

# **KWIKWETLEM FIRST NATION**

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**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2018**

# **KWIKWETLEM FIRST NATION**

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## **CONSOLIDATED FINANCIAL STATEMENTS** **MARCH 31, 2018**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING MARCH 31, 2018

The accompanying consolidated financial statements of Kwikwetlem First Nation and all the information in this annual report for the year ended March 31, 2018 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.

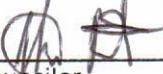
The consolidated financial statements have been audited by Reid Hurst Nagy Inc., Chartered Professional Accountants in accordance with Canadian generally accepted auditing standards on behalf of the Members. Reid Hurst Nagy Inc. has full access to the books and records of the Nation. Reid Hurst Nagy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

  
Chief

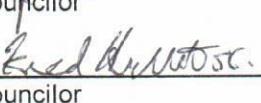
July 27/2018  
Date

\_\_\_\_\_  
Band Administrator

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Councilor

July 27/2018  
Date

  
\_\_\_\_\_  
Councilor

July 27/2018  
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, 2018, 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, 2018, 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 27, 2018

# KWIKWETLEM FIRST NATION

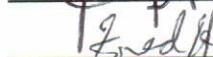
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2018

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash	\$ 4,593,804	\$ 3,378,116
Restricted cash (Note 2)	26,585	26,564
Investments (Note 3)	1,989,801	1,602,326
Accounts receivable (Note 4)	283,145	280,603
Due from related parties (Note 5)	2,003,189	990,678
Trust funds (Note 2)	31,341	30,438
	<b>8,927,865</b>	<b>6,308,725</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 8)	1,954,306	1,727,516
Deferred revenue	5,570	7,694
Callable debt (Note 9)	62,328	64,751
Investments in First Nation controlled entities (Note 10)	1,360,566	516,082
Long-term debt (Note 11)	946,418	690,278
Damage deposits	2,791	5,665
	<b>4,331,979</b>	<b>3,011,986</b>
<b>NET FINANCIAL ASSETS</b>	<b>4,595,886</b>	<b>3,296,739</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 12)	7,167,204	6,590,410
Prepaid expenses	10,106	44,273
Prepaid lease (Note 13)	285,000	165,000
	<b>7,462,310</b>	<b>6,799,683</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 12,058,196</b>	<b>\$ 10,096,422</b>
<b>MEMBERS' EQUITY</b>		
Equity in Operating Fund	\$ 7,260,178	\$ 4,770,693
Equity in Capital Fund	5,467,419	5,144,344
Equity in Social Housing	659,825	667,030
Equity in Ottawa Trust Fund	31,340	30,437
Equity in Enterprise Fund	(1,360,566)	(516,082)
<b>ACCUMULATED SURPLUS</b>	<b>\$ 12,058,196</b>	<b>\$ 10,096,422</b>

### APPROVED ON BEHALF OF THE KWIKWETLEM FIRST NATION

, Chief

, Councilor

, Councilor

# KWIKWETLEM FIRST NATION

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
<b><u>ANNUAL SURPLUS</u></b>	<b>\$ 1,961,774</b>	<b>\$ 1,685,805</b>
Acquisition of tangible capital assets	(1,390,697)	(1,166,536)
Amortization of tangible capital assets	700,924	553,214
<u>Disposal of tangible capital assets</u>	<u>112,979</u>	<u>-</u>
	<b>(576,794)</b>	<b>(613,322)</b>
Acquisition of prepaid asset	(10,106)	(44,273)
Use of prepaid asset	44,273	174,559
<u>Acquisition of prepaid lease</u>	<u>(120,000)</u>	<u>(165,000)</u>
	<b>(85,833)</b>	<b>(34,714)</b>
<b>(DECREASE) INCREASE IN NET FINANCIAL ASSETS</b>	<b>1,299,147</b>	1,037,769
<b><u>NET FINANCIAL ASSETS, BEGINNING OF YEAR</u></b>	<b>3,296,739</b>	2,258,970
<b><u>NET FINANCIAL ASSETS, END OF YEAR</u></b>	<b>\$ 4,595,886</b>	<b>\$ 3,296,739</b>

# KWIKWETLEM FIRST NATION

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS FOR THE YEAR ENDED MARCH 31, 2018

	2018 Budget	2018 Actual	2017 Actual
<b>REVENUE</b>			
Indigenous Services Canada	\$ 403,431	\$ 595,836	\$ 808,576
BC Housing	58,984	-	4,400,100
BC Hydro	-	2,000	36,950
CMHC subsidies	24,696	39,099	36,724
Fireworks	-	-	30,978
First Nations Health Authority	107,799	110,757	108,797
FortisBC	100,000	54,668	96,957
Health Canada	50,208	50,460	49,931
Investment gain from First Nation controlled entities	-	(844,484)	(966,244)
Interest	-	31,530	18,652
Kinder Morgan Canada Inc.	2,083,333	2,083,333	2,077,373
Land lease	-	60,336	33,084
Miscellaneous	952,575	839,218	314,798
Net proceeds from sale of land	-	5,200,182	-
Province of British Columbia	-	187,917	1,535,000
Quantum Murray Limited Partnership contract	-	-	244,461
Rent	106,800	600,558	108,550
Saskay Land Development Limited Partnership	1,685,400	683,829	809,358
	5,573,226	9,695,239	9,744,045
<b>EXPENSES</b>			
Band Programs	2,275,654	2,365,374	1,722,511
Capital Projects	679,171	670,306	635,710
Community Services	1,220,676	1,640,373	2,932,089
Economic Development	1,380,578	2,680,935	2,904,801
Education	119,500	204,911	101,177
Health	187,598	210,526	221,811
Social Services	163,250	180,263	107,250
Social Housing	67,956	98,852	85,455
Capital Fund	-	668,786	521,568
Ottawa Trust Fund	-	-	-
Enterprise Fund	-	-	-
	6,094,383	8,720,326	9,232,372
<b>ANNUAL SURPLUS BEFORE CAPITAL FUND ADJUSTMENTS</b>	(521,157)	<b>969,913</b>	511,673
<b>CAPITAL FUND ADJUSTMENTS</b>			
Tangible capital assets acquisitions	-	1,390,697	1,166,534
Principal reduction of long-term debt	-	27,031	7,598
Proceeds from long-term debt	-	(312,888)	-
Tangible capital assets disposals	-	(112,979)	-
	-	<b>991,861</b>	1,174,132
<b>ANNUAL SURPLUS</b>	(521,157)	<b>1,961,774</b>	1,685,805
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	<b>10,096,422</b>	8,410,617
<b>FUND BALANCE, END OF YEAR</b>	\$ (521,157)	<b>\$ 12,058,196</b>	\$ 10,096,422

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, 2018

	2018	2017
<b>OPERATING ACTIVITIES</b>		
ANNUAL SURPLUS	\$ 1,961,774	\$ 1,685,805
Items not affecting cash		
Amortization	700,924	553,214
Share of income from First Nation controlled entities	844,484	966,244
	<u>3,507,182</u>	<u>3,205,263</u>
Change in non-cash items on statement of financial position	<u>(879,997)</u>	<u>523,578</u>
	<u><u>2,627,185</u></u>	<u><u>3,728,841</u></u>
<b>FINANCING ACTIVITIES</b>		
Repayment of Social Housing long-term debt	(32,140)	(31,646)
Repayment of Capital Fund long-term debt	(27,031)	(7,598)
Loan proceeds	312,888	-
	<u>253,717</u>	<u>(39,244)</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of tangible capital assets	(1,390,697)	(1,166,536)
Disposal of tangible capital assets	112,979	-
Redemption (purchase) of investments	(387,475)	(596,596)
	<u>(1,665,193)</u>	<u>(1,763,132)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,215,709</b>	<b>1,926,465</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>3,404,680</b>	<b>1,478,215</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 4,620,389</b>	<b>\$ 3,404,680</b>
<b>REPRESENTED BY:</b>		
Cash	\$ 4,593,804	\$ 3,378,116
Restricted cash	26,585	26,564
	<u><u>\$ 4,620,389</u></u>	<u><u>\$ 3,404,680</u></u>

# KWIKWETLEM FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

### 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

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

### 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

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### MARCH 31, 2018

#### 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 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

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

### 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

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

### 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.

#### 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.

#### 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.

	<b>2018</b>	<b>2017</b>
Replacement Reserve Fund - restricted cash	\$ 21,058	\$ 21,037
Development Trust Fund - restricted cash	5,527	5,527
Ottawa Trust Funds - restricted cash	31,341	30,438
	<b>\$ 57,926</b>	<b>\$ 57,002</b>

### 3. INVESTMENTS

#### Investments are comprised of the following:

	<b>2018</b>	<b>2017</b>
Royal Bank Guaranteed Investment Certificates (GICs)	\$ 331,500	\$ 331,500
Royal Bank (GICs) held in trust for minor Band Members	1,658,301	1,270,826
	<b>\$ 1,989,801</b>	<b>\$ 1,602,326</b>

All the GICs are one-year long and renewed upon maturity. The interest rate is 0.50% per annum.

# KWIKWETLEM FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

### 4. ACCOUNTS RECEIVABLE

	2018	2017
Accounts receivable - general	\$ 69,435	\$ 44,785
First Nation Education Steering Committee	-	1,790
First Nation Health Authority	800	1,050
First Nations Tax Commission	-	5,000
Fortis BC	54,668	46,957
Indigenous Services Canada	5,250	140,174
Kwantlen Polytechnic University	75,814	-
Ministry of Environment	-	2,000
Natural Resources Canada	44,983	-
New Relationship Trust	-	6,400
Band members receivable	32,195	32,447
	<b>\$ 283,145</b>	<b>\$ 280,603</b>

### 5. DUE FROM RELATED PARTIES

	2018	2017
Due from Saskay Land Development Corporation	\$ 107,352	\$ 107,352
Due from Saskay Land Development Limited Partnership	1,259,539	577,294
Due from KFN Enterprises Limited Partnership	615,798	295,882
Due from Choxw Holdings Corp.	1,500	750
Due from Kwikwetlem Land Management Inc.	1,500	750
Due from Kwikwetlem Land Management Limited Partnership	3,250	1,600
Due from Kwikwetlem Holdings Inc.	1,500	750
Due from Kwikwetlem Holdings Limited Partnership	3,250	1,600
Due from Kwozel Land Development Ltd.	1,500	750
Due from Kwozel Land Development Limited Partnership	3,250	1,600
Due from KFN Logistics Inc.	1,500	750
Due from KFN Logistics Limited Partnership	3,250	1,600
	<b>\$ 2,003,189</b>	<b>\$ 990,678</b>

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.

### 6. 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 Services Canada. It is expected that the agreement will be renewed on an annual basis.

# KWIKWETLEM FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

### 7. 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.	2018 Total
Total assets	\$ 5,491,316	\$ 10	\$ 5,491,326

Total liabilities	\$ 6,844,161	\$ 7,866	\$ 6,852,027
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Total equity	(1,352,845)	(7,856)	(1,360,701)
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Total liabilities and equity	\$ 5,491,316	\$ 10	\$ 5,491,326
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	KFN Enterprises Limited Partnership	KFN Enterprises Ltd.	2018 Total
Revenue	\$ 491,974	\$ -	\$ 491,974
Share of partnership income (loss)	(38,141)	(86)	(38,227)
Direct costs	(107,780)	-	(107,780)
Adjustment of investments	-	12,012	12,012
	346,053	11,926	357,979

Expenses	1,202,753	2,415	1,205,168
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Total expenses	1,202,753	2,415	1,205,168
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Net income	\$ (856,700)	\$ 9,511	\$ (847,189)
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### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trade payables	\$ 315,893	\$ 447,349
Accrued salaries and employee benefits payable	112,026	83,299
Government remittances payable	12,890	33,446
Guaranteed Investment Certificates payable in trust for young band members	1,513,497	1,163,422
	\$ 1,954,306	\$ 1,727,516

# KWIKWETLEM FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

### 9. 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 \$31,164 as at March 31, 2018 totaling \$62,328 (2017: \$64,751).

### 10. INVESTMENTS IN FIRST NATION CONTROLLED ENTITIES

	2018	2017
KFN Enterprises Ltd.		
Shares	10	10
Accumulated deficit	(7,866)	(14,997)
	(7,856)	(14,987)
KFN Enterprises Limited Partnership		
Partnership units	9,999	9,999
Accumulated deficit	(1,367,709)	(511,094)
Partner contributions	5,000	-
	(1,352,710)	(501,095)
Choxw Holding Corp. (100%)		
Shares	-	-
	\$ (1,360,566)	\$ (516,082)

### 11. LONG-TERM DEBT

	2018	2017
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 Services Canada.	\$ 192,622	\$ 207,044
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 Services Canada.	465,516	483,234
CAT Financial sales contract payable in monthly installments of \$5,552.94, including interest at 2.50% per annum; secured against the 2016 Caterpillar 323F Hydraulic Excavator.	288,280	-
	\$ 946,418	\$ 690,278

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

2019	\$ 92,358
2020	94,413
2021	96,516
2022	98,668
2023 and thereafter	564,463
	\$ 946,418

# KWIKWETLEM FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

### 12. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated amortization					2018 net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	on disposals	Balance, end of year		
Land	\$ 250,000	\$ -	\$ -	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ 250,000	
Buildings and building improvements	4,307,931	342,293	-	4,650,224	441,177	164,968	-	606,145	4,044,079	
Vehicles	1,111,178	824,169	(145,549)	1,789,798	243,867	349,925	(32,570)	561,222	1,228,576	
Computer equipment	80,045	-	-	80,045	40,080	11,989	-	52,069	27,976	
Office and general equipment	1,024,308	-	-	1,024,308	438,125	117,236	-	555,361	468,947	
Boats	182,880	126,825	-	309,705	134,873	33,426	-	168,299	141,406	
Infrastructure	12,492	97,410	-	109,902	10,853	6,119	-	16,972	92,930	
Watermains	336,212	-	-	336,212	65,031	6,725	-	71,756	264,456	
Roads	605,117	-	-	605,117	11,981	6,051	-	18,032	587,085	
Canoes	89,709	-	-	89,709	23,475	4,485	-	27,960	61,749	
	<b>\$ 7,999,872</b>	<b>\$ 1,390,697</b>	<b>\$ (145,549)</b>	<b>\$ 9,245,020</b>	<b>\$ 1,409,462</b>	<b>\$ 700,924</b>	<b>\$ (32,570)</b>	<b>\$ 2,077,816</b>	<b>\$ 7,167,204</b>	

# KWIKWETLEM FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

	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**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** **MARCH 31, 2018**

### **13. PREPAID LEASE**

During the 2017 fiscal 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.

During the 2018 fiscal year, the lease was extended for an additional 36-month term beginning January 1, 2020. The licensor required payment for this extension upon signing of the agreement.

The prepaid license amount represents the unexpired portion of the license at March 31, 2018.

### **14. COMPARATIVE AMOUNTS**

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

### **15. CONTINGENT LIABILITIES**

#### **a) Indigenous Services Canada**

Under the terms of the contribution agreements with Indigenous Services Canada and other governmental departments, certain surpluses may be repayable to the government and certain deficits may be reimbursable to the First Nation.

### **16. RELATED PARTY TRANSACTIONS**

Transactions with related parties are in the normal course of business, and are for fair consideration that is mutually agreed upon by the related parties.

During the year, \$683,828 was received from Saskay Land Development Corporation, a company controlled through ownership in KFN Enterprises Limited Partnership for services rendered.

Further, \$56,736 of lease revenue was received from KFN Enterprises Ltd., a wholly owned subsidiary.

# **KWIKWETLEM FIRST NATION**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **MARCH 31, 2018**

#### **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, 2018

### 17. SEGMENTED INFORMATION, continued

	Band Programs			Capital Programs			Community Services		
	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual
<b>Revenues</b>									
Indigenous Services Canada	\$ 104,237	\$ 179,598	\$ 147,443	-	\$ 95,651	\$ 143,540	\$ 16,315	\$ 32,728	\$ 16,190
Province of British Columbia	-	75,000	1,500,000	-	-	-	-	-	-
BC Housing	-	-	100	-	-	-	-	-	-
First Nations Health Authority	-	-	-	-	-	2,000	-	-	-
Rent	-	9,600	2,500	-	-	-	61,200	58,050	60,450
Other revenue	710,945	425,087	215,313	20,000	29,384	154,880	116,945	155,798	34,000
<b>Total revenue</b>	<b>815,182</b>	<b>689,285</b>	<b>1,865,356</b>	<b>20,000</b>	<b>125,035</b>	<b>287,670</b>	<b>194,460</b>	<b>246,576</b>	<b>110,640</b>
<b>Expenses</b>									
Band member profit sharing	-	-	-	-	-	-	935,000	1,369,909	2,698,967
Infrastructure	10,000	17,500	1,500	6,000	79,910	116,303	-	-	406
Principal payments on loans	-	2,423	7,598	-	-	-	-	-	-
Professional fees	359,435	591,982	322,739	80,000	6,556	31,894	-	3,473	1,950
Program expenses	104,938	77,102	118,177	600	300	2,631	10,000	11,807	25,511
Repairs and maintenance	32,000	44,151	71,353	118,000	21,735	23,493	8,000	14,567	17,678
Tangible capital assets acquisitions	-	10,075	88,889	302,200	342,294	204,765	-	-	-
Wages and benefits	1,033,527	880,273	686,042	109,451	150,317	138,843	-	18,932	24,750
Other expenses	735,754	741,868	426,213	62,920	69,194	117,781	267,676	221,685	162,827
<b>Total expenses</b>	<b>2,275,654</b>	<b>2,365,374</b>	<b>1,722,511</b>	<b>679,171</b>	<b>670,306</b>	<b>635,710</b>	<b>1,220,676</b>	<b>1,640,373</b>	<b>2,932,089</b>
<b>Annual surplus (deficit)</b>	<b>\$ (1,460,472)</b>	<b>\$ (1,676,089)</b>	<b>\$ 142,845</b>	<b>\$ (659,171)</b>	<b>\$ (545,271)</b>	<b>\$ (348,040)</b>	<b>\$ (1,026,216)</b>	<b>\$ (1,393,797)</b>	<b>\$ (2,821,449)</b>

# KWIKWETLEM FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

### 17. SEGMENTED INFORMATION, continued

	Economic Development			Education			Health		
	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual
<b>Revenues</b>									
Indigenous Services Canada	\$ 110,350	\$ 110,350	\$ 309,697	\$ 45,372	\$ 45,372	\$ 60,216	\$ 19,281	\$ 24,004	\$ 26,478
Quantum Murray Limited Partnership contract	-	-	244,461	-	-	-	-	-	-
Province of British Columbia	-	35,000	35,000	-	-	-	-	-	-
BC Housing	58,984	-	4,400,000	-	-	-	-	-	-
First Nations Health Authority	-	-	-	-	-	-	107,799	110,757	106,797
Rent	-	487,308	-	-	-	-	-	-	-
Health Canada	-	-	-	-	-	-	50,208	50,460	49,931
Other revenue	3,923,733	8,222,521	2,964,138	19,685	109,455	37,849	-	-	1,316
<b>Total revenue</b>	<b>4,093,067</b>	<b>8,855,179</b>	<b>7,966,046</b>	<b>65,057</b>	<b>154,827</b>	<b>98,065</b>	<b>177,288</b>	<b>185,221</b>	<b>184,522</b>
<b>Expenses</b>									
Infrastructure	-	4,925	245,011	-	-	-	-	-	-
Principal payments on loans	-	24,608	-	-	-	-	-	-	-
Professional fees	3,275	606,014	215,447	-	-	-	3,000	1,784	402
Program expenses	25,000	24,149	15,964	29,824	7,224	22,527	5,809	34,511	59,582
Repairs and maintenance	202,705	209,976	80,398	-	-	-	1,000	500	284
Tangible capital assets acquisitions	50,000	378,731	922,635	-	-	-	-	-	-
Wages and benefits	470,079	541,319	480,829	22,191	17,958	9,476	120,564	100,128	59,022
Other expenses	629,519	891,213	920,461	67,485	179,729	69,174	57,225	73,603	102,521
<b>Total expenses</b>	<b>1,380,578</b>	<b>2,680,935</b>	<b>2,904,801</b>	<b>119,500</b>	<b>204,911</b>	<b>101,177</b>	<b>187,598</b>	<b>210,526</b>	<b>221,811</b>
<b>Annual surplus (deficit)</b>	<b>\$ 2,712,489</b>	<b>\$ 6,174,244</b>	<b>\$ 5,061,245</b>	<b>\$ (54,443)</b>	<b>\$ (50,084)</b>	<b>\$ (3,112)</b>	<b>\$ (10,310)</b>	<b>\$ (25,305)</b>	<b>\$ (37,289)</b>

# KWIKWETLEM FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

### 17. SEGMENTED INFORMATION, continued

	Social Services			Social Housing			Capital Fund		
	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual
<b>Revenues</b>									
Indigenous Services Canada	\$ 107,876	\$ 108,133	\$ 105,012	-	\$ -	\$ -	-	\$ -	\$ -
Province of British Columbia	-	77,917	-	-	-	-	-	-	-
Rent	-	-	-	45,600	45,600	45,600	-	-	-
Other revenue	30,000	-	781	24,696	46,047	45,812	-	-	-
<b>Total revenue</b>	<b>137,876</b>	<b>186,050</b>	<b>105,793</b>	<b>70,296</b>	<b>91,647</b>	<b>91,412</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>									
Amortization	-	-	-	-	-	-	-	668,786	521,566
Professional fees	-	-	-	-	3,700	2,830	-	-	-
Program expenses	3,889	19,450	24,828	-	-	-	-	-	-
Repairs and maintenance	-	-	-	8,000	24,080	19,424	-	-	-
Wages and benefits	55,537	87,102	13,862	-	3,433	-	-	-	-
Other expenses	103,824	73,711	68,560	59,956	67,639	63,201	-	(991,861)	(1,174,130)
<b>Total expenses</b>	<b>163,250</b>	<b>180,263</b>	<b>107,250</b>	<b>67,956</b>	<b>98,852</b>	<b>85,455</b>	<b>-</b>	<b>(323,075)</b>	<b>(652,564)</b>
<b>Annual surplus (deficit)</b>	<b>\$ (25,374)\$</b>	<b>5,787 \$</b>	<b>(1,457)\$</b>	<b>2,340 \$</b>	<b>(7,205)\$</b>	<b>5,957 \$</b>	<b>- \$</b>	<b>323,075 \$</b>	<b>652,566</b>

# KWIKWETLEM FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2018

### 17. SEGMENTED INFORMATION, continued

	Ottawa Trust Fund			Enterprise Fund			Consolidated totals		
	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual
<b>Revenues</b>									
Indigenous Services Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 403,431	\$ 595,836	\$ 808,576
Quantum Murray Limited Partnership contract	-	-	-	-	-	-	-	-	244,461
Province of British Columbia	-	-	-	-	-	-	-	187,917	1,535,000
Investment gain/loss from subsidiaries	-	-	-	-	(839,484)	(966,244)	-	(839,484)	(966,244)
BC Housing	-	-	-	-	-	-	58,984	-	4,400,100
First Nations Health Authority	-	-	-	-	-	-	107,799	110,757	108,797
Rent	-	-	-	-	-	-	106,800	600,558	108,550
Health Canada	-	-	-	-	-	-	50,208	50,460	49,931
Other revenue	-	903	785	-	-	-	4,846,004	8,989,195	3,454,874
<b>Total revenue</b>	<b>-</b>	<b>903</b>	<b>785</b>	<b>-</b>	<b>(839,484)</b>	<b>(966,244)</b>	<b>5,573,226</b>	<b>9,695,239</b>	<b>9,744,045</b>
<b>Expenses</b>									
Amortization	-	-	-	-	-	-	935,000	2,038,695	3,220,533
Infrastructure	-	-	-	-	-	-	16,000	102,335	363,220
Principal payments on loans	-	-	-	-	-	-	-	27,031	7,598
Professional fees	-	-	-	-	-	-	445,710	1,213,509	575,262
Program expenses	-	-	-	-	-	-	180,060	174,543	269,220
Repairs and maintenance	-	-	-	-	-	-	369,705	315,009	212,630
Tangible capital assets acquisitions	-	-	-	-	-	-	352,200	731,100	1,216,289
Wages and benefits	-	-	-	-	-	-	1,811,349	1,799,462	1,412,824
Other expenses	-	-	-	-	5,000	-	1,984,359	1,331,781	756,608
<b>Total expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,000</b>	<b>-</b>	<b>6,094,383</b>	<b>7,733,465</b>	<b>8,058,240</b>
<b>Annual surplus (deficit)</b>	<b>\$ -</b>	<b>\$ 903</b>	<b>\$ 785</b>	<b>\$ -</b>	<b>\$ (844,484)</b>	<b>\$ (966,244)</b>	<b>\$ (521,157)</b>	<b>\$ 1,961,774</b>	<b>\$ 1,685,805</b>