

KWIKWETLEM FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

KWIKWETLEM FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS **MARCH 31, 2019**

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KWIKWETLEM FIRST NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2019

The accompanying consolidated financial statements of Kwikwetlem First Nation and all the information in this annual report for the year ended March 31, 2019 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 Council is 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.

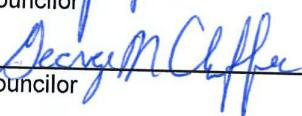
The consolidated financial statements have been audited by Reid Hurst Nagy Inc. in accordance with Canadian generally accepted auditing standards on behalf of their members. Reid Hurst Nagy Inc. has full access to the books and records of the Nation. Reid Hurst Nagy Inc. have full and free access to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

Chief


Date July 29/19

Councilor


Date July 29/19

Councilor


Date July 29/19

Independent Auditor's Report

To the Members of
Kwikwetlem First Nation

Opinion

We have audited the consolidated financial statements of Kwikwetlem First Nation, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations, its changes in its consolidated net debt, and its consolidated cash flows for the year then ended in accordance with PSAB.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



REID HURST NAGY INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

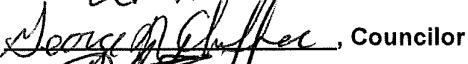
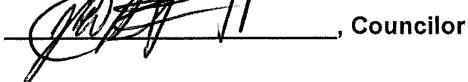
RICHMOND, B.C.
JULY 29, 2019

KWIKWETLEM FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash	\$ 1,390,811	\$ 4,593,804
Restricted cash (Note 2)	21,128	26,585
Investments (Note 3)	2,102,168	1,989,801
Accounts receivable (Note 4)	572,111	283,145
Due from related parties (Note 5)	3,982,222	2,003,189
Trust funds (Note 2)	32,311	31,341
	8,100,751	8,927,865
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	1,808,903	1,954,306
Deferred revenue	5,825	5,570
Callable debt (Note 9)	998,454	62,328
Investments in First Nation controlled entities (Note 10)	2,552,105	1,360,566
Long-term debt (Note 11)	625,499	946,418
Damage deposits	2,578	2,791
	5,993,364	4,331,979
NET FINANCIAL ASSETS	2,107,387	4,595,886
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	6,508,881	7,167,204
Prepaid expenses	5,375	10,106
Prepaid lease (Note 13)	-	285,000
	6,514,256	7,462,310
ACCUMULATED SURPLUS	\$ 8,621,643	\$ 12,058,196
MEMBERS' EQUITY		
Equity in Operating Fund	\$ 6,303,985	\$ 7,260,178
Equity in Capital Fund	4,193,891	5,467,419
Equity in Social Housing	643,561	659,825
Equity in Ottawa Trust Fund	32,311	31,340
Equity in Enterprise Fund	(2,552,105)	(1,360,566)
ACCUMULATED SURPLUS	\$ 8,621,643	\$ 12,058,196

APPROVED ON BEHALF OF THE KWIKWETLEM FIRST NATION

, Chief
, Councillor
, Councillor

KWIKWETLEM FIRST NATION

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
<u>ANNUAL SURPLUS (DEFICIT)</u>	\$ (3,436,553)	\$ 1,961,774
Acquisition of tangible capital assets	(1,678,648)	(1,390,697)
Amortization of tangible capital assets	308,071	700,924
<u>Disposal of tangible capital assets</u>	2,028,894	112,979
	658,323	(576,794)
Acquisition of prepaid asset	(5,375)	(10,106)
Use of prepaid asset	10,106	44,273
Acquisition of prepaid lease	-	(120,000)
<u>Retirement of prepaid lease</u>	285,000	-
	289,731	(85,833)
<u>(DECREASE) INCREASE IN NET FINANCIAL ASSETS</u>	(2,488,499)	1,299,147
<u>NET FINANCIAL ASSETS, BEGINNING OF YEAR</u>	4,595,886	3,296,739
<u>NET FINANCIAL ASSETS, END OF YEAR</u>	\$ 2,107,387	\$ 4,595,886

KWIKWETLEM FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS FOR THE YEAR ENDED MARCH 31, 2019

	2019 Budget	2019 Actual	2018 Actual
REVENUE			
Indigenous Services Canada	\$ 343,484	\$ 465,482	\$ 595,836
BC Hydro	-	2,000	2,000
CMHC subsidies	12,022	36,794	39,099
First Nations Health Authority	122,694	127,550	110,757
Other revenue	-	950,000	-
FortisBC	-	-	54,668
Health Canada	50,208	50,460	50,460
Interest	-	40,316	31,530
Investment gain from First Nation controlled entities	-	(1,191,539)	(844,484)
Kinder Morgan Canada Inc.	-	-	2,083,333
Land lease	-	62,123	60,336
Miscellaneous	403,496	1,159,664	839,218
Net proceeds from sale of land	2,220,000	1,962,296	5,200,182
Province of British Columbia	100,200	245,747	187,917
Rent	696,800	401,824	600,558
Saskay Land Development Limited Partnership	528,000	466,998	683,829
	4,476,904	4,779,715	9,695,239
EXPENSES			
Band Programs	1,690,503	2,291,297	2,365,374
Capital Projects	725,520	810,461	670,306
Community Services	525,313	744,517	1,640,373
Economic Development	1,255,633	2,384,261	2,680,935
Education	145,780	96,857	204,911
Health	323,970	319,791	210,526
Social Services	146,998	187,016	180,263
Social Housing	57,616	108,540	98,852
Capital Fund	-	275,435	668,786
	4,871,333	7,218,175	8,720,326
ANNUAL SURPLUS (DEFICIT) BEFORE CAPITAL FUND ADJUSTMENTS			
	(394,429)	(2,438,460)	969,913
CAPITAL FUND ADJUSTMENTS			
Tangible capital assets acquisitions	-	1,678,648	1,390,697
Tangible capital assets disposals	-	(1,770,483)	(112,979)
Proceeds from long-term debt	-	(950,000)	(312,888)
Principal reduction of long-term debt	-	43,742	27,031
	-	(998,093)	991,861
ANNUAL SURPLUS (DEFICIT)			
	(394,429)	(3,436,553)	1,961,774
FUND BALANCE, BEGINNING OF YEAR			
	-	12,058,196	10,096,422
FUND BALANCE, END OF YEAR			
	\$ (394,429)	\$ 8,621,643	\$ 12,058,196

KWIKWETLEM FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
OPERATING ACTIVITIES		
ANNUAL SURPLUS (DEFICIT)	\$ (3,436,553)	\$ 1,961,774
Items not affecting cash		
Amortization	308,074	700,924
Share of income from First Nation controlled entities	1,191,539	844,484
	<u>(1,936,940)</u>	3,507,182
Change in non-cash items on statement of financial position	<u>(2,124,596)</u>	(879,997)
	<u>(4,061,536)</u>	2,627,185
FINANCING ACTIVITIES		
Repayment of Social Housing long-term debt	(32,639)	(32,140)
Repayment of Capital Fund long-term debt	(43,742)	(27,031)
Loan proceeds	950,000	312,888
	<u>873,619</u>	253,717
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(1,678,648)	(1,390,697)
Disposal of tangible capital assets	1,770,483	112,979
Redemption (purchase) of investments	(112,368)	(387,475)
	<u>(20,533)</u>	(1,665,193)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(3,208,450)</u>	1,215,709
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,620,389</u>	3,404,680
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,411,939</u>	\$ 4,620,389
REPRESENTED BY:		
Cash	\$ 1,390,811	\$ 4,593,804
Restricted cash	21,128	26,585
	<u>\$ 1,411,939</u>	\$ 4,620,389

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

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, 2019

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, 2019

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

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. The estimates made in these financial statements include: the useful life of the tangible capital assets and related depreciation, the collectibility of accounts receivable, and accrued liabilities and related expenditures. Actual results could differ from these estimates.

(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, 2019

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.

	2019	2018
Replacement Reserve Fund - restricted cash	\$ 21,128	\$ 21,058
Development Trust Fund - restricted cash	- 5,527	
Ottawa Trust Funds - restricted cash	32,311	31,341
	<hr/> \$ 53,439	<hr/> \$ 57,926

3. INVESTMENTS

Investments are comprised of the following:

	2019	2018
Royal Bank Guaranteed Investment Certificates (GICs)	\$ 331,500	\$ 331,500
Royal Bank (GICs) held in trust for minor Band Members	1,770,668	1,658,301
	<hr/> \$ 2,102,168	<hr/> \$ 1,989,801

All the GICs are one-year long and renewed upon maturity. The interest rate is 1% per annum.

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

4. ACCOUNTS RECEIVABLE

	2019	2018
Accounts receivable - general	\$ 61,135	\$ 69,435
First Nation Health Authority	800	800
First Nations Tax Commission	5,000	-
Fortis BC	-	54,668
Indigenous Services Canada	2,424	5,250
Kwantlen Polytechnic University	-	75,814
Ministry of Environment	2,000	-
National Aboriginal Lands Managers	12,500	-
Natural Resources Canada	119,227	44,983
New Relationship Trust	2,732	-
Province of BC	27,640	-
Band members receivable	338,653	32,195
	\$ 572,111	\$ 283,145

5. DUE FROM RELATED PARTIES

	2019	2018
Due from Saskay Land Development Corporation	\$ 107,352	\$ 107,352
Due from Saskay Land Development Limited Partnership	2,751,117	1,259,539
Due from KFN Enterprises Limited Partnership	1,095,903	615,798
Due from Choxw Holdings Corp.	2,250	1,500
Due from Kwikwetlem Land Management Inc.	1,500	1,500
Due from Kwikwetlem Land Management Limited Partnership	4,900	3,250
Due from Kwikwetlem Holdings Inc.	1,500	1,500
Due from Kwikwetlem Holdings Limited Partnership	4,900	3,250
Due from Kwozel Land Development Ltd.	1,500	1,500
Due from Kwozel Land Development Limited Partnership	4,900	3,250
Due from KFN Logistics Inc.	1,500	1,500
Due from KFN Logistics Limited Partnership	4,900	3,250
	\$ 3,982,222	\$ 2,003,189

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.

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

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.

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.	2019 Total
Total assets	\$ 7,499,713	\$ 10	\$ 7,499,723
Total liabilities	\$ 10,041,597	\$ 10,485	\$ 10,052,082
Total equity	(2,541,884)	(10,475)	(2,552,359)
Total liabilities and equity	\$ 7,499,713	\$ 10	\$ 7,499,723
	KFN Enterprises Limited Partnership	KFN Enterprises Ltd.	2019 Total
Revenue	\$ 540,576	\$ -	\$ 540,576
Share of partnership income (loss)	(23,372)	(119)	(23,491)
Direct costs	(187,826)	-	(187,826)
	329,378	(119)	329,259
Expenses	1,518,417	2,500	1,520,917
Total expenses	1,518,417	2,500	1,520,917
Net income	\$ (1,189,039)	\$ (2,619)	\$ (1,191,658)

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Trade payables	\$ 117,256	\$ 315,893
Accrued salaries and employee benefits payable	74,283	112,026
Government remittances payable	2,921	12,890
Guaranteed Investment Certificates payable in trust for young band members	1,614,443	1,513,497
	\$ 1,808,903	\$ 1,954,306

9. CALLABLE DEBT

	2019	2018
Two Bank of Montreal demand loans, each with payments of \$202.12 per month, due in February 2024. Both loans are payable on demand and have no specified terms of repayment or early repayment penalties.	\$ 60,228	\$ 62,328
RBC demand loan, payments of \$5,858 per month, due in October 2039. The loan is payable on demand and have no specified terms of repayment or early repayment penalties.	938,226	-
	\$ 998,454	\$ 62,328

10. INVESTMENTS IN FIRST NATION CONTROLLED ENTITIES

	2019	2018
KFN Enterprises Ltd.		
Shares	10	10
Accumulated deficit	(10,485)	(7,866)
	(10,475)	(7,856)
KFN Enterprises Limited Partnership		
Partnership units	9,999	9,999
Accumulated deficit	(2,551,629)	(1,367,709)
	(2,541,630)	(1,352,710)
Choxw Holding Corp. (100%)		
Shares	-	-
	\$ (2,552,105)	\$ (1,360,566)

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

11. LONG-TERM DEBT

	2019	2018
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.	\$ 178,045	\$ 192,622
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.	447,454	465,516
CAT Financial sales contract payable in monthly installments of \$5,552.94, including interest at 2.50% per annum; secured against the <u>2016 Caterpillar 323F Hydraulic Excavator.</u>	-	288,280
	<hr/> \$ 625,499	<hr/> \$ 946,418
Principal portion of long-term debt due within the next five years:		
2020	\$ 32,779	
2021	33,323	
2022	33,877	
2023	34,442	
<u>2024 and thereafter</u>	<hr/> 491,078	
	<hr/> \$ 625,499	

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

12. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated amortization				2019 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	\$ 1,205,000	\$ -	\$ 1,455,000	\$ -	\$ -	\$ -	\$ -	\$ 1,455,000
Buildings and building improvements	4,650,224	210,738	(566,375)	4,294,587	606,145	144,900	(29,474)	721,571	3,573,016
Vehicles	1,789,798	87,975	(1,525,369)	352,404	561,222	47,675	(399,721)	209,176	143,228
Computer equipment	80,045	19,647	-	99,692	52,069	11,340	-	63,409	36,283
Office and general equipment	1,024,308	78,481	(776,810)	325,979	555,361	28,368	(410,463)	173,266	152,713
Boats	309,705	12,792	-	322,497	168,299	44,341	-	212,640	109,857
Infrastructure	109,902	64,015	-	173,917	16,972	14,191	-	31,163	142,754
Watermains	336,212	-	-	336,212	71,756	6,724	-	78,480	257,732
Roads	605,117	-	-	605,117	18,032	6,051	-	24,083	581,034
Canoes	89,709	-	-	89,709	27,960	4,485	-	32,445	57,264
	\$ 9,245,020	\$ 1,678,648	\$ (2,868,554)	\$ 8,055,114	\$ 2,077,816	\$ 308,075	\$ (839,658)	\$ 1,546,233	\$ 6,508,881

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

	Cost					Accumulated amortization					2018 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	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		
	\$ 7,999,872	\$ 1,390,697	\$ (145,549)	\$ 9,245,020	\$ 1,409,462	\$ 700,924	\$ (32,570)	\$ 2,077,816	\$ 7,167,204		

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **MARCH 31, 2019**

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.

During the 2019 fiscal year, the lease was retired with the unexpired portion of the license at September 30, 2018 as part of the purchase price for the CP lands.

14. 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.

15. 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, \$466,998 was received from Saskay Land Development Corporation, a company controlled through ownership in KFN Enterprises Limited Partnership for services rendered.

Further, \$60,323 of lease revenue was received from KFN Enterprises Ltd., a wholly owned subsidiary.

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

16. 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, 2019

16. SEGMENTED INFORMATION, continued

	Band Programs			Capital Programs			Community Services		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
Revenues									
Indigenous Services Canada	\$ 108,000	\$ 188,935	\$ 179,598	-	\$ 44,219	\$ 95,651	\$ 25,751	\$ 18,551	\$ 32,728
Province of British Columbia	-	21,769	75,000	-	-	-	-	1,228	-
Rent	-	2,550	9,600	-	-	-	61,200	54,118	58,050
Other revenue	326,384	419,065	425,087	7,000	371,723	29,384	11,662	179,401	155,798
Total revenue	434,384	632,319	689,285	7,000	415,942	125,035	98,613	253,298	246,576
Expenses									
Band member profit sharing	-	-	-	-	-	-	280,500	333,239	1,369,909
Infrastructure	-	64,906	17,500	-	8,040	79,910	-	-	-
Principal payments on loans	-	2,100	2,423	-	-	-	-	-	-
Professional fees	8,235	283,232	591,982	50,000	57,412	6,556	-	6,463	3,473
Program expenses	141,879	102,224	77,102	600	20,319	300	11,662	140,280	11,807
Repairs and maintenance	43,600	58,184	44,151	110,000	5,465	21,735	14,500	14,621	14,567
Tangible capital assets acquisitions	-	81,761	10,075	200,000	278,493	342,294	-	-	-
Wages and benefits	935,038	886,362	880,273	322,000	363,459	150,317	15,000	48,312	18,932
Other expenses	561,751	812,528	741,868	42,920	77,273	69,194	203,651	201,602	221,685
Total expenses	1,690,503	2,291,297	2,365,374	725,520	810,461	670,306	525,313	744,517	1,640,373
Annual surplus (deficit)	\$ (1,256,119)	\$ (1,658,978)	\$ (1,676,089)	\$ (718,520)	\$ (394,519)	\$ (545,271)	\$ (426,700)	\$ (491,219)	\$ (1,393,797)

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

16. SEGMENTED INFORMATION, continued

	Economic Development			Education			Health		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
Revenues									
Indigenous Services Canada	\$ 10,000	\$ 10,000	\$ 110,350	\$ 32,330	\$ 34,966	\$ 45,372	\$ 57,431	\$ 72,952	\$ 24,004
Province of British Columbia	35,000	99,500	35,000	-	-	-	65,200	67,119	-
First Nations Health Authority	-	-	-	-	-	-	122,694	127,550	110,757
Rent	590,000	299,556	487,308	-	-	-	-	-	-
Health Canada	-	-	-	-	-	-	50,208	50,460	50,460
Other revenue	2,748,000	3,505,248	8,222,521	28,450	157,107	109,455	-	-	-
Total revenue	3,383,000	3,914,304	8,855,179	60,780	192,073	154,827	295,533	318,081	185,221
Expenses									
Infrastructure	-	3,950	4,925	-	-	-	-	-	-
Principal payments on loans	-	41,643	24,608	-	-	-	-	-	-
Professional fees	1,000	203,337	606,014	-	-	-	3,000	-	1,784
Program expenses	75,000	50	24,149	111,155	11,091	7,224	18,400	30,801	34,511
Repairs and maintenance	275,000	122,058	209,976	-	-	-	-	-	500
Tangible capital assets acquisitions	50,000	1,241,793	378,731	-	-	-	-	-	-
Wages and benefits	416,375	277,812	541,319	32,125	36,873	17,958	110,239	176,783	100,128
Other expenses	438,258	493,618	891,213	2,500	48,893	179,729	192,331	112,207	73,603
Total expenses	1,255,633	2,384,261	2,680,935	145,780	96,857	204,911	323,970	319,791	210,526
Annual surplus (deficit)	\$ 2,127,367	\$ 1,530,043	\$ 6,174,244	\$ (85,000)	\$ 95,216	\$ (50,084)	\$ (28,437)	\$ (1,710)	\$ (25,305)

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

16. SEGMENTED INFORMATION, continued

	Social Services		Social Housing		Capital Fund				
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
Revenues									
Indigenous Services Canada	\$ 109,972	\$ 95,859	\$ 108,133	-	\$ -	\$ -	\$ -	\$ -	\$ -
Province of British Columbia	-	56,131	77,917	-	-	-	-	-	-
Rent	-	-	-	45,600	45,600	45,600	-	-	-
Other revenue	30,000	-	-	12,022	46,676	46,047	-	-	-
Total revenue	139,972	151,990	186,050	57,622	92,276	91,647	-	-	-
Expenses									
Amortization	-	-	-	-	-	-	-	275,435	668,786
Professional fees	-	-	-	-	3,520	3,700	-	-	-
Program expenses	500	12,676	19,450	-	-	-	-	-	-
Repairs and maintenance	-	-	-	6,500	20,509	24,080	-	-	-
Wages and benefits	51,963	92,894	87,102	23,334	24,485	3,433	-	-	-
Other expenses	94,535	81,446	73,711	27,782	60,026	67,639	-	998,093	(991,861)
Total expenses	146,998	187,016	180,263	57,616	108,540	98,852	-	1,273,528	(323,075)
Annual surplus (deficit)	\$ (7,026)\$	(35,026)\$	5,787 \$	6 \$	(16,264)\$	(7,205)\$	-	\$ (1,273,528)\$	323,075

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2019

16. SEGMENTED INFORMATION, continued

	Ottawa Trust Fund			Enterprise Fund			Consolidated totals		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
Revenues									
Indigenous Services Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 343,484	\$ 465,482	\$ 595,836
Province of British Columbia	-	-	-	-	-	-	100,200	245,747	187,917
Investment gain/loss from subsidiaries	-	-	-	-	(1,191,539)	839,484	-	(1,191,539)	839,484
First Nations Health Authority	-	-	-	-	-	-	122,694	127,550	110,757
Rent	-	-	-	-	-	-	696,800	401,824	600,558
Health Canada	-	-	-	-	-	-	50,208	50,460	50,460
Other revenue	-	971	903	-	-	-	3,163,518	4,680,191	8,989,195
Total revenue	-	971	903	-	(1,191,539)	(839,484)	4,476,904	4,779,715	9,695,239
Expenses									
Amortization	-	-	-	-	-	-	280,500	608,674	2,038,695
Infrastructure	-	-	-	-	-	-	-	76,896	102,335
Principal payments on loans	-	-	-	-	-	-	-	43,743	27,031
Professional fees	-	-	-	-	-	-	62,235	553,964	1,213,509
Program expenses	-	-	-	-	-	-	359,196	317,441	174,543
Repairs and maintenance	-	-	-	-	-	-	449,600	220,837	315,009
Tangible capital assets acquisitions	-	-	-	-	-	-	250,000	1,602,047	731,100
Wages and benefits	-	-	-	-	-	-	1,906,074	1,906,980	1,799,462
Other expenses	-	-	-	-	-	5,000	1,563,728	2,885,686	1,331,781
Total expenses	-	-	-	-	-	-	4,871,333	8,216,268	7,728,465
Annual surplus (deficit)	\$ -	\$ 971	\$ 903	\$ -	\$ (1,191,539)	\$ (844,484)	\$ (394,429)	\$ (3,436,553)	\$ 1,961,774