

Kwantlen First Nation
Consolidated Financial Statements
March 31, 2019

Kwantlen First Nation
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For the Year Ended March 31, 2019

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Management's Responsibility

To the Members of Kwantlen First Nation

The accompanying consolidated financial statements of Kwantlen First Nation are the responsibility of management and have been approved by the Chief and Council.

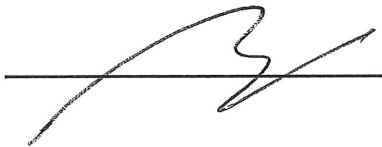
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Kwantlen First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Nation's external auditors.

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

October 22, 2019



Director of Finance
& Administration



Councilor

Independent Auditor's Report

To the Members of Kwantlen First Nation:

Opinion

We have audited the consolidated financial statements of Kwantlen First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, accumulated operating surplus, remeasurement gains and losses, changes in net financial assets (net debt) 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 consolidated remeasurement gains and losses and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 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.

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 consolidated 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 First Nation 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.

Chilliwack, British Columbia

October 22, 2019

MNP LLP

Chartered Professional Accountants

Kwantlen First Nation
Consolidated Statement of Financial Position
As at March 31, 2019

	2019	2018
Financial assets		
Cash	23,003,293	4,408,395
Short-term investments (Note 3)	3,616,531	3,579,438
Accounts receivable (Note 4)	1,893,772	6,589,783
Inventory for resale	74,053	60,327
Investments (Note 5)	3,358,106	3,269,067
	31,945,755	17,907,010
Restricted assets		
Trust funds (Note 6)	157,008	158,135
Operating reserve (Note 7)	-	5,325
Replacement reserve (Note 8)	73,226	60,893
	230,234	224,353
	32,175,989	18,131,363
Liabilities		
Bank indebtedness (Note 9)	764,717	800,760
Accounts payable and accrued liabilities (Note 10)	1,562,495	6,369,978
Deferred revenue (Note 11)	1,154,368	1,151,277
Long-term debt (Note 12)	16,293,916	16,922,324
Derivative instruments (Note 13)	280,215	214,299
	20,055,711	25,458,638
Net financial assets (net debt)	12,120,278	(7,327,275)
Non-financial assets		
Tangible capital assets (Note 14)	26,235,735	25,659,818
Property under development	2,444,812	2,444,812
Other inventories	142,656	70,026
Prepaid expenses	52,345	69,086
	28,875,548	28,243,742
Accumulated surplus (Note 15)	40,995,826	20,916,467
Accumulated surplus is comprised of:		
Accumulated operating surplus	41,276,041	21,130,766
Accumulated remeasurement losses	(280,215)	(214,299)
	40,995,826	20,916,467

Approved on behalf of Chief and Council




The accompanying notes are an integral part of these financial statements

Kwantlen First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended March 31, 2019

	<i>Budget</i>	<i>2019</i>	<i>2018</i>
Revenue			
Government transfers			
Indigenous Services Canada (ISC)	1,700,464	2,982,744	3,929,897
ISC recovery	-	(199)	(3,318)
ISC reimbursement	-	(115,521)	126,926
ISC revenue deferred	-	215,240	348,799
First Nations Health Authority (FNHA)	365,083	555,631	480,897
FNHA recovery	-	8,988	-
FNHA revenue deferred	-	29,010	17,043
Province of British Columbia	-	33,584	31,956
Canada Mortgage and Housing Corporation	-	84,098	71,415
BC Hydro	-	23,850,000	-
Contracting services	-	4,344,065	7,204,966
Commercial lease income	196,000	1,496,763	1,515,500
Merchandise sales	-	1,485,498	1,558,281
Other income	12,513	288,339	410,461
Rental income	45,350	132,802	126,841
Interest income	103,500	130,565	75,814
Taxation	-	119,518	118,032
Other agencies	-	66,513	5,000
Sto:lo HRD	13,205	15,696	11,292
Donations	5,000	13,679	13,665
New Relationship Trust	2,500	6,800	5,000
First Nations Education Steering Committee	-	1,250	3,750
Land development	-	-	5,150,000
Forestry revenue	-	-	1,269,619
Loss on disposal of tangible capital assets	-	-	(27,094)
Partnership Income	-	(2,865)	(2,423)
Campground revenue	-	(4,013)	45,402
	2,443,615	35,738,185	22,487,721
Expenses			
Administration	1,264,527	1,348,905	1,170,549
Capital	275,000	970,925	892,556
Member and Community Services	683,738	546,050	381,744
Infrastructure	1,612,150	1,646,760	1,146,876
Housing	132,049	295,970	165,145
Health and Social Services	842,790	887,006	786,320
Education	418,190	534,695	512,477
Economic Development	-	8,280,331	13,514,520
Lands and Resources	17,400	1,082,268	1,172,563
	5,245,844	15,592,910	19,742,750
Annual operating surplus (deficit)	(2,802,229)	20,145,275	2,744,971
Accumulated operating surplus, beginning of year	21,130,766	21,130,766	18,385,795
Accumulated operating surplus, end of year	18,328,537	41,276,041	21,130,766

The accompanying notes are an integral part of these financial statements

Kwantlen First Nation
Consolidated Statement of Changes in Net Financial Assets (Net Debt)
For the Year Ended March 31, 2019

	<i>Budget</i>	<i>2019</i>	<i>2018</i>
Annual operating surplus (deficit)	(2,802,229)	20,145,275	2,744,971
Tangible capital assets			
Acquisition of tangible capital assets	-	(1,546,841)	(2,853,496)
Disposal of tangible capital assets	-	-	42,039
Amortization	275,000	970,925	892,556
	275,000	(575,916)	(1,918,901)
Property under development			
Change in property under development	-	-	1,455,079
Other inventories			
Change in other inventories	-	(72,630)	121,427
Prepaid expenses			
Acquisition of prepaid expenses	(18,000)	(52,346)	(69,086)
Use of prepaid expenses	20,277	69,086	45,643
	2,277	16,740	(23,443)
Net remeasurement losses			
Change in net remeasurement losses	-	(65,916)	427,344
Change in net financial assets (net debt)	(2,524,952)	19,447,553	2,806,477
Net financial assets (net debt), beginning of year	(7,327,275)	(7,327,275)	(10,133,752)
Net financial assets (net debt), end of year	(9,852,227)	12,120,278	(7,327,275)

The accompanying notes are an integral part of these financial statements

Kwantlen First Nation
Consolidated Statement of Cash Flows
For the Year Ended March 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	20,145,275	2,744,971
Non-cash items		
Amortization	970,925	892,556
Revenue earned in trust and reserve funds	(2,797)	(4,169)
	21,113,403	3,633,358
Changes in working capital accounts		
Accounts receivable	4,696,011	(4,211,957)
Accounts payable and accrued liabilities	(4,807,479)	806,813
Deferred revenue	3,091	(768,305)
Inventory for resale	(13,727)	11,937
Prepaid expenses	16,741	(23,443)
Property under development	-	1,455,079
Other inventories	(72,630)	121,427
	20,935,410	1,024,909
Financing activities		
Advances of long-term debt	1,118,352	4,039,646
Repayment of long-term debt	(1,746,760)	(741,003)
Increase (decrease) in bank indebtedness	(36,043)	358,066
	(664,451)	3,656,709
Capital activities		
Acquisition of tangible capital assets	(1,546,841)	(2,853,496)
Disposal of tangible capital assets	-	42,039
	(1,546,841)	(2,811,457)
Investing activities		
Change in short-term investments	(37,093)	(955,622)
Deposits in reserve accounts	(15,220)	(15,220)
Withdrawal of reserve accounts	8,514	5,563
Withdrawal of trust funds	3,621	3,956
Change in investments	(89,042)	(3,269,067)
	(129,220)	(4,230,390)
Increase (decrease) in cash resources	18,594,898	(2,360,229)
Cash resources, beginning of year	4,408,395	6,768,624
Cash resources, end of year	23,003,293	4,408,395
Supplementary cash flow information:		
Interest received	130,565	75,814
Interest paid	851,457	810,891

The accompanying notes are an integral part of these financial statements

Kwantlen First Nation
Consolidated Statement of Remeasurement Losses
For the Year Ended March 31, 2019

	2019	2018
Accumulated remeasurement losses, beginning of year	(214,299)	(641,644)
Unrealized gains (losses) attributable to:		
Derivative instruments	(65,916)	427,345
Accumulated remeasurement losses, end of year	(280,215)	(214,299)

The accompanying notes are an integral part of these financial statements

Kwantlen First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2019

1. Operations

Kwantlen First Nation (the "Nation") is a First Nation band located in the province of British Columbia that provides various services to its members. Kwantlen First Nation includes the Nation's government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

2. Significant accounting policies

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

Principles of consolidation

All controlled entities are fully consolidated on a line-by-line basis. Inter-entity balances and transactions have been eliminated on consolidation.

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

- Seyem' Qwantlen Business Management Ltd.
- Seyem' Qwantlen Construction Ltd.
- Seyem' Qwantlen Construction Limited Partnership
- Seyem' Qwantlen Development Ltd.
- Seyem' Qwantlen Development Limited Partnership
- Seyem' Qwantlen Land Development Ltd.
- Seyem' Qwantlen Land Development Limited Partnership
- Seyem' Qwantlen Resources Ltd.
- Seyem' Qwantlen Resources Limited Partnership
- Seyem' Qwantlen Harbour Authority
- Qwantlen Support Services Ltd.
- Seyem' Qwantlen Ventures Limited Partnership
- Seyem' Qwantlen Ventures Ltd.

In addition, the Nation has made investments in government partnerships, which are accounted for using the proportionate consolidation method:

- Seyem' Qwantlen Construction / Milestone Environmental Contracting West (A Joint Venture) owned 51% by the Nation
- The Jackson Ridge Project (A Joint Venture) owned 50% by the Nation

Asset classification

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

Net financial assets (net debt)

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

Inventories

Inventories are stated at the lower of average cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

2. Significant accounting policies *(continued from previous page)*

Short-term investments

Short-term investments consists of term deposits or guaranteed investment certificates and are recorded at cost. Accrued interest is recorded when earned.

Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- i) an environmental standard exists;
- ii) contamination exceeds the environmental standard;
- iii) the Nation is directly responsible; or accepts responsibility; and
- iv) a reasonable estimate of the amount can be made.

Management has determined that no such liability exists at March 31, 2019.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records.

Amortization

Tangible capital assets are amortized annually on a straight-line or declining balance basis over their estimated useful lives as follows:

Asset	Basis	Useful life
Land improvements	Straight-line	15 - 20 years
Buildings	Declining balance / straight-line	4% / 40 years
Infrastructure	straight-line	50 years
Equipment	Declining balance / straight-line	20 - 55% / 5 - 20 years
Automotive	Declining balance / straight-line	30% / 5 - 10 years
Art collection	Straight-line	25 years
Leasehold improvements	Straight-line	6 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the 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 at their fair value at the date of contribution.

Assets under construction are not amortized until the asset is available to be put into service.

Funds held in Ottawa Trust fund

Funds held in trust on behalf of the Nation's members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus.

Long-lived assets and discontinued operations

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the assets' carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in surplus (deficit) for the year.

2. Significant accounting policies (continued from previous page)

Revenue recognition

Government transfers

Kwantlen First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Contracting revenue

Contracting revenue is recognized on the accrual basis according to the terms of the contractual agreements.

Housing rental income

Rental revenue is recorded in the year it is earned. At the end of each year, management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

First Nation capital and revenue trust funds

Kwantlen First Nation recognizes revenues at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

Other revenue

Other revenue is recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets.

Segments

Kwantlen First Nation conducts its operations through various segments as described in Note 20. These operating segments are established by management to facilitate the achievement of the Nation's long-term objectives, to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

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

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Nation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Kwantlen First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2019

2. Significant accounting policies *(continued from previous page)*

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Nation determines if there is a significant adverse change in the expected amount of timing of future cash flows, the carrying value of the financial asset is reduced to the highest present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Nation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Derivative instruments are financial contracts whose value changes in response to a change in a specified interest rate, exchange rate or other variable, provided in the case of a non-financial variable, the variable is not specific to a party to the contract. Derivative contracts usually have no initial net investment, or a net investment which would be smaller than a non-derivative contract, and are settled at a future date.

Derivatives are initially recognized at fair value on the date which a derivative contract is entered into. They are subsequently re-measured at their fair value and reported as assets where they have a positive fair value or as liabilities where they have a negative fair value.

3. Short-term investments

Included in short-term investments are term deposits of \$2,281 (2018 - \$23,762) which secure letters of credit for the Jackson Ridge Project (A Joint Venture) development project. The bank can draw on these term deposits in the event they are required to pay out on the letters of credit.

4. Accounts receivable

	2019	2018
Trade receivables	1,635,859	6,358,095
Member loans	181,662	187,957
Other receivables	70,160	37,930
CMHC subsidy receivable	6,091	5,801
	1,893,772	6,589,783

Kwantlen First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2019

5. Investments

The Nation has a 25% investment in Weave Development Limited Partnership. Summary financial information for the partnership, accounted for using the modified equity method, as at March 31, 2019 is as follows:

	2019	2018
Assets		
Cash	125,355	29,595
Accounts receivable	10,428	5,707
Property held for development	12,754,708	12,355,370
	12,890,491	12,390,672
Liabilities and Equity		
Accounts payable	8,000	85,362
Partners' capital	12,882,491	12,305,310
	12,890,491	12,390,672
	2019	2018
Total revenues	-	-
Total expenses	10,518	9,693
Net loss	(10,518)	(9,693)

The Nation has a 50% investment in K & K Forestry Operations Limited Partnership. Summary financial information for the partnership, accounted for using the modified equity method, as at March 31, 2019 is as follows:

	2019	2018
Assets		
Cash	69,900	21
Accounts receivable	-	2,761
Work in process	-	55,147
Due to Katzie Development LP	-	23,011
	69,900	80,940
Liabilities and Equity		
Accounts payable	2,500	23,012
Deferred revenue	3,651	-
Partners' capital	63,749	57,928
	69,900	80,940
	2019	2018
Total revenues	96,826	-
Total expenses	96,349	-
Net income	477	-

Kwantlen First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2019

6. Trust funds

	2019	2018
Capital fund		
Balance, beginning of year	156,343	156,343
Balance, end of year	156,343	156,343
Revenue Fund		
Balance, beginning of year	1,792	1,640
Rental income	-	-
Interest income	1,830	3,459
BC special distribution	665	649
Withdrawals	(3,622)	(3,956)
Balance, end of year	665	1,792
	157,008	158,135

7. Operating reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation, any annual operating surplus may be retained in an operating reserve, 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 March 31, 2019, \$0 (2018 - \$5,325) has been set aside to fund this reserve.

8. Replacement reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited in the amount of \$15,220 annually as stated 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 other be approved by CMHC from time to time.

As at March 31, 2019, \$73,226 (2018 - \$60,893) has been set aside to fund this reserve.

9. Bank indebtedness

The Nation carries operating lines of credit with BMO Bank of Montreal that are secured by general security agreements. The operating lines entitle the Nation to borrow a combined maximum amount of \$2,815,000 that bears interest at a variable rate of bank prime plus 0.5% (2018 - 0.5%). As of March 31, 2019, \$764,717 (2018 - \$800,760) of the operating lines of credit were utilized and the bank's prime rate was 3.95% (2018 - 3.45%).

10. Accounts payable and accrued liabilities

Included in accounts payable are government remittances totaling \$78,938 (2018 - \$160,498).

Kwantlen First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2019

11. Deferred revenue

	<i>Balance, beginning of year</i>	<i>Funds received</i>	<i>Revenue recognized</i>	<i>Balance, end of year</i>
Indigenous Services Canada	750,952	535,712	(750,952)	535,712
Resource projects	330,934	236,203	(308,919)	258,218
Construction projects	25,346	-	(25,346)	-
Land development projects	-	309,375	-	309,375
Customer deposits	2,352	300	(200)	2,452
First Nations Health Authority	29,010	-	(29,010)	-
Province of British Columbia	-	34,842	-	34,842
Gift certificates	12,683	1,086	-	13,769
	1,151,277	1,117,518	(1,114,427)	1,154,368

12. Long-term debt

	2019	2018
BMO Bank of Montreal loan, payments of \$34,643 per month including interest at 4.97% per annum, matures December 1, 2023 (secured - see below)	4,323,197	4,518,746
BMO Bank of Montreal loan, payments of \$33,151 per month including interest at 4.45% per annum, matures December 1, 2020 (secured - see below)	4,279,564	4,482,025
BMO Bank of Montreal loan, interest-only payments due monthly, interest at 4.20% per annum, due on demand. The loan was obtained for the purposes of investment in the Weave Development Limited Partnership.	3,800,000	3,447,491
BMO Bank of Montreal loan, payments of \$9,254 per month including variable interest at bank prime plus 0.75% per annum, matures November 1, 2038, secured by a general security agreement	-	1,581,372
BMO Bank of Montreal loan, interest-only payments due monthly, interest at 4.45% per annum. The loan was obtained to finance the construction of a new office building.	1,118,352	-
BMO Bank of Montreal loan, payments of \$5,893 per month including interest at 4.08% per annum, matures February 11, 2024 (secured - see below)	796,295	823,930
CMHC Phase 1 - All Nations Trust Company mortgage, payments of \$3,139 per month including interest at 2.49% per annum, renewal May 1, 2023, matures May 1, 2038	574,365	597,920
CMHC Phase 2 - All Nations Trust Company mortgage, payments of \$2,487 per month including interest at 2.14% per annum, renewal March 1, 2024, matures March 1, 2039	485,683	505,170
CMHC Phase 3 - All Nations Trust Company mortgage, payments of \$2,336 per month including interest at 1.05% per annum, renewal August 1, 2021, matures August 1, 2041	559,709	581,753
Tale'awtxw Aboriginal Capital Corporation loan, payments of \$4,853 per month including interest at 8.00% per annum, matures December 15, 2026	356,751	383,917
	16,293,916	16,922,324

Kwantlen First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2019

12. Long-term debt *(continued from previous page)*

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2020	630,371
2021	662,947
2022	689,715
2023	717,823
2024	747,347
	3,448,203

Three of the BMO Bank of Montreal loans totaling \$9,399,056 are secured by a mortgage of \$14,000,000 over specific land and buildings and an assignment of rents.

Long-term debt for CMHC housing projects are secured by Ministerial guarantees of the Ministry of Indigenous Services Canada.

The Tale'awtxw Aboriginal Capital Corporation loan is secured by a general security agreement, assignment of insurance, and a mortgage of \$14,000,000 over land and buildings.

13. Derivative instruments

In the ordinary course of business, the Nation enters into derivative contracts, specifically interest rate swaps. Derivative financial instruments may be undertaken to manage price risk from the Nation's exposure to fixed interest rates related to its long-term debt.

Notional amounts of derivatives used to manage interest rate risk

	<i>Maturity of derivatives in 1 to 5 Years</i>	<i>Total 2019</i>	<i>Total 2018</i>
Receive fixed/pay floating swaps	9,399,057	9,399,057	9,824,699

Fair values of derivatives used to manage interest rate risk

	<i>2019</i>	<i>2018</i>
Receive fixed/pay floating swaps	(280,215)	(214,299)

The above interest rate swaps are amortizing swaps that reduce over time as the associated debt is repaid.

Kwantlen First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2019

14. Tangible capital assets

Cost	Beginning of year	Acquisitions	Disposals	End of year
Land	4,340,001	-	-	4,340,001
Land improvements	753,641	-	-	753,641
Buildings	14,529,436	-	-	14,529,436
Buildings under construction	4,963	1,473,923	-	1,478,886
Infrastructure	9,147,915	-	-	9,147,915
Equipment	1,609,599	54,631	-	1,664,230
Automotive	146,218	-	-	146,218
Art collection	140,644	8,500	-	149,144
Leasehold improvements	538,058	9,788	-	547,846
	31,210,475	1,546,842	-	32,757,317

Accumulated amortization	Beginning of year	Amortization	Disposals	End of year
Land improvements	273,593	49,818	-	323,411
Buildings	2,507,965	437,654	-	2,945,619
Infrastructure	1,533,135	182,958	-	1,716,093
Equipment	602,586	194,727	-	797,313
Automotive	116,805	8,494	-	125,299
Art collection	80,799	5,966	-	86,765
Leasehold improvements	435,774	91,308	-	527,082
	5,550,657	970,925	-	6,521,582

Net book value	2019	2018
Land	4,340,001	4,340,001
Land improvements	430,229	480,048
Buildings	11,583,817	12,021,471
Buildings under construction	1,478,886	4,963
Infrastructure	7,431,823	7,614,780
Equipment	866,917	1,007,013
Automotive	20,919	29,413
Art collection	62,379	59,845
Leasehold improvements	20,764	102,284
	26,235,735	25,659,818

Amortization expense of \$970,925 (2018 - \$892,556) was recorded in the Capital Fund.

Kwantlen First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2019

15. Accumulated surplus

	2019	2018
Unrestricted surplus	21,939,150	1,897,018
Equity in operating reserve	-	5,327
Equity in replacement reserve	73,226	60,893
Equity in tangible capital assets	16,186,630	16,211,170
Equity in other non-financial assets	2,639,812	2,583,924
Equity in trust funds	157,008	158,135
	40,995,826	20,916,467

16. Budget figures

The budget figures presented in these financial statements are based upon the operating and capital budgets prepared by management.

17. Contingent liability

Kwantlen First Nation may be contingently liable for six guaranteed housing mortgages. As at March 31, 2019, there are five outstanding housing mortgages under the Ministerial Loan Guarantees program totaling \$1,673,797 and four outstanding housing mortgages with Royal Bank of Canada totaling \$418,982, for which the Nation is guarantor.

18. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

19. Financial instruments

As part of its operations, Kwantlen First Nation carries a number of financial instruments. It is management's opinion that the Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Nation manages exposure through interest rate swaps, which modify the maturity characteristics of financial assets and liabilities.

Kwantlen First Nation is exposed to interest rate cash flow risk with respect to its operating lines of credit, two BMO loans and derivative instruments, which are subject to variable interest rates. Changes in the bank prime variable lending rates can cause fluctuations in interest payments and cash flows.

Kwantlen First Nation is exposed to interest rate price risk on its long-term debt with BMO Bank of Montreal, All Nations Trust Company and Tale'awtxw Aboriginal Capital Corporation as they are at fixed interest rates.

20. Segmented information

Kwantlen First Nation operates a number of programs and receives funding from various sources. For the management of and for reporting purposes, the Nation groups revenues, expenses, and accumulated surplus or deficit by segment based on major functional classification of activities as outlined below:

1. Administration includes general operation, support, and financial management of the Nation, property taxation, and Ottawa Trust Fund.
2. Capital includes activities related to the Nation's tangible capital assets.
3. Member and Community Services includes support programs and cultural activities for Nation members.
4. Infrastructure includes the repairs, maintenance, and replacement of infrastructure assets such as roads, grounds, buildings, and utilities systems.
5. Housing includes repairs and maintenance of homes and provision of housing to Nation members.
6. Health and Social Services includes the provision of health-related and social assistance services and programs to improve the quality of life for Nation members
7. Education includes provision of support and programs to Nation students registered in pre-school, elementary, secondary, and post-secondary education programs.
8. Economic Development includes activities related to generating additional revenues for the Nation and employment opportunities for Nation members.
9. Lands and Resources includes activities related to the development of Indian Reserve lands and natural resources.

Kwantlen First Nation
Schedule 1 - Consolidated Statement of Expenses by Object
For the Year Ended March 31, 2019

	<i>Budget</i>	<i>2019</i>	<i>2018</i>
Expenses by object			
Administration	6,813	11,088	18,867
Advertising	-	27,967	25,114
Amortization	275,000	970,925	892,556
Contracted services	778,050	1,277,328	456,934
Cost of sales	-	1,555,570	5,567,188
Education programs	260,790	391,130	389,765
Forestry expenses	-	472	623,833
Health programs	94,799	94,092	119,633
Home owner grants	-	42,369	37,736
Honoraria	302,400	157,819	91,670
Inspection fees	3,000	3,310	450
Insurance	57,500	95,146	93,363
Interest and bank charges	30,000	119,066	100,631
Interest on long-term debt	67,000	732,392	710,260
Management expenses	-	237,941	265,993
Materials and supplies	159,647	1,022,005	880,599
Meetings and events	386,140	410,826	331,079
Member support	80,150	81,105	54,950
Office and other	55,150	342,845	227,391
Operational costs	2,400	2,016	2,063
Professional fees	374,550	1,485,730	1,543,047
Project expenses	-	457,276	1,924,799
Property taxes	-	20,552	27,864
Rent	-	75,344	122,941
Repairs and maintenance	176,700	327,421	208,008
Salaries, wages, and benefits	1,748,875	5,039,773	4,478,615
Service contracts	2,400	40,387	36,153
Social services programs	135,593	157,429	145,436
Telephone and communications	22,650	62,748	60,742
Training	-	31,071	20,228
Travel	132,088	207,442	178,985
Utilities	70,000	82,493	68,403
Vehicle Lease	-	13,073	15,623
Workshops	24,149	16,759	21,831
	5,245,844	15,592,910	19,742,750

Kwantlen First Nation
Segmented Information - Administration
For the Year Ended March 31, 2019

	<i>Budget</i>	<i>2019</i>	<i>2018</i>
Revenue			
Indigenous Services Canada (ISC)	273,041	295,991	313,898
ISC recovery	-	-	(2,596)
BC Hydro	-	23,850,000	-
Commercial lease income	196,000	210,280	196,000
Interest income	103,500	123,872	73,494
Taxation	-	119,518	118,032
Province of British Columbia	-	33,584	31,956
New Relationship Trust	-	4,300	-
Other income	(25,000)	500	26,220
First Nations Tax Commission	-	-	5,000
	547,541	24,638,045	762,004
Expenses			
Administration	-	11,874	7,256
Contracted services	130,000	169,410	87,084
Home owner grants	-	42,369	37,736
Honoraria	66,400	51,270	41,320
Insurance	8,000	8,292	7,695
Interest and bank charges	30,000	27,349	12,550
Interest on long-term debt	67,000	66,294	61,354
Materials and supplies	24,000	34,171	34,879
Meetings and events	25,500	39,189	46,913
Office and other	47,000	29,524	20,231
Professional fees	68,500	40,824	38,510
Repairs and maintenance	6,000	1,316	-
Salaries, wages and benefits	672,977	670,045	643,816
Service contracts	-	40,387	36,153
Telephone and communications	14,500	15,426	13,879
Travel	102,450	98,146	81,173
Workshops	2,200	3,019	-
	1,264,527	1,348,905	1,170,549
Operating surplus (deficit) before transfers	(716,986)	23,289,140	(408,545)
Transfers	(1,862,841)	(1,616,460)	2,747,745
Operating surplus (deficit)	(2,579,827)	21,672,680	2,339,200
Accumulated operating surplus, beginning of year	4,432,812	4,432,809	2,093,609
Accumulated operating surplus, end of year	1,852,985	26,105,489	4,432,809

Kwantlen First Nation
Segmented Information - Capital
For the Year Ended March 31, 2019

	<i>Budget</i>	<i>2019</i>	<i>2018</i>
Revenue			
Loss on disposal of tangible capital assets	-	-	(27,094)
Expenses			
Amortization	275,000	970,925	892,556
Deficit before transfers	(275,000)	(970,925)	(919,650)
Transfers	-	946,385	2,937,702
Operating surplus (deficit)	(275,000)	(24,540)	2,018,052
Accumulated operating surplus, beginning of year	16,211,170	16,211,168	14,193,116
Accumulated operating surplus, end of year	15,936,170	16,186,628	16,211,168

Kwantlen First Nation
Segmented Information - Member and Community Services
For the Year Ended March 31, 2019

	<i>Budget</i>	<i>2019</i>	<i>2018</i>
Revenue			
First Peoples' Cultural Council	36,513	51,513	-
Sto:lo HRD	13,205	15,696	11,292
Donations	3,000	9,604	12,665
	52,718	76,813	23,957
Expenses			
Administration	6,813	-	-
Contracted services	300	300	195
Honoraria	195,250	52,136	23,250
Interest and bank charges	-	29	-
Materials and supplies	10,297	8,434	565
Meetings and events	311,790	324,583	228,130
Member support	80,150	80,953	54,950
Salaries, wages and benefits	47,700	58,744	45,453
Travel	9,638	13,647	9,801
Workshops	21,800	7,224	19,400
	683,738	546,050	381,744
Operating deficit before transfers	(631,020)	(469,237)	(357,787)
Transfers	631,020	469,237	357,787
Operating surplus (deficit)	-	-	-

Kwantlen First Nation
Segmented Information - Infrastructure
For the Year Ended March 31, 2019

	<i>Budget</i>	<i>2019</i>	<i>2018</i>
Revenue			
Indigenous Services Canada (ISC)	737,628	958,585	1,658,693
ISC reimbursement	-	(91,398)	91,398
Rental income	45,350	50,423	41,827
ISC revenue deferred	-	48,360	828,137
FNHA revenue deferred	-	-	33,068
	782,978	965,970	2,653,123
Expenses			
Administration	-	170	11,557
Contracted services	605,000	637,802	106,232
Honoraria	12,700	18,913	3,700
Insurance	16,850	15,745	13,505
Interest and bank charges	-	67	29
Materials and supplies	33,250	34,704	21,534
Meetings and events	20,700	17,632	18,646
Office and other	8,100	12,109	8,278
Professional fees	305,750	335,715	507,920
Repairs and maintenance	108,100	98,094	88,235
Salaries, wages and benefits	425,650	405,511	311,423
Service contracts	2,400	-	-
Telephone and communications	4,750	4,946	4,398
Travel	-	1,597	1,485
Utilities	65,200	62,783	49,724
Workshops	3,700	972	210
	1,612,150	1,646,760	1,146,876
Operating surplus (deficit) before transfers	(829,172)	(680,790)	1,506,247
Transfers	829,172	685,749	(1,511,210)
Operating surplus (deficit)	-	4,963	(4,963)
Accumulated operating surplus (deficit), end of year	-	-	(4,963)

Kwantlen First Nation
Segmented Information - Housing
For the Year Ended March 31, 2019

	<i>Budget</i>	<i>2019</i>	<i>2018</i>
Revenue			
Indigenous Services Canada (ISC)	193,860	132,903	20,319
Canada Mortgage and Housing Corporation	-	84,098	71,415
Rental income	-	74,878	75,120
Interest income	-	303	61
Other income	-	122	-
	193,860	292,304	166,915
Expenses			
Administration	-	24	28
Contracted services	42,000	74,602	39,994
Inspection fees	3,000	3,260	450
Insurance	30,000	37,180	35,493
Interest and bank charges	-	72	63
Interest on long-term debt	-	30,084	25,878
Materials and supplies	4,000	4,027	640
Meetings and events	-	45	-
Professional fees	300	2,424	5,083
Repairs and maintenance	47,500	113,089	39,507
Salaries, wages and benefits	11,400	30,016	15,676
Travel	4,100	4,229	-
Utilities	1,350	2,459	2,333
Workshops	(11,601)	(5,541)	-
	132,049	295,970	165,145
Operating surplus (deficit) before transfers	61,811	(3,666)	1,770
Transfers	-	59	7,948
Operating surplus (deficit)	61,811	(3,607)	9,718
Accumulated operating surplus, beginning of year	66,219	66,218	56,500
Accumulated operating surplus, end of year	128,030	62,611	66,218

Kwantlen First Nation
Segmented Information - Health and Social Services
For the Year Ended March 31, 2019

	<i>Budget</i>	<i>2019</i>	<i>2018</i>
Revenue			
Indigenous Services Canada (ISC)	195,835	214,953	136,476
ISC recovery	-	(199)	(722)
ISC reimbursement	-	(24,123)	35,528
First Nations Health Authority (FNHA)	365,083	555,631	480,897
FNHA recovery	-	8,988	-
FNHA revenue deferred	-	29,010	(16,025)
BC Aboriginal Child Care Society	-	15,000	-
Other income	-	70	(2,621)
	560,918	799,330	633,533
Expenses			
Administration	-	40	25
Contracted services	-	-	11,947
Interest and bank charges	-	84	383
Health programs	94,799	94,092	119,633
Honoraria	3,250	2,350	2,050
Insurance	2,650	2,761	2,953
Materials and supplies	39,100	62,601	33,672
Meetings and events	12,650	16,305	8,808
Office and other	50	335	-
Repairs and maintenance	17,500	17,545	2,566
Salaries, wages and benefits	514,948	513,406	443,989
Social services programs	135,593	157,582	145,436
Telephone and communications	3,400	3,769	4,005
Travel	8,850	6,458	7,192
Utilities	3,450	3,045	2,565
Workshops	6,550	6,633	1,096
	842,790	887,006	786,320
Operating deficit before transfers	(281,872)	(87,676)	(152,787)
Transfers	281,872	87,676	152,787
Operating surplus (deficit)	-	-	-

Kwantlen First Nation
Segmented Information - Education
For the Year Ended March 31, 2019

	<i>Budget</i>	<i>2019</i>	<i>2018</i>
Revenue			
Indigenous Services Canada (ISC)	300,100	289,807	297,370
Donations	-	3,500	-
Other income	3,000	3,000	6,500
New Relationship Trust	2,500	2,500	5,000
First Nations Education Steering Committee	-	1,250	3,750
	305,600	300,057	312,620
Expenses			
Contracted services	750	-	600
Education programs	260,790	391,130	389,765
Honoraria	21,500	19,650	1,200
Materials and supplies	38,250	33,814	19,815
Meetings and events	15,000	6,561	19,129
Salaries, wages and benefits	76,200	74,288	76,067
Travel	4,200	4,977	4,926
Workshops	1,500	4,275	975
	418,190	534,695	512,477
Operating deficit before transfers	(112,590)	(234,638)	(199,857)
Transfers	112,590	234,638	199,857
Operating surplus (deficit)	-	-	-

Kwantlen First Nation
Segmented Information - Economic Development
Year Ended March 31, 2019

	<i>Budget</i>	<i>2019</i>	<i>2018</i>
Revenue			
Indigenous Services Canada (ISC)	-	12,854	12,264
Contracting services	-	4,344,065	7,204,966
Merchandise sales	-	1,485,498	1,558,281
Commercial lease income	-	1,286,483	1,319,500
Other income	-	280,746	381,414
Rental income	-	7,500	9,894
Interest income	-	6,320	2,206
Land development	-	-	5,150,000
Forestry revenue	-	-	1,269,619
Partnership Income	-	(2,865)	(2,423)
Campground revenue	-	(4,013)	45,402
		7,416,588	16,951,123
Expenses			
Advertising	-	27,967	25,114
Contracted services	-	394,194	210,881
Cost of sales	-	1,555,570	5,567,188
Forestry expenses	-	472	623,833
Honoraria	-	1,800	2,550
Insurance	-	31,168	33,717
Interest and bank charges	-	91,464	87,605
Interest on long-term debt	-	636,014	623,028
Management expenses	-	237,941	238,095
Materials and supplies	-	831,002	766,610
Meetings and events	-	2,580	753
Office and other	-	297,776	198,373
Professional fees	-	365,116	198,087
Project expenses	-	263,625	1,718,921
Property taxes	-	10,213	18,996
Rent	-	75,344	122,941
Repairs and maintenance	-	99,443	79,763
Salaries, wages and benefits	-	3,187,679	2,838,141
Telephone and communications	-	38,608	38,135
Training	-	29,968	20,228
Travel	-	75,108	72,158
Utilities	-	14,206	13,780
Vehicle Lease	-	13,073	15,623
	-	8,280,331	13,514,520
Operating surplus (deficit) before transfers	-	(863,743)	3,436,603

Continued on next page

Kwantlen First Nation
Segmented Information - Economic Development
For the Year Ended March 31, 2019

	<i>Budget</i>	<i>2019</i>	<i>2018</i>
<i>Continued from previous page</i>			
Operating surplus (deficit) before transfers	-	(863,743)	3,436,603
Transfers	-	(938,206)	(4,903,424)
Operating deficit	-	(1,801,949)	(1,466,821)
Accumulated operating surplus, beginning of year	425,532	425,532	1,892,353
Accumulated operating surplus (deficit), end of year	425,532	(1,376,417)	425,532

Kwantlen First Nation
Segmented Information - Lands and Resources
For the Year Ended March 31, 2019

	<i>Budget</i>	<i>2019</i>	<i>2018</i>
Revenue			
Indigenous Services Canada (ISC)	-	1,077,651	1,490,877
ISC revenue deferred	-	166,880	(479,338)
Other income	-	4,470	-
Donations	-	75	-
		1,249,076	1,011,539
Expenses			
Honoraria	3,300	11,700	17,600
Management expenses	-	-	27,898
Materials and supplies	10,750	13,249	2,888
Meetings and events	500	3,930	8,700
Office and other	-	3,280	660
Professional fees	-	741,651	793,447
Project expenses	-	193,651	205,879
Property taxes	-	10,339	8,868
Training	-	1,103	-
Salaries, wages and benefits	-	100,085	104,050
Telephone and communications	-	-	325
Travel	2,850	3,280	2,248
	17,400	1,082,268	1,172,563
Operating surplus (deficit) before transfers	(17,400)	166,808	(161,024)
Transfers	17,400	130,918	10,808
Operating surplus (deficit)	-	297,726	(150,216)
Accumulated operating surplus, beginning of year	-	-	150,216
Accumulated operating surplus, end of year	-	297,726	-