments in the following entities:

			2023	
	Investment cost	Loans / advances	Cumulative share of earnings	Total investment
First Nation Government Business Enterprises:				
Katzie Development Corporation (100%)	100	777,589	(20,813)	756,876
Katzie Master GP Ltd. (100%)	100	-	-	100
Katzie Master Limited Partnership (99.99%)	1,000	1,756,708	2,599,502	4,357,210
	1,200	2,534,297	2,578,689	5,114,186
			2022	
	Investment cost	Loans / advances	Cumulative share of earnings (loss)	Total investment
First Nation Government Business Enterprises:				
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

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

The Nation's investment in Katzie Master Limited Partnership was established for the purpose of conducting various business opportunities on and off reserve.

Summary financial information for the business partnership, accounted for using the modified equity method, for its respective year-end is as follows:

	<i>Katzie Master Limited Partnership As at December 31, 2022</i>
Assets	
Current assets	666
Investments in partnerships	4,501,904
Total assets	4,502,570
Liabilities	
Advances from related parties	1,901,709
Total liabilities	1,901,709
Partners' capital	1,000
Net equity	2,599,861
Net income	2,599,861

The Nation's investment in Katzie Development Corporation Ltd. and Katzie Master GP Ltd. was established for the purpose of pursuing commercial activities off-reserve.

Summary financial information for each business enterprise, accounted for using the modified equity method, for their respective year-ends is as follows:

	<i>Katzie Development Corporation Ltd. As at December 31, 2022</i>	<i>Katzie Master GP Ltd. As at December 31, 2022</i>
Assets		
Current assets	-	100
Due from related party	145,000	-
Investment	201	-
Property, plant and equipment	1,140,490	-
Total assets	1,285,691	100
Liabilities		
Current liabilities	5,690	-
Advances from related parties	1,300,714	-
Total liabilities	1,306,404	-
Share capital	100	100
Deficit	(20,813)	-
Total revenue	145,000	-
Total expenses	145,337	-
Net loss	(337)	-

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

8. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each funding source:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Contributions recognized</i>	<i>Balance, end of year</i>
Indigenous Services Canada	796,465	4,079,338	1,357,455	3,518,348
Natural Resources Canada	90,000	-	90,000	-
CMHC	23,361	-	23,361	-
BC Hydro	-	750,000	-	750,000
Community Foundation	-	30,000	-	30,000
Port of Vancouver	-	180,000	15,207	164,793
FNESC	-	45,367	-	45,367
Prepaid rent	-	1,800	-	1,800
	909,826	5,086,505	1,486,023	4,510,308

9. Long-term debt

	2023	2022
BC Housing Loan; no set repayment schedule or interest rate; payments to start upon completion of the project.	3,125,752	819,835
Non-Profit Housing XIII - All Nations Trust - C.M.H.C. mortgage #19360312005; payments of \$5,050 per month, including interest at 2.68% per annum; renewal date of October 1, 2023; maturity date of October 1, 2043.	959,114	993,643
RBC Demand Loan; payments of \$6,756 per month, including interest of prime plus 0.25%; renewal and maturity date of one year from drawdown.	916,895	925,078
RBC Demand Loan; payments of \$6,838 per month, including interest of prime; renewal and maturity date of April 26, 2024.	904,514	920,699
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.	217,994	229,523
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.	136,473	143,898
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.	58,163	62,806
Non-Profit Housing VIII - All Nations Trust - C.M.H.C. mortgage #15468986008; payments of \$1,540 per month, including interest at 2.22% per annum; maturity date of December 1, 2023.	13,724	31,678
	6,332,629	4,127,160

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

9. 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:

2024	113,013
2025	103,422
2026	107,786
2027	112,394
2027	117,262
	553,877

10. Contingencies

Katzie First Nation may be contingently liable for guaranteed housing mortgages, totaling \$58,255 (2022 - \$62,806).

11. Accumulated surplus

	2023	2022
Equity in Ottawa Trust Funds (Note 6)	7,801	7,797
Equity in CMHC replacement reserve (Note 5)	80,130	71,192
Equity in tangible capital assets	7,175,920	7,264,082
Investment in Nation business entities	5,114,186	2,889,964
Surplus	19,931,983	17,372,820
Accumulated remeasurement gain	1,616,450	-
	33,926,470	27,605,855

12. 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.

13. Comparative figures

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

14. Segments

During the year the Nation had ten segments: Administration, 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.

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.

15. Financial Instruments

The Nation as part of its operations carries a number of financial instruments. It is management's opinion that the Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Fair Value of Financial Instruments

Financial instruments measured at fair value on the statement of financial position include portfolio investments quoted in active markets.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The First Nation is exposed to interest rate price risk with respect to fixed rate mortgages included in long-term debt.

The First Nation is exposed to interest rate cash flow risk with respect to variable-rate term loans included in long-term debt with interest rates ranging from 0.69% - 6.95% (2022 – 0.69% - 2.95%).

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Nation enters into transactions to purchase and sell portfolio investments, for which the market price fluctuates.

Foreign currency risk

Foreign denominated cash and portfolio investments at year-end were as follows:

	2023	2022
	Market Value	Cost
	CAD\$	CAD\$
Marketable Securities	5,013,261	3,521,864
Cash	294,168	340,278
	5,307,429	3,862,142

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Katzie First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2023

	<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	10,299,498	2,389,830	690,964	2,806,351	827,668	465,393	17,479,704
Acquisition of tangible capital assets	-	-	90,310	-	-	-	90,310
Construction-in-progress	-	2,350,323	-	75,756	-	-	2,426,079
Disposal of tangible capital assets	-	-	-	-	-	-	-
Balance, end of year	10,299,498	4,740,153	781,274	2,882,107	827,668	465,393	19,996,093
Accumulated amortization							
Balance, beginning of year	2,485,863	1,585,246	331,687	1,158,805	718,491	395,576	6,675,668
Annual amortization	163,583	95,593	61,899	54,702	7,804	11,635	395,216
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	2,649,446	1,680,839	393,586	1,213,507	726,295	407,211	7,070,884
Net book value of tangible capital assets	7,650,052	3,059,314	387,688	1,668,600	101,373	58,182	12,925,209
2022 Net book value of tangible capital assets	7,813,635	804,584	359,277	1,647,546	109,177	69,817	10,806,058

Katzie First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2023

	<i>Subtotal</i>	<i>Vehicles</i>	<i>First Nation Enterprise assets</i>	<i>Fencing</i>	<i>2023</i>	<i>2022</i>
Cost						
Balance, beginning of year	17,479,704	120,700	669,101	22,268	18,291,773	18,444,915
Acquisition of tangible capital assets	90,310	-	-	-	90,310	229,644
Construction-in-progress	2,426,079	-	-	-	2,426,079	129,811
Disposal of tangible capital assets	-	-	-	-	-	(512,597)
Balance, end of year	19,996,093	120,700	669,101	22,268	20,808,162	18,291,773
Accumulated amortization						
Balance, beginning of year	6,675,668	120,700	98,076	6,087	6,900,531	7,022,672
Annual amortization	395,216	-	2,975	891	399,082	390,456
Accumulated amortization on disposals	-	-	-	-	-	(512,597)
Balance, end of year	7,070,884	120,700	101,051	6,978	7,299,613	6,900,531
Net book value of tangible capital assets	12,925,209	-	568,050	15,290	13,508,549	11,391,242
2022 Net book value of tangible capital assets	10,806,058	-	571,025	16,181	11,391,242	

Katzie First Nation
Schedule 2 - Segmented Information
For the year ended March 31, 2023

	Administration	Economic Development and Employment	Education	Health and Social Programs	Housing	Aboriginal Rights and Title	Maintenance	Other	First Nation Enterprises	2023
Revenue										
ISC	\$ 460,817	\$ 829,335	\$ 939,978	\$ 2,260,657	\$ 591,732	\$ 55,388	\$ 452,111	\$ -	\$ 42,339	\$ 5,632,356
Other government	-	1,388,972	62,095	1,211,225	150,587	1,295,000	-	-	647,487	4,755,366
Economic activities and other	3,619,022	1,268,709	245,914	355,998	174,891	681,707	14,097	3,082	260,367	6,623,789
	4,079,839	3,487,016	1,247,987	3,827,880	917,209	2,032,095	466,208	3,082	950,194	17,011,511
Expenses										
Amortization	-	-	5,547	-	-	-	-	396,107	2,975	404,630
Administrative expenses (recovery)	(270,054)	326,955	19,749	278,666	120,011	180,800	175,974	-	74,786	906,887
Contracted services	155,434	1,331,507	7,091	175,288	65,347	634,797	350,913	-	16,980	2,737,355
Interest on long-term debt	18,000	-	-	-	32,842	-	-	-	30,487	81,329
Materials, goods and utilities	70,391	449,806	670,856	239,926	369,843	708,674	238,167	-	55,687	2,803,351
Member services and benefits	256,305	74,101	283,823	1,239,241	9,050	1,388	10,334	-	1,166	1,875,409
Replacement Reserve	-	-	-	-	-	-	-	11,012	-	11,012
Salaries, wages and benefits	893,573	252,765	131,573	587,411	-	662,583	146,652	-	812,816	3,487,373
	1,123,650	2,435,133	1,118,638	2,520,533	597,091	2,188,243	922,041	407,119	994,897	12,307,345
Surplus (deficit) before transfers and other items	2,956,189	1,051,883	129,349	1,307,347	320,118	(156,148)	(455,833)	(404,037)	(44,704)	4,704,166
Transfers between programs	(39,604)	(241,001)	-	(62,120)	(5,860)	(103,451)	228,936	183,772	39,328	-
Annual surplus (deficit)	\$ 2,916,585	\$ 810,882	\$ 129,349	\$ 1,245,227	\$ 314,258	\$ (259,599)	\$ (226,897)	\$ (220,265)	\$ (5,376)	\$ 4,704,166

	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 (Note 14)	-	972,827	100,939	1,327,981	80,430	1,426,950	4,000	-	587,566	4,500,693
Economic activities and other	1,372,931	804,039	272,141	264,455	182,842	77,300	-	4,298	223,843	3,201,849
	1,796,245	2,110,918	1,418,482	3,317,537	263,272	1,504,250	537,361	4,298	811,409	11,763,771
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	1,252,557	318,148	283,936	155,675	51,337	(135,329)	77,293	(461,948)	(161,922)	1,379,744
Transfers between programs	566,969	(773,080)	(11,941)	(167,651)	18,821	(4,534)	62,592	252,823	56,000	-
Annual surplus (deficit)	\$ 1,819,526	\$ (454,932)	\$ 271,995	\$ (11,976)	\$ 70,158	\$ (139,863)	\$ 139,885	\$ (209,125)	\$ (105,922)	\$ 1,379,744