

Kawacatoose First Nation
Consolidated Financial Statements
March 31, 2018

Kawacatoose First Nation

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For the year ended March 31, 2018

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To the Members of Kawacatoose First Nation:

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.

Chief and Council are responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Chief and Council fulfil these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

MNP LLP is appointed by Chief and Council to audit the consolidated financial statements and report directly to the Members of Kawacatoose First Nation; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Chief and Council and management to discuss their audit findings.

September 11, 2018

Signed By: Sheila Kay-Machiskinic
Management

To the Members of Kawacatoose First Nation:

We have audited the accompanying consolidated financial statements of Kawacatoose First Nation, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations and accumulated surplus, changes in net 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 our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kawacatoose First Nation as at March 31, 2018 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Saskatoon, Saskatchewan

September 11, 2018

MNP LLP

Chartered Professional Accountants

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

	2018	2017
Financial assets		
Current		
Restricted cash	151,871	265,679
Accounts receivable (Note 4)	409,908	696,292
Inventory for resale	35,874	-
	597,653	961,971
Investment in Nation business entity (Note 5)	156,766	219,366
Funds held in trust (Note 6)	82,794	77,010
	837,213	1,258,347
Liabilities		
Current		
Bank indebtedness (Note 7)	420,268	527,776
Accounts payable and accruals	1,184,524	693,691
Deferred revenue (Note 8)	1,073,356	1,082,308
Due to related parties (Note 9)	1,960,535	2,034,596
Current portion of environmental fine	40,000	20,000
Current portion of long term debt and capital lease obligations (Note 10), (Note 11)	712,023	1,283,655
	5,390,706	5,642,026
Long-term debt (Note 10)	5,081,978	3,309,052
Capital lease obligations (Note 11)	404,576	283,971
Environmental fine	60,000	80,000
	10,937,260	9,315,049
Net debt	(10,100,047)	(8,056,702)
Contingent liabilities (Note 12)		
Non-financial assets		
Tangible capital assets (Note 13)	27,120,729	28,221,755
Prepaid expenses	70,007	-
Total non-financial assets	27,190,736	28,221,755
Accumulated surplus (Note 14)	17,090,689	20,165,053
Approved on behalf of Chief and Council		
Signed By: Cory Dustyhorn	A/Chief	Signed By: Sheila Kay-Machiskinic
		Councilor

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

Kawacatoose First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2018

	2018 Budget (Note 17)	2018 Actual	2017 Actual
Revenues			
Indigenous Services Canada (Note 19)	3,753,631	7,179,219	7,083,736
Health Canada	1,451,620	1,435,721	1,500,427
Retail sales	-	1,074,947	137,312
First Nations Trust	1,116,000	1,022,972	1,008,302
Touchwood Agency Tribal Council Inc.	249,686	665,722	616,624
Other	-	403,478	175,424
Dakota Dunes CDC	362,607	382,798	398,936
Canada Mortgage and Housing Corporation	-	199,964	437,521
Lease	-	166,765	95,345
Rental	-	110,490	199,399
Insurance proceeds	-	110,000	-
Contribution from Kawacatoose TLE	-	40,000	184,871
BHP Billiton	-	25,000	343,233
Interest	-	3,202	3,928
Loss from investment in Nation business entity (Note 5)	-	(62,600)	(13,936)
Total revenues	6,933,544	12,757,678	12,171,122
Program expenses			
Band Government	2,042,104	3,305,454	2,131,613
Band Project Revenue	69,000	1,488,129	424,130
Capital	-	1,795,382	1,237,427
CMHC Housing	-	415,100	364,024
Community Based Services	1,445,259	1,574,936	1,679,522
Community Infrastructure	1,272,132	1,726,050	1,378,403
Education	2,462,002	2,525,646	2,310,158
Lands and Membership	23,397	322,519	543,582
Post Secondary	-	1,311,299	1,077,576
Social Delivery	-	1,367,527	1,439,487
Total program expenses	7,313,894	15,832,042	12,585,922
Deficit	(380,350)	(3,074,364)	(414,800)
Accumulated surplus, beginning of year	20,165,053	20,165,053	20,579,853
Accumulated surplus, end of year	19,784,703	17,090,689	20,165,053

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

Kawacatoose First Nation
Consolidated Statement of Changes in Net Debt
For the year ended March 31, 2018

	2018 Budget (Note 17)	2018 Actual	2017 Actual
Deficit	(380,350)	(3,074,364)	(414,800)
Purchases of tangible capital assets	-	(216,668)	(1,774,424)
Tangible capital assets acquired through capital lease	-	(369,716)	(197,494)
Amortization of tangible capital assets	-	1,687,410	1,530,274
	-	1,101,026	(441,644)
Acquisition of prepaid expenses	-	(70,007)	-
Changes in net debt	(380,350)	(2,043,345)	(856,444)
Net debt, beginning of year	(8,056,702)	(8,056,702)	(7,200,258)
Net debt, end of year	(8,437,052)	(10,100,047)	(8,056,702)

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

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

	2018	2017
Cash provided by (used for) the following activities		
Operating activities		
Deficit	(3,074,364)	(414,800)
Non-cash items		
Amortization of tangible capital assets	1,687,410	1,530,274
Loss from investment in Nation business entity	62,600	13,936
	(1,324,354)	1,129,410
Changes in accounts		
Accounts receivable	286,384	(274,057)
Inventory for resale	(35,874)	20,398
Prepaid expenses	(70,007)	-
Accounts payable and accruals	490,833	(584,233)
Deferred revenue	(8,952)	81,951
	(661,970)	373,469
Financing activities		
Decrease in bank indebtedness	(107,508)	(99,966)
Decrease in due to related parties (net)	(74,061)	(32,886)
Environmental fine	-	100,000
Advances of long-term debt	2,038,074	3,103,749
Repayment of long-term debt	(887,915)	(1,619,758)
Repayment of capital lease obligations	(197,976)	-
	770,614	1,451,139
Capital activities		
Purchases of tangible capital assets	(216,668)	(1,774,424)
Investing activities		
Decrease (increase) in restricted cash	113,808	(135,975)
Decrease (increase) in funds held in trust (net)	(5,784)	85,791
	108,024	(50,184)
Increase in cash resources	-	-
Cash resources, beginning of year	-	-
Cash resources, end of year	-	-
Supplementary cash flow information		
Interest paid	232,634	145,449

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

1. Operations

The Kawacatoose First Nation (the "First Nation") is located in Treaty 4 Territory, Canada and provides various services to its Members. The Kawacatoose First Nation financial reporting entity includes the First Nation's operations and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

2. Change in 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 and are prepared in accordance with Canadian public sector accounting standards, and include the following significant accounting policies:

Reporting entity

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

The First Nation has consolidated the assets, liabilities, revenues and expenses of the following entities and departments:

- Kawacatoose First Nation;
- Kawacatoose First Nation CMHC Housing;
- Kawacatoose Business Development Corporation;
- Kanosis Business Development Limited Partnership;
- Asiniw Resources Ltd.;
- Kawacatoose Enterprises (590376 Saskatchewan Ltd.); and
- Kawacatoose General Store.

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.

Business enterprises that are separate legal entities and are owned or controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method. 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 First Nation. Thus, the First Nation's investment in these entities 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. 101159591 Saskatchewan Ltd., operating as KFN Market Husky, is accounted for by the modified equity basis.

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

Basis of presentation

Sources of revenues 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.

Restricted cash

Restricted cash consists of funds held in the CMHC replacement reserve bank account, the CMHC operating reserve bank account and separate bank accounts set up for capital projects.

Inventory

Inventory for resale is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

Funds held in trust

Funds held in trust on behalf of First Nation's Members by the Government of Canada consist of:

- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

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

Net debt

The First Nation's consolidated 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 comprise a second indicator of financial position, accumulated surplus.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Contributed tangible assets are recorded at their fair value at the date of contribution.

Land purchased is recorded at the purchase price. Original reserve land is not recognized in the First Nation's consolidated financial statements.

Capital lease

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at the present value of the minimum lease payments. Assets under capital leases are amortized on the straight-line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

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

Amortization

Tangible capital assets are amortized using the straight line method at rates intended to amortize the cost of the assets over their estimated useful lives:

	<i>Rate</i>
Buildings	25 years
Housing	25 years
Subdivision	25 years
Equipment	5 years
Water and sewer	25 years
Roads	25 years

Projects under construction are not amortized until they are put into use. Land is not amortized.

Revenue recognition

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.

Rental revenue is recognized over the rental term. Contributions from Kawacatoose TLE are recorded in the period the resources are used for the purpose specified by the terms of the contributions. Other revenues earned from other services provided by the First Nation are recognized when the service has been provided. Insurance proceeds are recognized when collection is reasonably assured.

Retail sales are recognized when the sale is made and the customer takes possession of the merchandise.

Use of estimates

The preparation of consolidated financial statements 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 revenues and expenditures during the reporting period. These estimates/assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the records in the periods in which they become known.

Accounts receivable 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. Deferred revenues are recorded based on estimated eligible expenses incurred in the related programs.

Segments

The First Nation conducts its business through 12 reportable segments (Note 16). 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.

For each reported segment, revenues 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.

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

Related entities financial statements

Separate financial statements are prepared for the following related entities:

- Kawacatoose First Nation CMHC Housing; and
- 101159591 Saskatchewan Ltd.

These entities are related by common ownership. 101159591 Saskatchewan Ltd. has a December 31 year-end.

The First Nation is also related to Kawacatoose Treaty Land Entitlement Trust and Kawacatoose Specific Claim Trust. These Trusts are not included in the consolidated financial statements of the Kawacatoose First Nation as they are administered by Trustees and are governed by Trust Agreements. The Trusts have December 31 year-ends.

Other economic interests

The Kawacatoose First Nation is a member of the Touchwood Agency Specific Claim. The Touchwood Agency Specific Claim is an organization of five Nations, whose purpose is to negotiate a specific claim with regards to the Department of Indigenous Services Canada's alleged mismanagement of funds of the Touchwood Agency during the period 1920 to 1924.

The Kawacatoose First Nation is a member of Touchwood Child and Family Services Inc. Touchwood Child and Family Services Inc. is an organization of six Nations, whose purpose is to provide Child and Family services to the member Nations.

The Kawacatoose First Nation is a member of the Touchwood Agency Tribal Council Inc. The Touchwood Agency Tribal Council Inc. is an organization of four Nations, whose purpose is to provide services to the member Nations.

The First Nation does not share in the significant risks and benefits of the operations of the above entities. As a result, the financial statements of the Touchwood Agency Specific Claim, Touchwood Child and Family Services Inc. and Touchwood Agency Tribal Council Inc. have not been reported in these consolidated financial statements of Kawacatoose First Nation.

The First Nation is a member of several other entities. The First Nation does not share in the significant risks and benefits associated with the operations of these entities. As a result these entities have not been reported in these consolidated financial statements.

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2018. There are no known liabilities at March 31, 2018.

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

4. Accounts receivable

	2018	2017
Touchwood Agency Tribal Council Inc.	183,898	142,683
Dakota Dunes CDC	174,955	175,286
GST rebates	26,856	50,376
Canada Mortgage and Housing Corporation	11,264	191,564
Other	7,105	2,000
Health Canada	5,830	3,632
BHP Billiton Ltd.	-	97,150
Indigenous Services Canada	-	33,601
	409,908	696,292

5. Investment in Nation business entity

The First Nation holds the following investment in a commercial enterprise:

	<i>Opening</i>	<i>Share of loss</i>	<i>Contribution</i>	<i>Total investment</i>
101159591 Saskatchewan Ltd. (operating as KFN Market Husky)	219,366	(62,600)	-	156,766

Summary financial information for 101159591 Saskatchewan Ltd. is as follows:

	<i>As at December 31, 2017</i>
Assets	
Current	246,750
Long-term	17,012
Total assets	263,762
Liabilities	
Current	106,996
Net assets	156,766
Total revenues	2,159,469
Total expenses	2,222,069
Net loss	(62,600)

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

6. Funds held in trust

Funds held in trust are held on behalf of the Members of Kawacatoose First Nation by the Government of Canada and consist of a revenue trust fund. Moneys are transferred from the fund to the First Nation on the authorization of the First Nation's Chief and Council, with the consent of the Minister of Indigenous Services Canada.

	2018	2017
Revenue Trust		
Balance, beginning of year	77,010	162,801
Interest	3,202	3,884
Land leases	166,765	95,345
	246,977	262,030
Less: Transfers to Nation	164,183	185,020
Balance, end of year	82,794	77,010

7. Bank indebtedness

The First Nation has lines of credit available with Peace Hills Trust Company with authorized limits of \$250,000 and \$200,000 secured by an assignment of ISC funding, bearing interest at 24% and prime plus 3.0% respectively. As at March 31, 2018, \$82,496 (2017 - \$238,596) and \$200,000 (2017 - \$100,000) had been advanced respectively. The remainder of bank indebtedness includes outstanding cheques and deposits that had not cleared the bank.

8. Deferred revenue

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

	Balance 2017	Contributions received	Contributions recognized	Balance 2018
Treaty Land Entitlement Trust - Band Development	921,439	-	40,000	881,439
Indigenous Services Canada - Immediate needs	-	250,000	105,359	144,641
Indigenous Services Canada - Capital projects	74,938	33,751	61,413	47,276
CMHC - Retrofit	85,931	-	85,931	-
	1,082,308	283,751	292,703	1,073,356

9. Due to related parties

Amounts due to Kawacatoose Treaty Land Entitlement Trust include a \$500,000 loan (2017 - \$500,000) with interest at 8%. Remaining amounts are non-interest bearing, unsecured and with no fixed repayment terms. These parties are related through common membership.

	2018	2017
Kawacatoose Treaty Land Entitlement Trust	1,920,656	1,994,717
Kawacatoose Specific Claim Trust	39,879	39,879
	1,960,535	2,034,596

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

10. Long-term debt

The following 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:

Phase	Monthly Payment Including Interest	Interest Rate	Renewal Date	2018	2017
IV	---	---	---	---	22,402
XVI	552	4.99%	1-Jan-19	5,336	11,557
XVII	1,638	2.01%	1-Oct-19	118,290	135,394
XVIII	343	1.04%	1-Oct-20	28,759	32,559
XIX	1,647	2.06%	1-Nov-22	169,071	185,387
XX	1,733	1.04%	1-Oct-20	148,347	167,489
XXI	1,829	1.62%	1-May-18	292,168	309,252
XXII	4,220	1.97%	1-Dec-22	992,166	---
				1,754,137	864,040
Peace Hills Trust Company consolidation loan with interest at 6.00%. Repayable in quarterly instalments of \$160,000 including interest. Loan maturing January 2020, secured by a general security agreement and assignment of FNT and ISC funding.				3,850,000	3,103,749
Canada Mortgage and Housing Corporation Phase 22 refinanced during the year				-	486,189
				5,604,137	4,453,978
Less: current portion of long-term debt				522,159	1,144,926
				5,081,978	3,309,052

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

2019	522,159
2020	547,888
2021	570,204
2022	599,206
2023	629,995

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

11. Capital lease obligations

	2018	2017
Capital lease with Brandt Tractor Ltd. for a 2012 Terex Finlay 683T Screener, with blended monthly payments of \$4,102 including interest at 6.75%, with option to buy for \$1 at April 2022, secured by equipment with a net book value of \$168,589	172,141	-
Capital lease with Brandt Tractor Ltd. for a 2014 John Deere Loader, with interest at 6.75%, blended monthly payments of \$3,866, with the option to buy for \$1 at September 2021, secured by equipment with a net book value of \$157,995	147,281	179,589
Capital lease with Brandt Tractor Ltd. for a 2014 John Deere 770G Motor Grader, with interest at 8.50%, blended monthly payments of \$5,036, with the option to buy for \$1 at February 2020, secured by equipment with net book value of \$117,854	106,544	155,632
Capital lease with Brandt Tractor Ltd. for a 2017 John Deere 410L Backhoe, with interest at 6.75%, blended monthly payments of \$2,151, with option to buy for \$10 at May 2022, secured by equipment with net book value of \$86,228	93,444	-
Capital lease with Brandt Tractor Ltd. for a 2016 John Deere 318E Skid Steer Loader, with interest at 6.75%, blended monthly payments of \$1,020, with the option to buy for \$1 at July 2022, secured by equipment with net book value of \$40,896	44,884	-
Capital lease with Brandt Tractor Ltd. for a 2014 John Deere 210G Excavator, with interest at 6.75%, blended monthly payments of \$5,124, with the option to buy for \$1 at September 2018, secured by equipment with a net book value of \$50,520	30,146	87,479
	594,440	422,700
Less: current portion	189,864	138,729
	404,576	283,971

Minimum lease payments related to obligations under capital lease are as follows:

2019	224,822
2020	189,042
2021	133,644
2022	61,224
2023	5,209
	613,941
Less: imputed interest	19,501
	594,440
Less: current portion	189,864
	404,576

12. Contingent liabilities

Touchwood Agency Specific Claim

The Government of Canada provided Touchwood Agency Specific Claim with an interest-free loan of approximately \$2,250,000. The loan was used for research, development and negotiation of its claim related to the alleged mismanagement of the Touchwood Agency funds from 1920 to 1924. The loan is interest free and repayable on the earlier of March 31, 2010 or the date on which the claim is settled. There are provisions in the loan agreement with Indigenous Services Canada to have the repayment period extended. The five Nations who are members of the Touchwood Agency Specific Claim may be directly or indirectly responsible for the repayment of this loan. The amount of the liability, if any, is not determinable at this time. If any liability results from the loan, it will be recorded in the period the liability is determinable. As at March 31, 2018 the Government of Canada has not requested repayment. If the claim is not settled, it is uncertain if the loan will have to be paid back to the Government of Canada.

Kanosis Business Development Limited Partnership

At March 31, 2018 Kawacatoose Treaty Land Entitlement Trust had amounts receivable from Kanosis Business Development Limited Partnership exceeding \$4 million. These amounts are unsecured and non-interest bearing. Kawacatoose First Nation has advised that it will assume responsibility for this debt subject to receiving future oil revenues from FNOGMMMA and Membership approval. Amounts will be recorded as expenditures when the above conditions are met.

Funding

These consolidated financial statements are subject to review by the First Nation's funding agents. It is possible that adjustments could be made based on the results of their reviews. Any forfeited funding will be recorded in the year the amounts are determined.

Wrongful dismissal lawsuits

The First Nation has been named in lawsuits on behalf of former employees, seeking to recover damages allegedly sustained by them as a result of wrongful dismissal. The First Nation litigation will continue and a trial date has been set for February 2019 unless settled. A contingent liability of \$285,000 has been recorded for these claims.

Kawacatoose First Nation
Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

13. Tangible capital assets

Cost	Buildings	Housing	Subdivision	Equipment	Water and Sewer	Roads	Projects Under Construction	Purchased Land	2018	2017
Balance, beginning of year	14,607,001	10,696,684	693,824	1,947,382	6,635,967	1,148,714	3,466,516	8,637,240	47,833,328	45,861,410
Acquisition of tangible capital assets	82,036	134,632	-	369,716	-	-	-	-	586,384	1,971,918
Transfer of project under construction	-	3,060,765	321,248	84,503	-	-	(3,466,516)	-	-	-
Disposal of tangible capital assets	-	(934,455)	-	-	-	-	-	-	(934,455)	-
Balance, end of year	14,689,037	12,957,626	1,015,072	2,401,601	6,635,967	1,148,714	-	8,637,240	47,485,257	47,833,328
Accumulated amortization										
Balance, beginning of year	9,112,409	5,981,508	560,923	1,218,245	2,501,488	237,000	-	-	19,611,573	18,081,299
Annual amortization	582,228	405,648	40,603	347,543	265,439	45,949	-	-	1,687,410	1,530,274
Accumulated amortization on disposals	-	(934,455)	-	-	-	-	-	-	(934,455)	-
Balance, end of year	9,694,637	5,452,701	601,526	1,565,788	2,766,927	282,949	-	-	20,364,528	19,611,573
2018 Net book value	4,994,400	7,504,925	413,546	835,813	3,869,040	865,765	-	8,637,240	27,120,729	
2017 Net book value	5,494,592	4,715,176	132,901	729,137	4,134,479	911,714	3,466,516	8,637,240		28,221,755

Tangible capital assets include assets under capital lease with a gross cost of \$1,114,446 (2017 - \$744,730) and accumulated amortization of \$531,803 (2017 - \$308,913). During the year there was \$369,716 (2017 - \$197,494) of tangible capital assets purchased by capital lease.

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

14. Accumulated surplus

Accumulated surplus consists of the following:

	2018	2017
Operating fund	(4,382,955)	(3,872,348)
Capital asset fund	20,922,152	23,345,077
Commercial fund	156,766	219,366
CMHC operating reserve	17,630	52,058
CMHC subsidy surplus	-	58,743
CMHC replacement reserve	294,302	285,147
Trust funds	82,794	77,010
	17,090,689	20,165,053

At March 31, 2018 the CMHC reserves are underfunded by \$228,950 (2017 - \$250,573). The possible effect of this violation of the CMHC funding agreement has not yet been determined.

15. Funds / Reserves

The Kawacatoose First Nation maintains the following funds and reserves as part of its operations:

- Operating Fund reports on the general activities of the First Nation's administration;
- Capital Asset Fund reports on the capital assets and projects of the First Nation, with any related funding, capital financing proceeds and costs incurred transferred from the operating fund;
- Commercial Fund reports on commercial business operations owned by the First Nation;
- CMHC Operating Reserve is required as part of the First Nation's CMHC Housing Program. Any surpluses are externally restricted and reserved for future operating losses that relate to the operation of houses under this Program;
- CMHC Subsidy Surplus is required as part of the First Nation's CMHC Housing Program. Any surpluses, up to a maximum of \$500 per house per annum, are externally restricted and reserved for future operating losses that relate to the operation of houses under this Program;
- CMHC Replacement Reserve is required as part of the First Nation's CMHC Housing Program. It has been established for replacement of capital equipment and for major repairs to the houses; and
- Trust Funds report on trust moneys owned by the First Nation and held by the Government of Canada.

16. Segments

The First Nation has 12 reportable segments. These segments are differentiated by the major activities or services they provide. The First Nation's segments are as follows:

Ottawa Trust Funds - reports revenues allocated to the funds and transfers to other segments.

Investment in Business Enterprises - reports on gains and losses of investments in business enterprises.

Band Government - reports on administration and governance activities.

Band Project Revenue - reports band programs primarily funded with own source funding.

Capital - reports on capital projects and major repairs to housing and community buildings.

CMHC Housing - reports on the operations of the CMHC Housing Program.

Community Based Services - reports on the operations of the community's health program.

Community Infrastructure - reports on the operations and maintenance of infrastructure.

Education - reports on the operations of the education programs.

Lands and Membership - reports on administration of lands and membership.

Post Secondary - reports on funding spent to provide post secondary opportunities to Members of the First Nation.

Social Delivery - reports on the delivery of social programs.

Inter-segment transfers are recorded at their exchange amount. The accounting policies of the segments are the same as those described in Note 3.

Details of the segment revenues and expenses are provided in the accompanying schedules. There are no revenues or expenses that have not been allocated to a segment.

17. Budget information

The budget was approved by Chief and Council of Kawacatoose First Nation in March 2017. No amounts have been budgeted for amortization or capital asset purchases. Loan payments were included as expenses in the budget approved by Chief and Council, but have not been included in the consolidated budget as they would not be in accordance with Canadian Public Sector Accounting Standards.

The consolidated budget does not include budgeted amounts for CMHC Housing, Kawacatoose General Store, Post Secondary, and Social Development. CMHC Housing operates as a separate program and any amounts the First Nation expects to contribute are included in the budgets of other programs. The First Nation does not expect to contribute or receive distributions from the General Store so no budget was prepared. Post Secondary budgets depend on the number of students that receive funding. Social Development is a reimbursable program so no budget was prepared.

18. Economic dependence

Kawacatoose First Nation receives a significant portion of its revenues from the Government of Canada as a result of Treaties entered into with the Crown in Right of Canada. Indigenous Services Canada administers these Treaties on behalf of the Government of Canada 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.

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

19. Indigenous Services Canada

ISC funding per confirmation	7,319,556
Add:	
Deferred revenue, beginning of year	74,938
Deduct:	
Deferred revenue, end of year	(191,917)
17/18 Band Employee Benefits reconciliation	(19,422)
17/18 Institutional Care reconciliation	(335)
16/17 Band Employee Benefits reconciliation	(3,601)
	<hr/> 7,179,219 <hr/>

20. Compliance with laws

The First Nation is required to post its consolidated financial statements on a website and submit the consolidated financial statements to Indigenous Services Canada by July 29, 2018. The First Nation is in violation of this requirement. The possible effect of this violation has not yet been determined.

21. Comparative figures

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

Kawacatoose First Nation
Schedule of Consolidated Expenses by Object
For the year ended March 31, 2018

	2018 Budget (Note 17)	2018 Actual	2017 Actual
Salaries and benefits	3,929,975	4,835,437	4,556,484
Amortization	-	1,687,410	1,530,274
Repairs and maintenance	856,781	1,365,770	699,671
Travel	354,519	1,261,377	525,358
Student	51,421	1,228,102	992,401
Social assistance	-	1,059,299	1,037,930
Retail cost of sales	-	853,099	118,047
Supplies	325,565	690,604	494,965
Honouraria	555,617	600,127	609,388
Professional fees	60,500	474,640	200,064
Bank charges and interest	535,000	337,332	183,767
Cultural development	117,200	301,844	54,392
Training	232,745	214,762	94,883
Insurance	20,400	197,671	217,390
Member assistance	24,000	153,725	167,902
Utilities	75,599	132,313	190,747
Senior and youth programs	74,733	115,834	92,848
Program	12,450	92,680	99,087
Office	56,976	79,302	74,484
Telephone	69,000	79,110	87,163
Conference	-	64,381	-
Rent paid on behalf of CMHC	-	52,910	112,544
Interest paid to Kawacatoose TLE	-	40,000	40,000
Contracted services	-	35,800	29,540
Child benefits	200	32,738	161,843
Contribution to Kawacatoose TLE	-	-	213,769
Payment of prior year expenses	-	-	127,258
Environmental fine	-	-	100,000
Administration	(38,787)	(10,932)	75,131
Recovery of prior year expenses	-	(143,293)	(301,408)
	7,313,894	15,832,042	12,585,922

Kawacatoose First Nation
Ottawa Trust Funds
Consolidated Schedule of Segment Revenues and Expenses
For the year ended March 31, 2018

	2018	2017
Revenues		
Lease	166,765	95,345
Interest	3,202	3,884
Surplus before transfer	169,967	99,229
Transfer between programs	(164,183)	(185,020)
Surplus (deficit)	5,784	(85,791)

Kawacatoose First Nation
Investment in Business Enterprises
Consolidated Schedule of Segment Revenues and Expenses
For the year ended March 31, 2018

	<i>2018</i>	<i>2017</i>
Revenue		
Loss from investment in Nation business entity	(62,600)	(13,936)
Deficit	(62,600)	(13,936)

Kawacatoose First Nation
Band Government
Consolidated Schedule of Segment Revenues and Expenses
For the year ended March 31, 2018

	2018	2017
Revenues		
Indigenous Services Canada	663,013	695,512
First Nations Trust	1,022,972	1,008,302
Dakota Dunes CDC	382,798	398,936
Other	308,609	113,107
BHP Billiton	-	343,233
	2,377,392	2,559,090
Expenses		
Travel	626,446	186,078
Honouraria	575,120	566,402
Professional fees	456,197	157,306
Salaries and benefits	693,048	374,323
Bank charges and interest	296,008	151,760
Cultural development	277,256	38,190
Supplies	189,305	129,617
Member assistance	153,725	122,959
Senior and youth programs	85,288	41,511
Rent paid on behalf of CMHC	52,910	112,544
Telephone	51,103	41,528
Training	29,024	25,679
Repairs and maintenance	22,642	74,759
Office	20,265	27,581
Program	14,876	26,578
Student	12,500	23,300
Contribution to Kawacatoose TLE	-	68,898
Child benefits	-	600
Administration	(106,966)	(38,000)
Recovery of prior year expenses	(143,293)	-
	3,305,454	2,131,613
Surplus (deficit) before transfer	(928,062)	427,477
Transfer between programs	164,183	185,020
Surplus (deficit)	(763,879)	612,497

Kawacatoose First Nation
Band Project Revenue
Consolidated Schedule of Segment Revenues and Expenses
For the year ended March 31, 2018

	2018	2017
Revenues		
Indigenous Services Canada	38,393	26,680
Retail sales	1,074,947	137,312
Touchwood Agency Tribal Council Inc.	326,400	254,600
Other	56,107	-
BHP Billiton	25,000	-
	1,520,847	418,592
Expenses		
Retail cost of sales	853,099	118,047
Salaries and benefits	370,286	251,264
Travel	67,338	11,242
Conference	64,381	-
Repairs and maintenance	44,474	349
Office	34,201	3,431
Supplies	19,595	12,272
Bank charges and interest	15,308	1,357
Training	8,200	5,023
Utilities	5,647	4,458
Amortization	5,600	9,000
Professional fees	-	7,143
Telephone	-	294
Program	-	250
	1,488,129	424,130
Surplus (deficit)	32,718	(5,538)

Kawacatoose First Nation
Capital
Consolidated Schedule of Segment Revenues and Expenses
For the year ended March 31, 2018

	2018	2017
Revenues		
Indigenous Services Canada	40,317	85,076
Insurance proceeds	110,000	-
Canada Mortgage and Housing Corporation	77,146	127,988
Other	16,493	44,126
Interest	-	44
	243,956	257,234
Expenses		
Amortization	1,438,660	1,102,716
Repairs and maintenance	191,927	215,043
Salaries and benefits	122,127	201,236
Supplies	27,810	5,473
Travel	12,248	5,745
Utilities	2,610	6,989
Telephone	-	1,633
Recovery of prior year expenses	-	(301,408)
	1,795,382	1,237,427
Deficit	(1,551,426)	(980,193)

Kawacatoose First Nation
CMHC Housing
Consolidated Schedule of Segment Revenues and Expenses
For the year ended March 31, 2018

	2018	2017
Revenues		
Canada Mortgage and Housing Corporation	122,818	309,533
Rental	110,490	199,399
	233,308	508,932
Expenses		
Repairs and maintenance	145,570	139,004
Amortization	143,322	148,579
Salaries and benefits	88,334	-
Insurance	16,950	17,715
Bank charges and interest	11,001	30,544
Professional fees	9,923	9,732
Administration	-	18,450
	415,100	364,024
Surplus (deficit)	(181,792)	144,908

Kawacatoose First Nation
Community Based Services
Consolidated Schedule of Segment Revenues and Expenses
For the year ended March 31, 2018

	2018	2017
Revenues		
Health Canada	1,435,721	1,500,427
Other	12,429	9,135
	1,448,150	1,509,562
Expenses		
Salaries and benefits	907,347	902,084
Travel	183,080	140,478
Supplies	133,849	100,152
Amortization	99,828	269,979
Training	88,560	19,493
Program	53,130	60,254
Repairs and maintenance	30,562	40,001
Senior and youth programs	25,740	16,152
Utilities	15,775	16,265
Telephone	11,561	25,012
Honouraria	8,107	4,400
Cultural development	5,140	2,350
Office	4,859	4,880
Insurance	4,729	3,557
Bank charges and interest	2,489	106
Student	177	-
Administration	3	58,859
Professional fees	-	15,500
	1,574,936	1,679,522
Deficit	(126,786)	(169,960)

Kawacatoose First Nation
Community Infrastructure
Consolidated Schedule of Segment Revenues and Expenses
For the year ended March 31, 2018

	2018	2017
Revenues		
Indigenous Services Canada	1,346,080	1,295,035
Other	-	(5,252)
	1,346,080	1,289,783
Expenses		
Repairs and maintenance	863,264	186,309
Salaries and benefits	369,385	543,526
Insurance	171,843	191,767
Utilities	108,281	162,804
Supplies	85,849	76,814
Travel	70,165	39,209
Administration	35,349	10,600
Telephone	11,136	11,306
Bank charges and interest	5,026	-
Office	4,007	14,276
Training	1,745	7,534
Payment of prior year expenses	-	127,258
Professional fees	-	5,500
Program	-	1,500
	1,726,050	1,378,403
Deficit	(379,970)	(88,620)

Kawacatoose First Nation
Education
Consolidated Schedule of Segment Revenues and Expenses
For the year ended March 31, 2018

	2018	2017
Revenues		
Indigenous Services Canada	2,166,727	2,187,218
Touchwood Agency Tribal Council Inc.	339,322	362,024
Other	6,936	6,812
	2,512,985	2,556,054
Expenses		
Salaries and benefits	1,996,807	1,979,908
Supplies	188,604	95,137
Travel	134,195	80,463
Student	60,340	30,826
Training	43,892	35,295
Repairs and maintenance	36,193	8,561
Program	24,325	10,310
Honouraria	16,900	400
Cultural development	7,935	2,000
Bank charges and interest	7,500	-
Senior and youth programs	4,806	35,185
Insurance	4,149	4,351
Administration	-	25,222
Professional fees	-	2,500
	2,525,646	2,310,158
Surplus (deficit)	(12,661)	245,896

Kawacatoose First Nation
Lands and Membership
Consolidated Schedule of Segment Revenues and Expenses
For the year ended March 31, 2018

	2018	2017
Revenues		
Indigenous Services Canada	238,003	238,024
Contribution from Kawacatoose TLE	40,000	184,871
Other	-	5,301
	278,003	428,196
Expenses		
Salaries and benefits	130,996	146,972
Travel	76,492	19,120
Interest paid to Kawacatoose TLE	40,000	40,000
Repairs and maintenance	31,138	33,269
Administration	21,461	-
Training	14,027	1,114
Supplies	8,405	43,593
Utilities	-	231
Honouraria	-	400
Telephone	-	1,003
Professional fees	-	2,000
Office	-	11,009
Environmental fine	-	100,000
Contribution to Kawacatoose TLE	-	144,871
	322,519	543,582
Deficit	(44,516)	(115,386)

Kawacatoose First Nation
Post Secondary
Consolidated Schedule of Segment Revenues and Expenses
For the year ended March 31, 2018

	2018	2017
Revenues		
Indigenous Services Canada	1,239,223	1,119,221
Other	2,904	2,195
	1,242,127	1,121,416
Expenses		
Student	1,155,085	938,275
Salaries and benefits	57,669	57,923
Travel	37,170	27,103
Contracted services	35,800	29,540
Office	13,662	12,907
Supplies	7,953	7,163
Telephone	3,960	4,665
	1,311,299	1,077,576
Surplus (deficit)	(69,172)	43,840

Kawacatoose First Nation
Social Delivery
Consolidated Schedule of Segment Revenues and Expenses
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	1,447,463	1,436,970
Expenses		
Social assistance	1,059,299	1,037,930
Salaries and benefits	99,438	99,248
Travel	54,243	15,920
Administration	39,221	-
Child benefits	32,738	161,243
Training	29,314	745
Supplies	29,234	24,744
Cultural development	11,513	11,852
Professional fees	8,520	383
Office	2,308	400
Telephone	1,350	1,722
Program	349	195
Member assistance	-	44,943
Honouraria	-	37,786
Repairs and maintenance	-	2,376
	1,367,527	1,439,487
Surplus (deficit)	79,936	(2,517)