

KWIKWETLEM FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

KWIKWETLEM FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS **MARCH 31, 2017**

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING MARCH 31, 2017

The accompanying consolidated financial statements of Kwikwetlem First Nation and all the information in this annual report for the year ended March 31, 2017 are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgement. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Kwikwetlem First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Nation's assets are appropriately accounted for and adequately safeguarded.

The Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council review the Nation's financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report. The Chief and Council take this information into consideration when approving the consolidated financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

The consolidated financial statements have been audited by Reid Hurst Nagy Inc., Chartered Professional Accountants in accordance with Canadian generally accepted auditing standards on behalf of the Members. Reid Hurst Nagy Inc. has full access to the books and records of the Nation. Reid Hurst Nagy Inc. has full and free access to the Council for information purposes.

Lon Staskas
Chief

July 28/17
Date

Band Administrator
Reid Hurst Nagy Inc.
Councilor

Date
July 28/17
Date

Councilor

Date

Independent Auditor's Report

To the Members of
Kwikwetlem First Nation

We have audited the accompanying consolidated financial statements of Kwikwetlem First Nation, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations and accumulated surplus, change in net financial assets, 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 consolidated 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 consolidated 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 auditor's 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 First Nation'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 First Nation'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 Kwikwetlem First Nation as at March 31, 2017, and the results of its operations, the changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



REID HURST NAGY INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

RICHMOND, B.C.
JULY 28, 2017

KWIKWETLEM FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash	\$ 3,378,116	\$ 1,451,657
Restricted cash (Note 2)	26,564	26,558
Accounts receivable (Note 4)	280,603	664,366
Due from related parties (Note 3)	990,678	316,318
Long-term investments (Note 9)	1,602,326	1,005,730
Investments in First Nation controlled entities (Note 7)	-	450,162
Trust funds (Note 2)	30,438	29,652
	6,308,725	3,944,443
LIABILITIES		
Accounts payable and accrued liabilities (Note 11)	1,727,516	885,488
Deferred revenue	7,694	635
Callable debt (Note 10)	64,751	72,348
Investments in First Nation controlled entities (Note 7)	516,082	-
Long-term debt (Note 12)	690,278	721,924
Damage deposits	5,665	5,078
	3,011,986	1,685,473
NET FINANCIAL ASSETS	3,296,739	2,258,970
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	6,590,410	5,977,088
Prepaid expenses	44,273	174,559
Prepaid lease (Note 6)	165,000	-
	6,799,683	6,151,647
ACCUMULATED SURPLUS	\$ 10,096,422	\$ 8,410,617
MEMBERS' EQUITY		
Equity in Operating Fund	\$ 4,770,693	\$ 2,777,950
Equity in Capital Fund	5,144,344	4,491,780
Equity in Social Housing	667,030	661,073
Equity in Ottawa Trust Fund	30,437	29,652
Equity in Enterprise Fund	(516,082)	450,162
ACCUMULATED SURPLUS	\$ 10,096,422	\$ 8,410,617

APPROVED ON BEHALF OF THE KWIKWETLEM FIRST NATION

Ron Shasterkoff, Chief

Fred Wulff, Councilor

, Councillor

KWIKWETLEM FIRST NATION

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
<u>ANNUAL SURPLUS</u>	\$ 1,685,805	\$ 17,847
Acquisition of tangible capital assets	(1,166,536)	(1,603,214)
Amortization of tangible capital assets	553,214	403,199
	(613,322)	(1,200,015)
Acquisition of prepaid asset	(44,273)	(174,559)
Use of prepaid asset	174,559	87,635
Acquisition of prepaid lease	(165,000)	-
	(34,714)	(86,924)
DECREASE IN NET FINANCIAL ASSETS	1,037,769	(1,269,092)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,258,970	3,528,062
NET FINANCIAL ASSETS, END OF YEAR	\$ 3,296,739	\$ 2,258,970

KWIKWETLEM FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS FOR THE YEAR ENDED MARCH 31, 2017

	2017 Budget	2017 Actual	2016 Actual
REVENUE			
Indigenous and Northern Affairs Canada	\$ 288,842	\$ 808,576	\$ 616,520
Administration fee	-	65,934	27,298
BC Housing	158,303	4,400,100	537,896
BC Hydro	-	36,950	72,107
CMHC subsidies	3,830	36,724	37,396
Fireworks	-	30,978	39,786
First Nations Health Authority	-	108,797	127,122
FortisBC	-	96,957	51,747
Health Canada	4,113	49,931	49,793
Investment gain from First Nation controlled entities	-	(966,244)	447,252
Interest	-	18,652	16,146
Kinder Morgan Canada Inc.	-	2,077,373	37,641
Land lease	-	33,084	-
Miscellaneous	-	248,864	163,361
Province of British Columbia	-	1,535,000	611,250
Quantum Murray Limited Partnership contract	-	244,461	1,125,117
Rent	-	108,550	106,583
Saskay Land Development Limited Partnership	862,550	809,358	252,111
	1,317,638	9,744,045	4,319,126
EXPENSES			
Band Programs	1,051,032	1,722,511	1,967,255
Capital Projects	-	635,710	583,759
Community Services	25,000	2,932,089	406,711
Economic Development	578,048	2,904,801	2,532,927
Education	42,375	101,177	78,292
Health	-	221,811	216,320
Social Services	19,022	107,250	121,397
Social Housing	-	85,455	59,066
Capital Fund	-	521,568	372,839
Ottawa Trust Fund	-	-	-
Enterprise Fund	-	-	(9,349)
	1,715,477	9,232,372	6,329,217
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER	(422,839)	511,673	(2,010,092)
OTHER			
Tangible capital assets acquisitions	-	1,166,534	1,587,537
Principal reduction of long-term debt	-	7,598	424,726
Tangible capital assets disposals	-	-	(17,489)
CMHC adjustments	-	-	33,165
	-	1,174,132	2,027,939
ANNUAL SURPLUS	(422,839)	1,685,805	17,847
FUND BALANCE, BEGINNING OF YEAR	-	8,410,617	8,392,770
FUND BALANCE, END OF YEAR	\$ (422,839)	\$ 10,096,422	\$ 8,410,617

The accompanying notes are an integral part of the financial statements

KWIKWETLEM FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
OPERATING ACTIVITIES		
ANNUAL SURPLUS	\$ 1,685,805	\$ 17,847
Items not affecting cash		
Amortization	553,214	403,199
Share of income from First Nation controlled entities	966,244	(456,601)
Loss on tangible capital assets disposals	-	17,489
	<u>3,205,263</u>	<u>(18,066)</u>
Change in non-cash items on statement of financial position	<u>523,578</u>	<u>101,211</u>
	<u>3,728,841</u>	<u>83,145</u>
FINANCING ACTIVITIES		
Repayment of Social Housing long-term debt	(31,646)	(30,358)
Repayment of Capital Fund long-term debt	(7,598)	(424,726)
	<u>(39,244)</u>	<u>(455,084)</u>
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(1,166,536)	(1,620,703)
Redemption (purchase) of long-term investments	(596,596)	251,746
	<u>(1,763,132)</u>	<u>(1,368,957)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,926,465	(1,740,896)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,478,215	3,219,111
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,404,680	\$ 1,478,215
REPRESENTED BY:		
Cash	\$ 3,378,116	\$ 1,451,657
Restricted cash	26,564	26,558
	<u>\$ 3,404,680</u>	<u>\$ 1,478,215</u>

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of CPA Canada.

(a) Reporting Entity

The Kwikwetlem First Nation ("the First Nation") reporting entity includes the Kwikwetlem First Nation government and all related entities that are controlled by the First Nation.

(b) Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise and are included in the Consolidated Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Kwikwetlem First Nation's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Kwikwetlem First Nation.

Organizations consolidated in Kwikwetlem First Nation's financial statements include:

1. Kwikwetlem First Nation Operating Fund
2. Kwikwetlem First Nation Social Housing Fund
3. Kwikwetlem First Nation Capital Fund
4. Kwikwetlem First Nation Trust Fund
5. Kwikwetlem First Nation Enterprise Fund

Organizations accounted for on a modified equity basis include:

6. Choxw Holdings Corp.
7. KFN Enterprises Ltd.
8. KFN Enterprises Limited Partnership

(c) Fund Accounting

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

- The Operating Fund which reports the general activities of the First Nation administration.
- The Capital Fund which reports the tangible capital assets of the First Nation not included in other funds, together with their related activities.
- The Trust Fund which reports on the trust funds of the First Nation and held by third parties.
- The Social Housing Fund which reports on the social housing assets of the First Nation together with their related activities.
- The Enterprise Fund which reports the First Nation's investment in self-supporting commercial entities.

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service performed is deferred and recognized when the fee is earned or service performed.

(e) Segments

The First Nation conducts its business through reportable segments. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives, aid in resource allocation decisions, and to assess operational performance. For each reported segment, revenues and expenses represent both amounts that are directly attributed 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.

(f) Cash

Cash and cash equivalents include cash on hand and short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

(g) Loans Receivable

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made and assessed by management when collection is in doubt. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectable.

(h) Investments

Investments include guaranteed investment certificates. These investments are recorded at cost.

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Kwikwetlem First Nation's incremental cost of borrowing.

Amortization is provided for on a straight-line basis over their estimated useful lives as follows:

Buildings and building improvements	5% Declining balance
Vehicles	30% Declining balance
Computer equipment	30% Declining balance
Office and general equipment	20% Declining balance
Boats	30% Declining balance
Infrastructure	10 years Straight line
Watermains	50 or 100 years Straight line
Roads	100 years Straight line
Canoes	20 years Straight line

Social Housing assets acquired under Canada Mortgage and Housing Corporation (CMHC) sponsored housing programs are being depreciated at a rate equal to the principal reduction on the mortgage of the assets.

Tangible capital assets are written down when conditions indicate that they no longer contribute to Kwikwetlem First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed tangible capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

(j) Long-term Debt

Proceeds from long-term debt are recorded as program revenue. Payments of principal and interest are treated as program expenditures. Long-term debt is recorded as a liability on the balance sheet. Reductions to long-term debt are offset with an increase to Equity in Tangible Capital Assets.

(k) Replacement Reserve

The Replacement Reserve is funded by an annual charge against earnings as opposed to an appropriation of surplus.

(l) Budget

The budget reported in the financial statements was provided by management and is unaudited.

(m) Surplus Recoveries and Deficit Funding

Under the terms of funding arrangements, remaining surpluses of certain programs may be recovered by the funding agency, and remaining deficits may be funded by the funding agency.

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Internal charges and transfers

The central administration office provides services to other program areas. To recognize the cost of these services a corresponding revenue and expense is recorded and referred to as "Administration fees."

(o) Measurement Uncertainty

In preparing the consolidated financial statements for the First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period.

(p) Asset classification

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

(q) Net debt or net financial assets

The financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt or net financial asset is determined by liabilities less financial assets. Net debt or net financial assets, is comprised of two components, non-financial assets and accumulated surplus.

(r) Financial Instruments

All significant financial assets, financial liabilities and equity instruments of the entity are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

2. RESTRICTED CASH

Replacement Reserve Fund:

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage & Housing Corporation, the Housing Program must set aside funds annually for the non-annual expenditures of the Program for the repair, maintenance and replacement of worn-out assets. These funds are to be held in a separate bank account with any interest earned to be credited as revenue to the Replacement Reserve Fund.

As at the year end date, the Fund is overfunded by \$18,845 (2016 - overfunded by \$17,806).

Operating Reserve Fund:

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage & Housing Corporation, the Program is to set aside any surplus revenue to an operating reserve for the purpose of meeting future requirements of income-listed occupants over and above the maximum federal assistance. The Fund may be replenished to its original limit from subsequent operating surpluses.

As at the year end date, the Fund is fully funded (2016 - fully funded).

Ottawa Trust Funds:

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

	2017	2016
Replacement Reserve Fund - restricted cash	\$ 21,037	\$ 21,031
Development Trust Fund - restricted cash	5,527	5,527
Ottawa Trust Funds - restricted cash	30,438	29,652
	<hr/> \$ 57,002	<hr/> \$ 56,210

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

3. DUE FROM RELATED PARTIES

	2017	2016
Due from Saskay Land Development Corporation	\$ 107,352	\$ 107,352
Due from Saskay Land Development Limited Partnership	577,294	208,966
Due from KFN Enterprises Limited Partnership	295,882	-
Due from Choxw Holdings Corp.	750	-
Due from Kwikwetlem Land Management Inc.	750	-
Due from Kwikwetlem Land Management Limited Partnership	1,600	-
Due from Kwikwetlem Holdings Inc.	750	-
Due from Kwikwetlem Holdings Limited Partnership	1,600	-
Due from Kwozel Land Development Ltd.	750	-
Due from Kwozel Land Development Limited Partnership	1,600	-
Due from KFN Logistics Inc.	750	-
Due from KFN Logistics Limited Partnership	1,600	-
	\$ 990,678	\$ 316,318

Loans have no specific terms of repayment and bear no interest. The carrying value is measured at cost.

The First Nation owns 100% of the shares in Choxw Holdings Corp.

Choxw Holdings Corp. owns 100% of the shares in KFN Enterprises Ltd. and 99.99% of the units in KFN Enterprises Limited Partnership.

KFN Enterprises Ltd. owns 100% of the shares in Saskay Land Development Corporation, Kwozel Land Development Ltd., Kwikwetlem Holdings Inc., KFN Logistics Inc. and Kwikwetlem Land Management Inc.

KFN Enterprises Limited Partnership owns 99.99% of the units in Saskay Land Development Limited Partnership, Kwozel Land Development Limited Partnership, Kwikwetlem Holdings Limited Partnership, KFN Logistics Limited Partnership and Kwikwetlem Land Management Limited Partnership.

4. ACCOUNTS RECEIVABLE

	2017	2016
Accounts receivable - general	\$ 44,785	\$ 22,340
BC Housing	-	87,896
BC Hydro	-	23,107
First Nation Education Steering Committee	1,790	-
First Nation Health Authority	1,050	35,800
First Nations Tax Commission	5,000	-
Fortis BC	46,957	44,099
Indigenous and Northern Affairs Canada	140,174	-
Ministry of Environment	2,000	-
New Relationship Trust	6,400	-
Province of BC	-	150,000
Province of BC - Ministry of Transportation	-	29,950
Quantum Murray LP	-	93,833
Band members receivable	32,447	207,291
	280,603	694,316
Allowance for doubtful accounts	-	(29,950)
	\$ 280,603	\$ 664,366

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

5. ECONOMIC DEPENDENCE

Kwikwetlem First Nation receives a significant portion of its revenue pursuant to an agreement referred to as "The Comprehensive Funding Arrangement". This agreement has been entered into by Kwikwetlem First Nation and Indigenous & Northern Affairs Canada. It is expected that the agreement will be renewed on an annual basis.

6. PREPAID LEASE

During the year, a license agreement was entered into for a 36-month term beginning January 1, 2017. The licensor required payment of the license term in full upon signing of the agreement. The license is for reserve land held by a CP Holder for use by KFN business interests. The prepaid license amount represents the unexpired portion of the license at March 31, 2017. Subsequent to the year end, the license agreement was extended for an additional 36-month term ending January 1, 2023.

7. INVESTMENTS IN FIRST NATION CONTROLLED ENTITIES

	2017	2016
KFN Enterprises Ltd.		
Shares	10	10
Accumulated equity in earnings	<u>(14,997)</u>	<u>(12,600)</u>
	(14,987)	(12,590)
KFN Enterprises Limited Partnership		
Partnership units	9,999	9,999
Accumulated equity in earnings	<u>(511,094)</u>	<u>452,753</u>
	(501,095)	462,752
Choxw Holding Corp. (100%)		
Shares	-	-
	<u>\$ (516,082)</u>	<u>\$ 450,162</u>

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

8. GOVERNMENT BUSINESS ENTERPRISES

Commercial enterprises are those organizations that meet the definition of government business enterprises as described by the Public Sector Accounting Board of Chartered Professional Accountants Canada. Government business enterprises have the power to contract in their own name, have the financial and operating authority to carry on a business, sell goods and services to customers outside the First Nation government as their principal activity, and that can, in the normal course of their operations, maintain operations and meet liabilities from revenues received from outside the First Nation government.

Condensed financial information for the First Nation's government business partnerships is as follows:

	KFN Enterprises Limited Partnership	KFN Enterprises Ltd.	2017 Total
<u>Total assets</u>	\$ 1,078,338	\$ 10	\$ 1,078,348
<u>Total liabilities</u>	\$ 1,579,483	\$ 14,997	\$ 1,594,480
<u>Total equity</u>	(501,145)	(14,987)	(516,132)
<u>Total liabilities and equity</u>	\$ 1,078,338	\$ 10	\$ 1,078,348

	KFN Enterprises Limited Partnership	KFN Enterprises Ltd.	2017 Total
Revenue	\$ 482,135	\$ -	\$ 482,135
Share of partnership income (loss)	(147,876)	(97)	(147,973)
Direct costs	(637,625)	-	(637,625)
	(303,366)	(97)	(303,463)
<u>Expenses</u>	<u>660,577</u>	<u>2,300</u>	<u>662,877</u>
<u>Total expenses</u>	<u>660,577</u>	<u>2,300</u>	<u>662,877</u>
<u>Net income</u>	<u>\$ (963,943)</u>	<u>\$ (2,397)</u>	<u>\$ (966,340)</u>

9. LONG-TERM INVESTMENTS

The long-term investments are comprised of the following:

	2017	2016
Royal Bank Guaranteed Investment Certificates (GICs)	\$ 331,500	\$ 333,662
Royal Bank (GICs) held in trust for minor Band Members	1,270,826	672,068
	\$ 1,602,326	\$ 1,005,730

All the GICs are one-year long and renewed upon maturity. The interest rates are between 0.50% and 1.00% per annum.

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

10. CALLABLE DEBT

Under a credit facility arrangement with the Bank of Montreal, the First Nation obtained two demand loans each of \$250,000 in March 2015. Both loans are payable on demand, due in February 2024 and have no specified terms of repayment or early repayment penalties. Both loans have an outstanding balance of \$32,375 as at March 31, 2017 totaling \$64,751 (2016: \$72,348).

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Trade payables	\$ 447,349	\$ 206,442
Accrued salaries and employee benefits payable	83,299	67,250
Government remittances payable	33,446	12,196
Guaranteed Investment Certificates payable in trust for young band members	<u>1,163,422</u>	599,600
	<u>\$ 1,727,516</u>	\$ 885,488

12. LONG-TERM DEBT

	2017	2016
All Nations Trust Company loan, payments of \$1,382 per month including interest at 1.08% per annum, maturing August 1, 2030, secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada.	\$ 207,044	\$ 221,316
All Nations Trust Company loan, payments of \$2,308 per month including interest at 2.11% per annum, maturing December 1, 2038, secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada.	<u>483,234</u>	500,608
Current portion	<u>690,278</u>	721,924
	<u>32,088</u>	31,564
	<u>\$ 658,190</u>	\$ 690,360

Principal portion of long-term debt due within the next five years:

2018	\$ 32,088
2019	33,005
2020	33,556
2021	34,117
2022 and thereafter	<u>557,512</u>
	<u>\$ 690,278</u>

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

13. TANGIBLE CAPITAL ASSETS

	Cost					Accumulated amortization					2017 net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year			
Land	\$ 250,000	\$ -	\$ -	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000
Buildings and building improvements	3,982,450	325,481	-	4,307,931	289,327	151,850	-	441,177			3,866,754
Vehicles	293,609	817,569	-	1,111,178	47,356	196,511	-	243,867			867,311
Computer equipment	65,864	14,181	-	80,045	25,991	14,089	-	40,080			39,965
Office and general equipment	1,023,205	1,103	-	1,024,308	291,717	146,408	-	438,125			586,183
Boats	182,880	-	-	182,880	114,298	20,575	-	134,873			48,007
Infrastructure	12,492	-	-	12,492	4,129	6,724	-	10,853			1,639
Watermains	336,212	-	-	336,212	58,307	6,724	-	65,031			271,181
Roads	605,117	-	-	605,117	5,930	6,051	-	11,981			593,136
Canoes	81,509	8,200	-	89,709	19,195	4,280	-	23,475			66,234
	\$ 6,833,338	\$ 1,166,534	\$ -	\$ 7,999,872	\$ 856,250	\$ 553,212	\$ -	\$ 1,409,462			\$ 6,590,410

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

	Cost					Accumulated amortization					2016 Net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year			
Land	\$ -	\$ 250,000	\$ -	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000
Buildings and building improvements	3,725,767	256,683	-	3,982,450	140,989	148,338	-	289,327	289,327	3,693,123	
Vehicles	124,708	57,193	111,708	293,609	96,169	45,406	(94,219)	47,356	47,356	246,253	
Computer equipment	22,665	43,199	-	65,864	18,160	7,831	-	25,991	25,991	39,873	
Office and general equipment	835,191	188,014	-	1,023,205	132,347	159,370	-	291,717	291,717	731,488	
Boats	182,880	-	-	182,880	84,906	29,392	-	114,298	114,298	68,582	
Infrastructure	12,492	-	-	12,492	2,879	1,250	-	4,129	4,129	8,363	
Watermains	336,212	-	-	336,212	53,783	4,524	-	58,307	58,307	277,905	
Roads	2,919	602,198	-	605,117	2,919	3,011	-	5,930	5,930	599,187	
Canoes	81,509	-	-	81,509	15,119	4,076	-	19,195	19,195	62,314	
	\$ 5,324,343	\$ 1,397,287	\$ 111,708	\$ 6,833,338	\$ 547,271	\$ 403,198	\$ (94,219)	\$ 856,250	\$ 5,977,088		

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **MARCH 31, 2017**

14. COMPARATIVE AMOUNTS

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period.

15. REPLACEMENT RESERVE FUND

Under the terms of the agreement with Canada Mortgage & Housing Corporation (CMHC), the Replacement Reserve account is to be credited in the amount of \$9,040 annually in Schedule "B" of the Operating Agreement. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time.

As at year end date, the Replacement Reserve Fund is fully funded

16. OPERATING RESERVE FUND

Under the terms of the agreement with Canada Mortgage & Housing Corporation (CMHC), any annual operating surplus may be retained in an operating reserve account, to be drawn against in the event of any future deficits. The reserve is to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time.

As at year end date, the Operating Reserve Fund is fully funded.

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

17. SEGMENTED INFORMATION

As previously discussed in note 1 (e) the First Nation conducts its business through reportable segments as follows:

The Band Programs department is responsible for administering projects the Band is involved in annually and on an on-going basis relating to the overall objectives of the First Nation and the development of stable, legitimate and accountable community governments. It also provides overall support of the First Nation including advisory services relating to financial management, band government, economic development, community services and technical services.

Education supports the members in expressing, preserving, developing and promoting its cultural heritage through the establishment and operation of First Nation education centres and programs, it also provides services for students at the elementary/secondary and post secondary level, including; instructional services both on and off reserve as well as support services such as transportation, accommodation, guidance and counselling.

Social Services provides assistance to community members unable to provide for themselves and their dependents. The services provided by this department include, but are not limited to, income assistance, child and family services, assisted living and early childhood development.

The Health department oversees the delivery of health programs and initiatives for the betterment of the lives of the members of the First Nation.

Capital Projects manages capital projects within the community undertaken to support the growth and/or maintenance of the First Nation's infrastructure.

Social Housing is responsible for the administration and management of Social Housing units.

Other operations include Capital Fund, Ottawa Trust Fund and Enterprise Fund transactions.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

17. SEGMENTED INFORMATION, continued

	Band Programs			Capital Programs			Community Services		
	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual
Revenues									
Indigenous and Northern Affairs Canada	\$ 102,145	\$ 147,443	\$ 190,042	-	\$ 130,790	\$ 24,240	-	\$ 16,190	\$ 29,462
Province of British Columbia	-	1,500,000	426,250	-	-	-	-	-	-
BC Housing	-	100	-	-	-	400,000	-	-	-
First Nations Health Authority	-	-	-	-	2,000	-	-	-	-
Rent	-	2,500	2,895	-	-	-	-	60,450	60,150
Other revenue	-	215,313	139,121	-	154,880	86,858	-	34,000	6,700
Total revenue	102,145	1,865,356	758,308	-	287,670	511,098	-	110,640	96,312
Expenses									
Band member profit sharing	-	-	-	-	-	-	-	2,698,967	-
Infrastructure	-	1,500	-	-	116,303	218,847	-	406	-
Principal payments on loans	-	7,598	424,726	-	-	-	-	-	-
Professional fees	30,000	322,739	357,996	-	827	20,816	-	1,950	269,096
Program expenses	64,515	118,177	65,754	-	2,068	5,221	23,500	25,511	28,431
Repairs and maintenance	7,000	71,353	11,882	-	-	840	500	17,678	6,383
Tangible capital assets acquisitions	-	88,889	439,809	-	204,765	257,214	-	-	-
Wages and benefits	501,698	686,042	397,709	-	-	25,837	-	24,750	17,790
Other expenses	447,819	426,213	269,379	-	311,747	54,984	1,000	162,827	85,011
Total expenses	1,051,032	1,722,511	1,967,255	-	635,710	583,759	25,000	2,932,089	406,711
Annual surplus (deficit)	\$ (948,887)	\$ 142,845	\$ (1,208,947)	-	\$ (348,040)	\$ (72,661)	(25,000)	\$ (2,821,449)	\$ (310,399)

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

17. SEGMENTED INFORMATION, continued

	Economic Development			Education			Health		
	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual
Revenues									
Indigenous and Northern Affairs Canada	\$ 49,697	\$ 322,447	\$ 227,800	\$ 42,378	\$ 60,216	\$ 53,070	-	\$ 26,478	\$ 23,187
Quantum Murray Limited Partnership contract	-	244,461	1,125,117	-	-	-	-	-	-
Province of British Columbia	-	35,000	185,000	-	-	-	-	-	-
BC Housing	158,303	4,400,000	137,896	-	-	-	-	-	-
First Nations Health Authority	-	-	25,000	-	-	-	-	106,797	102,122
Health Canada	-	-	-	-	-	-	4,113	49,931	49,793
Other revenue	862,550	2,964,138	381,786	-	37,849	30,411	-	1,316	5,478
Total revenue	1,070,550	7,966,046	2,082,599	42,378	98,065	83,481	4,113	184,522	180,580
Expenses									
Band member profit sharing	-	-	468,500	-	-	-	-	-	-
Infrastructure	-	245,011	-	-	-	-	-	-	-
Professional fees	31,631	215,447	793,691	-	-	-	-	402	-
Program expenses	-	16,527	145,147	8,488	22,527	26,989	-	59,582	36,523
Repairs and maintenance	104,800	103,891	82,255	-	-	-	-	284	-
Tangible capital assets acquisitions	-	922,635	355,686	-	-	-	-	-	-
Wages and benefits	241,774	480,829	306,315	-	9,476	-	-	59,022	97,416
Other expenses	224,843	920,461	381,333	33,887	69,174	51,303	-	102,521	82,381
Total expenses	603,048	2,904,801	2,532,927	42,375	101,177	78,292	-	221,811	216,320
Annual surplus (deficit)	\$ 467,502	\$ 5,061,245	\$ (450,328)	3 \$	(3,112)\$	5,189 \$	4,113 \$	(37,289)\$	(35,740)

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

17. SEGMENTED INFORMATION, continued

	Social Services			Social Housing			Capital Fund		
	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual
Revenues									
Indigenous and Northern Affairs Canada	\$ 94,622	\$ 105,012	\$ 68,719	-	\$ -	\$ -	\$ -	\$ -	\$ -
Rent	-	-	-	-	45,600	43,538	-	-	-
Other revenue	-	781	-	3,830	45,812	46,442	-	-	-
Total revenue	94,622	105,793	68,719	3,830	91,412	89,980	-	-	-
Expenses									
Amortization	-	-	-	-	-	-	-	521,566	372,839
Professional fees	-	-	-	-	2,830	2,750	-	-	-
Program expenses	19,022	24,828	1,365	-	-	-	-	-	-
Repairs and maintenance	-	-	-	-	19,424	(5,373)	-	-	-
Wages and benefits	-	13,862	9,595	-	-	-	-	-	-
Other expenses	-	68,560	110,437	-	63,201	61,689	-	(1,174,130)	-
Total expenses	19,022	107,250	121,397	-	85,455	59,066	-	(652,564)	372,839
Other items	75,600	(1,457)	(52,678)	3,830	5,957	30,914	-	652,564	(372,839)
Annual surplus (deficit)	\$ 75,600	\$ (1,457)	\$ (52,678)	\$ 3,830	\$ 5,957	\$ 210,469	\$ -	\$ 652,564	\$ 1,475,545

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

17. SEGMENTED INFORMATION, continued

	Ottawa Trust Fund			Enterprise Fund			Consolidated totals		
	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual
Revenues									
Indigenous and Northern Affairs Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 288,842	\$ 808,576	\$ 616,520
Quantum Murray Limited Partnership contract	-	-	-	-	-	-	-	244,461	1,125,117
Province of British Columbia	-	-	-	-	-	-	-	1,535,000	611,250
Investment gain/loss from subsidiaries	-	-	-	-	(966,244)	447,252	-	(966,244)	447,252
BC Housing	-	-	-	-	-	-	158,303	4,400,100	537,896
First Nations Health Authority	-	-	-	-	-	-	-	108,797	127,122
Rent	-	-	-	-	-	-	-	108,550	106,583
Health Canada	-	-	-	-	-	-	4,113	49,931	49,793
Other revenue	-	785	796	-	-	-	866,380	3,454,874	697,592
Total revenue	-	785	796	-	(966,244)	447,252	1,317,638	9,744,045	4,319,125
Expenses									
Amortization	-	-	-	-	-	-	-	3,220,533	841,339
Infrastructure	-	-	-	-	-	-	-	363,220	218,847
Principal payments on loans	-	-	-	-	-	-	-	7,598	424,726
Professional fees	-	-	-	-	-	-	61,631	544,195	1,444,349
Program expenses	-	-	-	-	-	-	115,525	269,220	309,430
Repairs and maintenance	-	-	-	-	-	-	112,300	212,630	95,987
Tangible capital assets acquisitions	-	-	-	-	-	-	-	1,216,289	1,052,709
Wages and benefits	-	-	-	-	-	-	743,472	1,273,981	854,662
Other expenses	-	-	-	-	-	(9,349)	707,549	950,574	1,087,168
Total expenses	-	-	-	-	-	(9,349)	1,740,477	8,058,240	6,329,217
Other items	-	785	796	-	(966,244)	456,601	(422,839)	1,685,805	(2,010,092)
Annual surplus (deficit)	\$ -	\$ 785	\$ 796	-	\$ (966,244)	\$ 456,601	\$ (422,839)	\$ 1,685,805	\$ 17,847