

**The Key First Nation**  
**Consolidated Financial Statements**  
*March 31, 2018*

# The Key First Nation

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For the year ended March 31, 2018

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## **Management's Responsibility**

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To the Members of The Key First Nation:

The accompanying consolidated financial statements of The Key First Nation are the responsibility of management and have been approved by 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 Key First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for appointing the Nation's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by Council to audit the consolidated financial statements and report directly to the Members of The Key First Nation; their report follows. The external auditors have full and free access to, and may meet periodically and separately with, both Council and management to discuss their audit findings.

March 27, 2019

Original signed by "Joanne Griffith"

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## Independent Auditors' Report

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To the Members of The Key First Nation:

We were engaged to audit the accompanying consolidated financial statements of The Key First Nation, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on conducting the audit in accordance with Canadian generally accepted auditing standards. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### *Basis for Disclaimer of Opinion*

Management was unable to provide appropriate audit evidence to support a significant number of transactions which were recorded as expenses. We were unable to satisfy ourselves that all expenditures of The Key First Nation have been recorded, nor were we able to satisfy ourselves that the recorded transactions were proper and authorized. As a result of these matters, we were unable to determine whether any adjustments might have been necessary in respect of recorded or unrecorded expenses and the components making up the statement of financial position, and the related statements of operations and accumulated surplus, change in net debt and cash flows. In addition, The Key First Nation's statement of operations and accumulated surplus and change in net debt do not present a comparison of the results of the accounting period with those originally planned (a budget) for all significant segments, which constitutes a departure from Canadian public sector accounting standards.

### *Disclaimer of Opinion*

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements.

### *Emphasis of Matter*

We draw attention to Notes 11 and 12 to the consolidated financial statements which describes that The Key First Nation initiated a claim against the Government of Canada for damages sustained by the Nation. The Nation has obtained a loan to fund costs of negotiations and has taken insurance to cover the repayment of the loan if they are in excess of settlement proceeds.

Regina, Saskatchewan

March 27, 2019

*MNP LLP*

Chartered Professional Accountants

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

	2018	2017
<b>Financial assets</b>		
<b>Current</b>		
Cash	215,365	66,922
Restricted cash (Note 4)	1,004,022	835,444
Accounts receivable (Note 5)	275,012	508,859
	1,494,399	1,411,225
<b>Restricted cash (Note 4)</b>	472	74,305
<b>Portfolio investments (Note 6)</b>	147,835	206,931
<b>Receivable from Key First Nation Pelly Hayland Trust (Note 7)</b>	154,646	156,116
<b>Funds held in trust (Note 8)</b>	365,540	72,078
<b>Co-op equity</b>	15,000	15,000
<b>Total financial assets</b>	2,177,892	1,935,655
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness (Note 9)	171,474	156,568
Accounts payable and accruals	792,950	386,897
Deferred revenue (Note 10)	1,070,609	615,719
Current portion of long-term debt (Note 11)	373,570	397,948
	2,408,603	1,557,132
<b>Long-term debt (Note 11)</b>	3,079,844	2,080,902
<b>Total financial liabilities</b>	5,488,447	3,638,034
<b>Net debt</b>	(3,310,555)	(1,702,379)
<b>Contingent asset (Note 12)</b>		
<b>Contingency (Note 13)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	9,147,582	9,542,811
Prepaid expenses	20,336	25,336
<b>Total non-financial assets</b>	9,167,918	9,568,147
<b>Accumulated surplus (Note 15)</b>	5,857,363	7,865,768
<b>Approved on behalf of the Chief and Council</b>		

Original signed by "Chief Clarence Papequash" **Chief**

Original signed by "Christopher Gareau" **Councillor**

The accompanying notes are an integral part of these financial statements

# The Key First Nation

## Consolidated Statement of Operations and Accumulated Surplus

*For the year ended March 31, 2018*

		<b>2018 Budget (Note 22)</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
<b>Revenue</b>				
Indigenous Services Canada (Note 17)		2,646,681	2,724,200	2,842,796
Health Canada (Note 18)		-	387,223	364,261
Canada Mortgage and Housing Corporation		76,650	262,637	191,406
Pelly Haylands		253,585	782,175	971,236
Lease income		533,920	611,620	529,229
First Nations Trust		380,000	431,284	425,184
Yorkton Tribal Council		47,000	274,660	217,961
Other		393,280	178,506	83,744
Painted Hand CDC		200,000	140,810	158,294
Rental income		171,649	93,383	84,189
Interest income		-	5,493	1,691
		<b>4,702,765</b>	<b>5,891,991</b>	<b>5,869,991</b>
<b>Program expenses</b>				
Band Government	3	1,137,410	2,700,107	1,377,659
Education	4	1,095,832	1,178,364	1,021,020
Economic Development	5	311,909	649,695	271,466
Social	6	522,020	419,608	500,346
Community	7	456,950	857,006	655,893
Housing	8	207,799	796,346	536,287
Community Health	9	13,500	596,330	648,598
Other	10	253,585	641,517	902,957
<b>Total expenses</b>		<b>3,999,005</b>	<b>7,838,973</b>	<b>5,914,226</b>
<b>(Deficit) surplus before other item</b>		<b>703,760</b>	<b>(1,946,982)</b>	<b>(44,235)</b>
<b>Other item</b>				
(Loss) gain on disposal of tangible capital assets		-	(61,423)	66,413
<b>Annual (deficit) surplus</b>		<b>703,760</b>	<b>(2,008,405)</b>	<b>22,178</b>
<b>Accumulated surplus, beginning of year</b>		<b>7,865,768</b>	<b>7,865,768</b>	<b>7,843,590</b>
<b>Accumulated surplus, end of year (Note 15)</b>		<b>8,569,528</b>	<b>5,857,363</b>	<b>7,865,768</b>

The accompanying notes are an integral part of these financial statements

**The Key First Nation**  
**Consolidated Statement of Change in Net Debt**  
*For the year ended March 31, 2018*

	<b>2018 Budget (Note 22)</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
<b>Annual (deficit) surplus</b>	<b>703,760</b>	<b>(2,008,405)</b>	22,178
Purchases of tangible capital assets	-	<b>(58,516)</b>	(351,766)
Amortization of tangible capital assets	-	<b>392,322</b>	394,542
Loss (gain) on disposal of tangible capital assets	-	<b>61,423</b>	(66,413)
Proceeds of disposal of tangible capital assets	-	-	66,413
	-	<b>395,229</b>	42,776
Use of prepaid expenses (net)	-	<b>5,000</b>	12,332
<b>(Increase) decrease in net debt</b>	<b>703,760</b>	<b>(1,608,176)</b>	77,286
<b>Net debt, beginning of year</b>	<b>(1,702,379)</b>	<b>(1,702,379)</b>	(1,779,665)
<b>Net debt, end of year</b>	<b>(998,619)</b>	<b>(3,310,555)</b>	(1,702,379)

*The accompanying notes are an integral part of these financial statements*

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

	2018	2017
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual (deficit) surplus	(2,008,405)	22,178
Non-cash items		
Amortization	392,322	394,542
Bad debts	3,728	14,524
Loss (gain) on disposal of tangible capital assets	61,423	(66,413)
	(1,550,932)	364,831
Changes in working capital accounts		
Accounts receivable	230,120	(369,278)
Prepaid expenses	5,000	12,328
Accounts payable and accruals	406,053	(95,089)
Deferred revenue	454,889	424,013
	(454,870)	336,805
<b>Financing activities</b>		
Advances of long-term debt	1,377,535	380,105
Repayment of long-term debt	(402,971)	(484,175)
Increase in funds held in trust	(293,462)	(44,301)
Increase (decrease) in bank indebtedness	14,906	(26,441)
	696,008	(174,812)
<b>Capital activities</b>		
Purchases of tangible capital assets	(58,516)	(351,766)
Proceeds of disposal of tangible capital assets	-	66,413
	(58,516)	(285,353)
<b>Investing activities</b>		
Advances to related Nation entity	-	(154,809)
Repayment of advances to related Nation entity	1,470	-
Income from portfolio investment	59,096	124,627
Increase in restricted cash	(94,745)	(200,857)
	(34,179)	(231,039)
<b>Increase (decrease) in cash resources</b>	<b>148,443</b>	<b>(354,399)</b>
<b>Cash resources, beginning of year</b>	<b>66,922</b>	<b>421,321</b>
<b>Cash resources, end of year</b>	<b>215,365</b>	<b>66,922</b>
<b>Supplementary cash flow information</b>		
Interest paid	66,224	72,904

The accompanying notes are an integral part of these financial statements



**1. Operations**

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

**2. Adopted accounting policies**

Effective April 1, 2017, the First Nation adopted the recommendations relating to the following Sections, as set out in the CPA Canada Public Sector Accounting Handbook:

PS 2200 Related Party Disclosures

PS 3420 Inter-entity Transactions

PS 3210 Assets

PS 3320 Contingent Assets

PS 3380 Contractual Rights

Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements of adopting the new Sections.

**3. Significant accounting policies**

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

***Basis of presentation***

Sources of financing and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as they become available and measurable; expenditures 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.

***Reporting entity***

The financial statements consolidate the financial activities of all entities comprising the Nation reporting entity.

The Nation has consolidated the assets, liabilities, revenue and expenses of the following entities:

- The Key First Nation
- Key First Nation CMHC Housing
- Key First Nation Pelly Haylands Corp.
- Key First Nation Band Land Holdings Corp.
- Key First Nation Pelly Haylands Authorized Expense Account
- Key First Nation Pelly Haylands Band Account

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. Key First Nation Pelly Haylands Band Account and Key First Nation Pelly Haylands Authorized Expense Account have a year end of December 31, 2017 which are not co-terminous with the Nation's year end. Significant events during the intervening period were adjusted.

The financial statement of Key First Nation Pelly Hayland Trust is not included in the consolidated financial statements of The Key First Nation as the entity is administered and controlled by Trustees of the Trust.

These entities are related by common ownership.

***Other economic interests***

The Key First Nation is a member of the Yorkton Tribal Council Child and Family Services Incorporated. The Yorkton Tribal Council Child and Family Services Incorporated is an organization of thirteen member First Nations, whose purpose is to provide Child and Family Services to the thirteen member Nations.

The First Nation does not have a share in the profit or loss of the above entity. As a result, the financial statements of Yorkton Tribal Council Child and Family Services Incorporated have not been consolidated with the financial statements of the First Nation.

***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. The First Nation's investment in PHC Holdings Limited Partnership is accounted for using the cost method.

***Cash resources***

Cash resources 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.

Funds held in trust for the First Nation, cash in capital project bank accounts and the cash on deposit in CMHC reserve accounts are recorded as restricted assets.

Restricted cash is disclosed in Note 4.

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

***Funds held in Ottawa Trust Fund***

Funds are held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund. Cash is subject to restrictions that prevent its use for current purposes is included in restricted cash.

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other Nation capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Revenues from trust fund moneys are recognized when measurable, earned and collection is reasonably assured. These moneys are reported on by the Government of Canada.

***Tangible capital assets***

Tangible capital assets are initially recorded at cost based on historical accounting records. Contributed tangible capital assets are recorded at their fair value at the date of contribution.

***Amortization***

Amortization for tangible capital assets is provided using the following methods at rates intended to amortize the cost over their estimated useful lives. In the year of acquisition, amortization is taken at 1/2 of the annual amount. Land is not amortized.

	<b><i>Method</i></b>	<b><i>Rate</i></b>
Buildings	straight-line	20 years
Equipment	straight-line	5 years
Housing	straight-line	10 - 25 years
Water & Sewer	straight-line	20 - 40 years
Vehicles	straight-line	5 years

***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 debt***

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its financial assets less its liabilities. Net debt combined with non-financial assets comprises a second indicator of financial position, accumulated surplus.

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

**Revenue recognition**

**Non-government funding**

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the statement of financial position in the year of receipt.

**Government Transfers**

The 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 First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

**Other Revenue**

Lease revenue is recognized over the rental term. Investment income is recognized when received or receivable. Other revenues are earned from other services provided by the First Nation and are recognized when the service has been provided, amount is measurable and collectibility is reasonably assured.

**Measurement uncertainty**

The preparation of 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 financial statements, and the reported amounts of revenue and expenditures during the reporting period.

Accounts receivable and amounts due from related Nation entities are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the First Nation is responsible for.

These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the records in the periods in which they become known.

**Liability for contaminated sites**

A liability for remediation of contaminated sites is recognized at the best estimate of the amount required to remediate the contaminated sites when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2018.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. No liability for remediation of contaminated sites exists at March 31, 2018.

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

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

**Segments**

The First Nation conducts its business through 8 reportable segments as identified in the attached schedules. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance and as part of its funding requirements.

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. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information and are apportioned based on a percentage of budgeted revenue, where permitted by the funding agencies.

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

**4. Restricted cash**

Included in cash is restricted cash relating to CMHC replacement reserve and of cash managed by capital project managers who are responsible for payment of expenses relating to capital projects funded by Indigenous Services Canada ("ISC"). Restricted cash consists of the following:

	2018	2017
<b>Current:</b>		
Key First Nation Pelly Haylands Band Account	793,819	706,468
Indigenous Services Canada - capital projects	210,203	128,976
	<b>1,004,022</b>	835,444
<b>Long-term:</b>		
CMHC replacement reserve	472	74,305
	<b>1,004,494</b>	909,749

**5. Accounts receivable**

	2018	2017
Indigenous Services Canada	-	129,277
Health Canada	5,002	1,669
CMHC	26,858	73,599
Members	118,851	111,873
Other	226,789	294,200
	<b>377,500</b>	610,618
Less: Allowance for doubtful accounts	102,488	101,759
	<b>275,012</b>	508,859

Receivables from members are non-interest bearing with no set terms of repayment and are unsecured.

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

**6. Portfolio investments**

	2018	2017
Measured at cost:		
PHC Holdings Limited Partnership - 14.28%	147,835	206,931

The Key First Nations partners' capital account in PHC Holdings Limited Partnership as at December 31, 2017 is \$690,509.

**7. Receivable from Key First Nation Pelly Hayland Trust**

Receivable from the Trust are unsecured, non-interest bearing and without fixed terms of repayment. All transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**8. Funds held in trust**

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

	2018	2017
<b>Capital Trust</b>		
Balance, beginning and end of year	506	506
<b>Revenue Trust</b>		
Balance, beginning of year	71,572	27,271
Interest	5,542	1,672
Land leases	527,920	432,629
	605,034	461,572
Less: withdrawals	240,000	390,000
Balance, end of year	365,034	71,572
Total funds held in trust	365,540	72,078

During the year, \$240,000 of funds transferred in the current year was expended as follows:

BCR #45 - 2017/2018	\$40,000 (Band Revenue/Chief and Council)
BCR #53 - 2017/2018	\$180,000 (Band Revenue/Chief and Council)

**9. Bank indebtedness**

At March 31, 2018, the First Nation had lines of credit totaling \$283,500 (2017 - \$183,500), none of which were drawn on. The 2011 Case 580N Back Hoe is pledged as collateral. Bank indebtedness consists of \$171,474 (2017 - \$156,568) in outstanding cheques in excess of balances per the bank.

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

**10. Deferred revenue**

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Recognized as revenue</i>	<i>Balance, end of year</i>
ISC	453,147	772,923	203,630	1,022,440
CMHC retrofit	90,122	71,700	147,403	14,419
Land lease	72,450	45,000	83,700	33,750
	<b>615,719</b>	<b>889,623</b>	<b>434,733</b>	<b>1,070,609</b>

ISC deferred revenue relates to the following:

	<u><b>2018</b></u>	<u><b>2017</b></u>
Renovation and Additions	250,295	205,963
Transfer Station	583,577	100,000
Bridge Repair	89,019	89,019
Water Treatment Plant	31,969	31,969
Planning Design & Construction	29,783	18,209
Sewage Pumping Station	5,487	7,987
Social Assistance - Employment and Training	32,310	-
	<u>1,022,440</u>	<u>453,147</u>

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

**11. Long-term debt**

The following CMHC loans are secured by government guarantees, and relate to the construction of on-reserve housing. The First Nation receives a subsidy from Canada Mortgage and Housing Corporation to assist with the payment of principal and interest on the following loans:

<u>CMHC Phase</u>	<u>Monthly Payment Including Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2018</u>	<u>2017</u>
II	-	-	-	-	5,080
VI	-	-	-	-	16,655
VIII	363	1.92%	Apr. 1, 2024	<b>25,005</b>	28,844
IX	1,091	1.14%	Mar. 1, 2026	<b>100,106</b>	111,983
X	1,196	1.97%	Nov. 1, 2027	<b>126,366</b>	138,338
XI	748	1.92%	Jan. 1, 2029	<b>87,874</b>	95,105
XII	1,767	1.14%	Jul. 1, 2036	<b>350,685</b>	367,792
XIII	3,847	1.39%	Jun 1, 2030	<b>519,907</b>	558,581
XIV (advances)	-	-	-	<b>373,195</b>	330,105
				<b>1,583,138</b>	1,652,483
Royal Bank term loan, interest at prime rate plus 2.75%, quarterly payments of \$20,834, matured July 2017 (secured by 2011 Case 580N Back Hoe with a net book value of \$nil).				-	20,826
Royal Bank term loan, interest at prime plus 2.00%, blended quarterly payments of \$53,800, matures July 2020.				<b>450,596</b>	638,153
Royal Bank term loan, interest at prime plus 1.50%, quarterly principal payments of \$10,937, matures July 2020.				<b>75,206</b>	118,956
Ford Credit Canada loan, interest at 4.67%, quarterly payments of \$10,000 plus interest, matures June 2018.				<b>10,029</b>	48,432
Royal Bank term loan, interest at prime plus 2%, blended monthly payments of \$6,386, matures July 2025.				<b>441,450</b>	-
Royal Bank 1909 surrender claim insurance loan with interest at RBC prime with no fixed repayment terms, secured by insurance policy with AmTrust Europe Limited, due November 2022 (Note 12)				<b>892,995</b>	-
				<b>3,453,414</b>	2,478,850
Less: current portion				<b>373,570</b>	397,948
				<b>3,079,844</b>	2,080,902



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

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

Principal repayments on long-term debt in each of the next five years, assuming loans subject to renewal are renewed with similar terms, are estimated as follows:

2019	373,570
2020	383,903
2021	205,574
2022	157,338
2023	1,055,334
	<hr/>
	2,175,719
	<hr/>
Thereafter	1,277,695
	<hr/>

Interest on long-term debt amounted to \$66,224 (2017 - \$72,904).

**12. Contingent asset**

1909 Surrender Claim

The First Nation has initiated a land surrender claim against the Government of Canada. The First Nation has obtained a loan to finance the costs of negotiating the settlement. Insurance has been obtained to mitigate the risk that the settlement proceeds may be less than the total loan outstanding at such time the claim is resolved.

As of March 31, 2018, expenses totaling \$892,995 (2017- \$nil) have been incurred and available financing drawn (Note 11). The First Nation anticipates these costs will be paid from settlement proceeds. When the claim is finalized or the insurance proceeds are paid the amounts will be recognized in revenue.

**13. Contingency**

Contribution agreements

The First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements may be subject to repayment upon final review by the relevant funding authority. This amount cannot be reasonably estimated at this point in time.

**14. CMHC Reserves**

Operating reserve

The First Nation's CMHC Housing Program receives funding to the Post 1997 - Fixed Subsidy Program. Any surpluses are externally restricted and reserved for future operating losses that relate to the operation of houses under this program. Any operating surpluses are retained in an operating reserve fund, which can be used to recover future operating deficits.

Replacement reserve

A replacement reserve has been established for replacement of capital equipment and for major repairs to the houses. Pursuant to CMHC agreements, operating provisions of \$50 per unit per month are made for phase VIII, \$101 for phase IX, \$98 for phase X, \$95 for phase XI and \$100 for phase XII and XIII. Any applicable expenditure is charged against the reserve.

Surplus reserve

At March 31, 2018 the replacement reserve is under-funded by \$118,484 (2017 - under-funded by \$65,936) and the operating reserve fund is under-funded by \$25,027 (2017 - under-funded by \$80,434).

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

**15. Accumulated surplus**

Accumulated surplus consists of the following:

	2018	2017
Equity in Ottawa Trust Funds	365,541	72,078
Equity in CMHC operating reserve	25,027	80,434
Equity in CMHC replacement reserve	118,956	140,241
Equity in CMHC subsidy deficit	-	(119,193)
Equity in tangible capital assets	7,103,819	7,182,917
Unrestricted (deficit) surplus	(1,755,980)	509,291
	<b>5,857,363</b>	<b>7,865,768</b>

The First Nation does not maintain a moveable asset reserve.

At March 31, 2018, a cumulative \$892,995 of costs incurred for litigation claims have decreased the unrestricted (deficit) surplus as disclosed in Note 12.

**16. Economic dependence**

The Key First Nation receives a significant portion of its revenue from Indigenous Services Canada (ISC) as a result of Treaties entered into with the Government of Canada. These Treaties are administered by ISC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these Treaties.

**17. ISC Reconciliation**

	2018	2017
ISC funding per confirmation	3,349,212	3,170,597
<b>Add (less): funding reconciliations</b>		
Special needs	-	(2,547)
Basic needs	-	28,614
Band employee benefits	-	662
Provincial special education	(48,719)	(4,320)
Provincial tuition	-	(319)
P&ID - gov capacity dev - mgmt/info technology	-	(16,000)
P&ID - gov capacity dev - by-law policy	(7,000)	-
	<b>(55,719)</b>	<b>6,090</b>
Deferred revenue - beginning of year	453,147	119,256
Deferred revenue - end of year	(1,022,440)	(453,147)
	<b>(569,293)</b>	<b>(333,891)</b>
	<b>2,724,200</b>	<b>2,842,796</b>

**18. Reconciliation of funding from Health Canada**

	2018	2017
Funding per Health Canada confirmation	387,223	364,261

**19. Segments**

The First Nation has 8 reportable segments. These segments are differentiated by the major activities or services they provide. The First Nation's segments are as follows:

**Band Government** - includes administration and governance activities.

**Education** - includes the operations of education programs.

**Economic Development** - includes activities for the development of the First Nation's land and resources.

**Social** - activities include delivering social programs.

**Community** - includes activities for the maintenance of the community and its infrastructure.

**Housing** - includes the operations of housing programs.

**Community Health** - includes operation of health programs.

**Other** - other band programs which do not meet the criteria for the other segments.

Inter-segment transfers are recorded at their exchange amount. The accounting policies of the segments are the same as those described in Note 2.

**20. Comparative figures**

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

**21. Issuance of financial statements after July 29, 2018**

The First Nation is required to post its consolidated financial statements on a website and submit the consolidated financial statements to ISC by July 29, 2018. As the audit report date is dated after this date, the First Nation is in violation of this requirement. The possible effect on this violation has not yet been determined.

**22. Budget information**

The disclosed budget information was approved by the Chief and Council of the First Nation on April 12, 2017.

In preparation of the budget, the amount budgeted for interest on long-term debt included the principal portion of loan payments which is not in accordance with Canadian public sector accounting standards. The principal portion of loan payments was adjusted which resulted in a \$375,464 change to the annual deficit budgeted.

The budget process followed by management only includes activities directed by the First Nation. Management does not prepare a budget for capital projects administered through third party project managers.

Budgets for the Community Health segment are not included as part of the consolidated financial statements.

Budget as approved	188,296
Loan principal repayments	375,464
Ottawa Trust Fund transfers	<u>140,000</u>
Budget as presented	703,760

**The Key First Nation**  
**Schedule 1 - Consolidated Schedule of Tangible Capital Assets**

*For the year ended March 31, 2018*

	<i>Buildings</i>	<i>Housing</i>	<i>Equipment</i>	<i>Water &amp; Sewer</i>	<i>Land</i>	<i>Subtotal</i>
<b>Cost</b>						
Balance, beginning of year	3,850,411	5,187,115	848,691	632,491	4,316,020	14,834,728
Acquisition of tangible capital assets	-	58,516	-	-	-	58,516
Disposal of tangible capital assets	-	(114,898)	-	-	-	(114,898)
Balance, end of year	3,850,411	5,130,733	848,691	632,491	4,316,020	14,778,346
<b>Accumulated amortization</b>						
Balance, beginning of year	2,145,369	2,253,665	604,255	350,060	-	5,353,349
Annual amortization	159,607	163,283	28,622	29,123	-	380,635
Accumulated amortization on disposals	-	(53,475)	-	-	-	(53,475)
Balance, end of year	2,304,976	2,363,473	632,877	379,183	-	5,680,509
<b>Net book value of tangible capital assets</b>	<b>1,545,435</b>	<b>2,767,260</b>	<b>215,814</b>	<b>253,308</b>	<b>4,316,020</b>	<b>9,097,837</b>
2017 Net book value of tangible capital assets	1,705,042	2,933,450	244,436	282,431	4,316,020	9,481,379

**The Key First Nation**  
**Schedule 1 - Consolidated Schedule of Tangible Capital Assets**  
*For the year ended March 31, 2018*

	<i>Subtotal</i>	<i>Vehicles</i>	<i>2018</i>	<i>2017</i>
<b>Cost</b>				
Balance, beginning of year	14,834,728	212,498	15,047,226	14,695,460
Acquisition of tangible capital assets	58,516	-	58,516	351,766
Disposal of tangible capital assets	(114,898)	-	(114,898)	-
Balance, end of year	14,778,346	212,498	14,990,844	15,047,226
<b>Accumulated amortization</b>				
Balance, beginning of year	5,353,349	151,066	5,504,415	5,109,873
Annual amortization	380,635	11,687	392,322	394,542
Accumulated amortization on disposals	(53,475)	-	(53,475)	-
Balance, end of year	5,680,509	162,753	5,843,262	5,504,415
<b>Net book value of tangible capital assets</b>	<b>9,097,837</b>	<b>49,745</b>	<b>9,147,582</b>	<b>9,542,811</b>
2017 Net book value of tangible capital assets	9,481,379	61,432	9,542,811	

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

	<b>2018 Budget (Note 22)</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
<b>Consolidated expenses by object</b>			
Salaries and benefits	1,021,158	1,342,993	1,226,151
Repairs and maintenance	418,731	1,117,017	449,264
Student expenses	650,200	931,324	907,121
Contracted services	166,100	657,824	329,326
Travel and meetings (Note 12)	554,787	517,407	487,105
Insurance (Note 12)	32,218	481,528	55,224
Band support	120,000	446,763	522,269
Professional fees (Note 12)	57,000	406,836	111,138
Amortization	-	392,322	394,542
Community events, culture and recreation	110,000	373,872	204,761
Social assistance	431,679	366,855	413,480
Election costs	40,000	138,003	47,653
Consulting	20,000	109,329	30,147
Wakes and funerals	60,000	90,062	117,822
Bank charges and interest	16,600	72,867	31,976
Interest on long-term debt	17,960	66,224	72,904
Utilities	6,000	56,361	65,413
Office supplies	50,100	50,433	56,471
Per capita distributions	-	36,984	80,132
Supplies	30,000	36,618	28,783
Community development costs	169,000	33,450	142,697
Telephone	22,300	32,141	44,493
Property tax	-	31,467	23,580
Elders	10,000	29,747	25,530
Training	25,600	10,170	11,458
Program expense	-	6,648	14,078
Bad debts	-	3,728	14,524
Advertising	5,000	-	6,184
Administration (recovery)	(35,428)	-	-
	<b>3,999,005</b>	<b>7,838,973</b>	<b>5,914,226</b>

**The Key First Nation  
Band Government**  
**Schedule 3 - Schedule of Revenue and Expenses**  
*For the year ended March 31, 2018*

	<b>2018 Budget (Note 22)</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
<b>Revenue</b>			
Indigenous Services Canada	419,653	570,440	432,945
Other	390,400	53,802	69,441
Yorkton Tribal Council	-	10,680	11,191
Painted Hand CDC	40,000	-	-
	<b>850,053</b>	<b>634,922</b>	<b>513,577</b>
<b>Expenses</b>			
Salaries and benefits	603,861	592,658	529,755
Insurance (Note 12)	3,500	425,908	1,194
Contracted services	21,300	377,464	79,645
Professional fees (Note 12)	30,000	360,741	74,887
Travel and meetings (Note 12)	148,000	243,602	190,729
Election costs	40,000	138,003	47,653
Community events, culture and recreation	110,000	119,800	171,687
Band support	120,000	109,954	144,754
Wakes and funerals	60,000	89,612	68,108
Consulting	20,000	63,796	20,397
Bank charges and interest	15,000	62,377	21,471
Interest on long-term debt	-	48,264	1,902
Office supplies	45,050	31,418	39,454
Elders	10,000	29,747	25,530
Community development costs	9,000	23,802	-
Telephone	20,800	21,291	27,140
Repairs and maintenance	15,000	7,135	413
Training	5,000	5,570	2,878
Utilities	-	4,617	-
Bad debts	-	3,728	2,357
Amortization	-	1,596	3,615
Program expense	-	340	6,435
Advertising	5,000	-	6,184
Administration (recovery)	(144,101)	(61,316)	(88,529)
	<b>1,137,410</b>	<b>2,700,107</b>	<b>1,377,659</b>
<b>Deficit before transfers</b>	<b>(287,357)</b>	<b>(2,065,185)</b>	<b>(864,082)</b>
<b>Transfers between programs</b>	<b>431,200</b>	<b>471,308</b>	<b>549,951</b>
<b>(Deficit) surplus</b>	<b>143,843</b>	<b>(1,593,877)</b>	<b>(314,131)</b>

**The Key First Nation**  
**Education**  
**Schedule 4 - Schedule of Revenue and Expenses**  
*For the year ended March 31, 2018*

	<b>2018 Budget (Note 22)</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
<b>Revenue</b>			
Indigenous Services Canada	<b>1,087,325</b>	<b>1,094,722</b>	1,145,216
Yorkton Tribal Council	<b>-</b>	<b>73,775</b>	<b>-</b>
	<b>1,087,325</b>	<b>1,168,497</b>	1,145,216
<b>Expenses</b>			
Student expenses	<b>650,200</b>	<b>931,324</b>	833,368
Salaries and benefits	<b>74,650</b>	<b>112,460</b>	78,799
Contracted services	<b>34,100</b>	<b>41,670</b>	40,139
Travel and meetings	<b>247,500</b>	<b>36,583</b>	13,031
Repairs and maintenance	<b>27,000</b>	<b>17,135</b>	26,395
Administration	<b>59,852</b>	<b>14,648</b>	3,265
Amortization	<b>-</b>	<b>11,686</b>	19,701
Social assistance	<b>1,000</b>	<b>6,365</b>	3,840
Office supplies	<b>50</b>	<b>5,844</b>	98
Bank charges and interest	<b>800</b>	<b>396</b>	719
Insurance	<b>680</b>	<b>253</b>	1,665
	<b>1,095,832</b>	<b>1,178,364</b>	1,021,020
<b>(Deficit) surplus</b>	<b>(8,507)</b>	<b>(9,867)</b>	124,196



**The Key First Nation**  
**Economic Development**  
**Schedule 5 - Schedule of Revenue and Expenses**  
*For the year ended March 31, 2018*

	<b>2018 Budget (Note 22)</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
<b>Revenue</b>			
Indigenous Services Canada	100,228	210,199	100,228
Painted Hand CDC	160,000	140,810	158,294
Yorkton Tribal Council	47,000	46,700	46,700
Other	-	1,797	5,266
	<b>307,228</b>	<b>399,506</b>	310,488
<b>Expenses</b>			
Repairs and maintenance	1,500	315,917	9,022
Community events, culture and recreation	-	77,746	5,300
Contracted services	-	75,318	3,672
Salaries and benefits	69,209	52,035	49,938
Travel and meetings	21,000	39,613	44,336
Consulting	-	37,334	1,000
Supplies	30,000	19,892	2,367
Administration	15,200	10,023	10,023
Band support (recovery)	-	9,609	(952)
Community development costs	160,000	8,898	142,697
Office supplies	-	3,035	466
Program expense	-	200	-
Telephone	-	75	550
Training	15,000	-	-
Property tax	-	-	1,516
Utilities	-	-	1,531
	<b>311,909</b>	<b>649,695</b>	271,466
<b>(Deficit) surplus</b>	<b>(4,681)</b>	<b>(250,189)</b>	39,022

**The Key First Nation  
Social**

**Schedule 6 - Schedule of Revenue and Expenses**

*For the year ended March 31, 2018*

	<b>2018 Budget (Note 22)</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
<b>Revenue</b>			
Indigenous Services Canada	515,921	440,267	478,161
<b>Expenses</b>			
Social assistance	430,679	360,490	409,640
Salaries and benefits	46,686	43,920	44,700
Travel and meetings	35,107	8,903	14,574
Supplies	-	3,834	-
Bank charges and interest	-	2,011	2,230
Training	3,600	450	6,858
Administration	5,948	-	-
Contracted services	-	-	22,344
	522,020	419,608	500,346
<b>Surplus (deficit)</b>	<b>(6,099)</b>	<b>20,659</b>	<b>(22,185)</b>

**The Key First Nation  
Community**  
**Schedule 7 - Schedule of Revenue and Expenses**  
*For the year ended March 31, 2018*

	<b>2018 Budget (Note 22)</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
<b>Revenue</b>			
Indigenous Services Canada	448,749	217,672	599,150
Other	-	300	950
Interest (expense) income	-	(50)	19
	<b>448,749</b>	<b>217,922</b>	<b>600,119</b>
<b>Expenses</b>			
Repairs and maintenance	304,111	319,443	218,105
Amortization	-	215,657	227,130
Community events, culture and recreation	-	125,106	-
Salaries and benefits	85,400	86,605	82,685
Contracted services	37,200	62,789	67,657
Utilities	6,000	31,772	43,654
Travel and meetings	9,180	12,275	5,770
Supplies	-	2,534	-
Telephone	-	675	1,050
Training	2,000	150	1,722
Insurance	8,439	-	-
Administration	4,620	-	-
Consulting	-	-	8,000
Bank charges and interest	-	-	120
	<b>456,950</b>	<b>857,006</b>	<b>655,893</b>
<b>Deficit</b>	<b>(8,201)</b>	<b>(639,084)</b>	<b>(55,774)</b>

**The Key First Nation  
Housing**

**Schedule 8 - Schedule of Revenue and Expenses**  
*For the year ended March 31, 2018*

	<b>2018 Budget (Note 22)</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
<b>Revenue</b>			
Indigenous Services Canada	61,268	177,363	87,096
Canada Mortgage and Housing Corporation	76,650	262,638	191,406
Other	2,880	119,193	-
Rental income	171,649	93,383	84,189
	<b>312,447</b>	<b>652,577</b>	362,691
<b>Expenses</b>			
Repairs and maintenance	71,120	449,952	186,269
Amortization	-	163,283	143,973
Salaries and benefits	84,320	79,764	81,508
Insurance	19,599	55,366	52,365
Interest on long-term debt	17,960	17,960	25,239
Professional fees	6,000	13,374	12,973
Contracted services	-	8,299	10,593
Travel and meetings	8,000	6,557	15,811
Supplies	-	1,168	294
Bank charges and interest	800	623	709
Office supplies	-	-	427
Administration	-	-	6,126
	<b>207,799</b>	<b>796,346</b>	536,287
<b>(Deficit) surplus before other item</b>	<b>104,648</b>	<b>(143,769)</b>	(173,596)
<b>Other item</b>			
(Loss) gain on disposal of tangible capital assets	-	(61,423)	66,413
<b>(Deficit) surplus</b>	<b>104,648</b>	<b>(205,192)</b>	(107,183)

**The Key First Nation**  
**Community Health**  
**Schedule 9 - Schedule of Revenue and Expenses**  
*For the year ended March 31, 2018*

	<b>2018 Budget (Note 22)</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
<b>Revenue</b>			
Health Canada	-	<b>387,223</b>	364,261
Indigenous Services Canada	<b>13,537</b>	<b>13,537</b>	-
Yorkton Tribal Council	-	<b>143,505</b>	160,070
Other	-	<b>2,000</b>	4,013
	<b>13,537</b>	<b>546,265</b>	528,344
<b>Expenses</b>			
Salaries and benefits	-	<b>339,028</b>	310,952
Contracted services	<b>13,500</b>	<b>87,084</b>	86,576
Travel and meetings	-	<b>60,788</b>	82,665
Community events, culture and recreation	-	<b>31,220</b>	27,774
Utilities	-	<b>18,815</b>	20,227
Administration	-	<b>13,592</b>	34,982
Telephone	-	<b>10,100</b>	15,752
Supplies	-	<b>9,191</b>	26,122
Repairs and maintenance	-	<b>7,435</b>	8,360
Office supplies	-	<b>6,819</b>	12,398
Program expense	-	<b>6,109</b>	7,643
Training	-	<b>4,000</b>	-
Bank charges and interest	-	<b>2,149</b>	2,230
Consulting	-	-	750
Bad debts	-	-	12,167
	<b>13,500</b>	<b>596,330</b>	648,598
<b>(Deficit) surplus</b>	<b>37</b>	<b>(50,065)</b>	(120,254)

**The Key First Nation**  
**Other**

**Schedule 10 - Schedule of Revenue and Expenses**  
*For the year ended March 31, 2018*

	<b>2018 Budget (Note 22)</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
<b>Revenue</b>			
Key First Nation Pelly Haylands Trust	253,585	782,175	971,236
Lease income	533,920	611,620	529,229
First Nations Trust	380,000	431,284	425,184
Interest income	-	5,542	1,672
Other	-	1,415	4,075
	<b>1,167,505</b>	<b>1,832,036</b>	<b>1,931,396</b>
<b>Expenses</b>			
Band support	-	327,200	378,468
Travel and meetings	86,000	109,086	120,191
Per capita distributions	-	36,984	80,132
Salaries and benefits	57,032	36,524	47,814
Professional fees	21,000	32,721	23,278
Property tax	-	31,467	22,065
Administration	23,053	23,053	34,133
Community events, culture and recreation	-	20,000	-
Consulting	-	8,199	-
Bank charges and interest	-	5,311	4,497
Contracted services	60,000	5,200	18,700
Office supplies	5,000	3,317	3,627
Utilities	-	1,156	-
Community development costs	-	750	-
Wakes and funerals	-	450	49,714
Amortization	-	99	124
Telephone	1,500	-	-
Repairs and maintenance	-	-	699
Interest on long-term debt	-	-	45,763
Student expenses	-	-	73,752
	<b>253,585</b>	<b>641,517</b>	<b>902,957</b>
<b>Surplus before transfers</b>	<b>913,920</b>	<b>1,190,519</b>	<b>1,028,439</b>
<b>Transfers between programs</b>	<b>(431,200)</b>	<b>(471,308)</b>	<b>(549,951)</b>
<b>Surplus</b>	<b>482,720</b>	<b>719,211</b>	<b>478,488</b>