

Consolidated Financial Statements of

SUMAS FIRST NATION

And Independent Auditors' Report thereon

Year ended March 31, 2019

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Sumas First Nation (the "First Nation") are the responsibility of management, and have been prepared in compliance with legislation, and in accordance with the CPA Canada Public Sector Accounting Handbook. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The First Nation's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Chief and Council meet with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the First Nation. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the First Nation's consolidated financial statements.



Chief

Finance Manager and Tax Administrator



KPMG LLP
200-9123 Mary Street
Chilliwack BC V2P 4H7
Canada
Telephone (604) 793-4700
Fax (604) 793-4747

INDEPENDENT AUDITORS' REPORT

To the Council and Members of Sumas First Nation

Opinion

We have audited the consolidated statement of financial statements of Sumas First Nation (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019 and its results of operations and its 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our 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 Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Chilliwack, Canada

July 17, 2019

SUMAS FIRST NATION

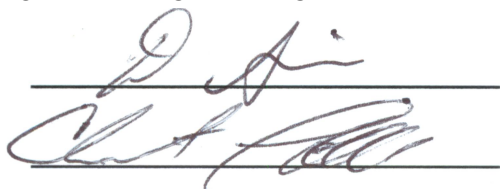
Consolidated Statement of Financial Position

March 31, 2019, with comparative information for 2018

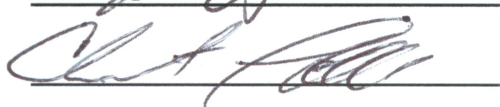
	2019	2018
Financial assets:		
Cash (note 2)	\$ 2,304,914	\$ 2,649,877
Investments (note 3)	11,337,307	15,660,336
Accounts receivable (note 4)	1,842,046	1,135,218
Investment in partnerships (note 5)	496,231	483,030
Due from Lower Fraser Fisheries Alliance (note 6)	26,549	223,002
	<u>16,007,047</u>	<u>20,151,463</u>
Restricted assets:		
Cash (note 2)	2,802,569	401,468
Equity in commercial enterprises (note 7)	3	3
	<u>18,809,619</u>	<u>20,552,934</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,522,002	1,568,866
Deferred revenue	3,367,492	4,136,083
Long-term debt (note 8)	3,351,085	2,821,007
	<u>8,240,579</u>	<u>8,525,956</u>
Net financial assets	10,569,040	12,026,978
Non-financial assets:		
Tangible capital assets (note 9)	10,867,772	8,913,427
Prepaid expenses and deposits	71,657	44,593
Property held for development	1,536,677	1,536,677
Inventories	14,362	13,031
	<u>12,490,468</u>	<u>10,507,728</u>
Contingent liabilities (note 14)		
Accumulated surplus (note 10)	\$ 23,059,508	\$ 22,534,706
Accumulated surplus is comprised of:		
Accumulated operating surplus	\$ 23,051,961	\$ 21,856,927
Accumulated remeasurement gains	7,547	677,779
Accumulated surplus	\$ 23,059,508	\$ 22,534,706

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

On behalf of Chief and Council:



Chief



Councilor

SUMAS FIRST NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2019, with comparative information for 2018

	Budget (note 12)	2019	2018
Federal Government - grants and transfers:			
Indigenous Services Canada	\$ 1,221,179	\$ 2,772,768	\$ 2,723,328
First Nations Health Authority	65,527	88,705	67,705
Department of Fisheries and Oceans	125,000	125,000	142,649
First Nations Education Steering Committee	32,000	112,606	37,780
Other federal government departments	-	(18,506)	69,908
New Relationship Trust	-	11,021	1,600
CMHC and housing charges	56,600	56,600	95,958
Other Government Sources:			
Province of British Columbia	684,722	737,188	180,564
Sto:lo Nation	225,107	261,068	219,711
First Nation:			
Property taxation	258,635	258,635	258,897
Lease, interest and other income	712,414	1,024,839	944,495
Commercial enterprises	406,100	448,590	392,796
Partnership loss (note 5)	-	(146,682)	(39,210)
Realized gain on sale of investments	-	126,060	1,244
Gain on sale of tangible capital assets	-	-	19,718
Government - contracts for service:			
Indigenous Services Canada	5,410,000	5,064,685	5,481,294
Total revenue	9,197,284	10,922,577	10,598,437
Expenses:			
Education Programs	443,237	524,134	387,661
Social Development	206,747	246,820	191,782
Health Services	291,852	217,586	229,242
Community Services & Member Benefits	494,345	734,641	706,476
Administration and technical service	791,866	592,439	562,274
Band Government	224,250	258,104	207,177
Public works and village operations	180,228	131,609	126,650
Lands Management	408,254	668,327	622,047
Commercial Enterprises	379,409	468,688	435,377
Economic Development	293,638	248,720	274,487
Indigenous Services Canada - contracts	5,410,000	5,064,354	5,481,295
National Housing Streams	-	-	94,547
Social Housing	73,458	68,819	55,488
Capital Projects	-	2,457,647	1,716,640
Amortization of tangible capital assets	-	439,270	419,500
Long house project	-	-	277,628
Expenses capitalized	-	(2,393,615)	(1,950,974)
Total expenses	9,197,284	9,727,543	9,837,297
Annual surplus	-	1,195,034	761,140
Accumulated operating surplus, beginning of year	21,856,927	21,856,927	21,095,787
Accumulated operating surplus, end of year	\$ 21,856,927	\$ 23,051,961	\$ 21,856,927

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

SUMAS FIRST NATION

Consolidated Statement of Change in Net Financial Assets

Year ended March 31, 2019, with comparative information for 2018

	Budget (note 12)	2019	2018
Annual surplus	\$ -	\$ 1,195,034	\$ 761,140
Tangible capital assets:			
Acquisition of tangible capital assets	-	(2,393,615)	(1,950,974)
Amortization of tangible capital assets	-	439,270	419,500
Proceeds on disposal of tangible capital assets	-	-	26,889
Gain on disposal of tangible capital assets	-	-	(19,718)
	-	(1,954,345)	(1,524,303)
Other non-financial assets:			
Change in inventories	-	(1,331)	83,970
Change in prepaid expenses and deposits	-	(27,064)	88,782
	-	(28,395)	172,752
Other impacts:			
Net remeasurements gains (losses)	-	(670,232)	344,970
Change in net financial assets	-	(1,457,938)	(245,441)
Net financial assets, beginning of year	12,026,978	12,026,978	12,272,419
Net financial assets, end of year	\$ 12,026,978	\$ 10,569,040	\$ 12,026,978

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

SUMAS FIRST NATION

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Accumulated remeasurement gains, beginning of year	\$ 677,779	\$ 332,809
Unrealized gains attributable to securities and investment trusts	(544,172)	346,214
Realized gains transferred to operations	(126,060)	(1,244)
Net remeasurement gains (losses) for the year	(670,232)	344,970
Accumulated remeasurement gains, end of year	\$ 7,547	\$ 677,779

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

SUMAS FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,195,034	\$ 761,140
Items not involving cash:		
Amortization of tangible capital assets	439,270	419,500
Gain on disposal of tangible capital assets	-	(19,718)
Partnership loss	146,682	39,210
Changes in non-cash working capital:		
Accounts receivable	(706,828)	(297,322)
Accounts payable and accrued liabilities	(46,864)	(31,277)
Deferred revenue	(768,591)	2,936,102
Prepaid expenses and deposits	(27,064)	88,781
Inventories	(1,331)	83,970
	230,308	3,980,386
Capital activities:		
Acquisition of tangible capital assets	(2,393,615)	(1,950,974)
Proceeds on disposal of tangible capital assets	-	26,889
	(2,393,615)	(1,924,085)
Investing activities:		
(Purchase) sales of short-term investments	4,323,029	(1,740,228)
Due from Lower Fraser Fisheries Alliance	196,453	(106,092)
Net remeasurement gains (losses)	(670,232)	344,970
Investment in partnership	(159,883)	(522,240)
	3,689,367	(2,023,590)
Financing activities:		
Receipt of long-term debt	644,295	-
Repayment of long-term debt	(114,217)	(125,071)
	530,078	(125,071)
Increase (decrease) in cash	2,056,138	(92,360)
Cash, beginning of year	3,051,345	3,143,705
Cash, end of year (note 2)	\$ 5,107,483	\$ 3,051,345

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

SUMAS FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

1. Significant accounting policies:

The consolidated financial statements of Sumas First Nation (the "First Nation") are prepared by management in accordance with the CPA Canada Public Sector Accounting Handbook. Significant accounting policies adopted by the First Nation are as follows:

(a) Fund accounting:

The First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been consolidated for the purpose of presentation in the consolidated Financial Statements. The First Nation maintains the following funds:

- 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, together with their related financing, other than those included in the Social Housing Fund.
- The Social Housing Fund which reports the social housing assets of the First Nation, together with related activities.

(b) Reporting entity and principles of financial reporting:

The Sumas First Nation reporting entity includes the Sumas First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

Investments in incorporated business entities are included in the consolidated financial statements using the modified equity method. This includes Sumas Clay Products Ltd. (100% ownership), SFN Renewable Energy Ltd. (100% ownership), Sema:th Xot:sa Developments Ltd. (100% ownership) and 1099212 B.C. Ltd. (50% ownership). 1099212 B.C. Ltd. is a bare trustee holding lands under development on behalf of the First Nation. Sema:th Xot:sa Developments Ltd. is the general partner of Sema:th Xot:sa Developments Limited Partnership.

Investment in partnership includes Sema:th Xot:sa Developments Limited Partnership (99.99% ownership) ("SXDLP"). SXDLP has 99.99% ownership in Sth'oqi Aquaculture Limited Partnership ("SALP"). SXDLP and SALP are government business enterprises and are recorded using the modified equity method. The partnerships have year ends of December 31, 2018 (note 5). The loss from this investment as at December 31, 2018 is included in annual income.

The Upper Sumas I.R. 6 Right-Of-Way Settlement Trust (the "Trust") has a year-end of December 31, 2018 (note 13). The Trust is consolidated into these financial statements as at December 31, 2018 except for any trust funds held for distribution on behalf of minors. There has been no adjustments in the Trust's transactions.

All inter-entity balances have been eliminated on consolidation.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(c) Government transfers:

Government transfers received relate to social development, child care, housing and health programs. Government transfers paid relate to social services programs. Transfers are recognized in the consolidated financial statements as revenues or expenses in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(d) Inventories:

Inventories are valued at average cost and consists of \$11,777 (2018 - \$10,446) in tobacco products and \$2,585 (2018 - \$2,585) in fuel.

(e) Lands held for development:

Lands held for development is recorded at the lower of cost or net realizable value.

(f) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Roads	30 - 40
Buildings, except social housing	10 - 60
Machinery and equipment	5 - 10
Land improvements	10 - 30
Vehicles	5
Water and waste water	15 - 80
Computer equipment	3

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(i) Tangible capital assets (continued)

In accordance with Canada Mortgage and Housing Corporation policies, amortization of CMHC funded social housing is equal to the principal repayment on the related long-term debt. This policy is not in compliance with the CPA Canada Public Sector Accounting Handbook, however, the difference was determined not to have a material impact on the consolidated financial statements.

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(g) Contaminated sites:

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standard;
- (iii) The First Nation is directly responsible or accepts responsibility;
- (iv) It is expected that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating collectibility of accounts receivable, the estimated useful lives of tangible capital assets and the estimated liability for contaminated sites. Actual results could differ from these estimates.

(i) Financial instruments:

Financial instruments are classified into two categories: fair value or cost.

(i) Fair value category: Includes portfolio investments that are quoted in an active market and derivative instruments reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is recorded as an expense. Unrealized gains and losses on financial assets would be recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is de-recognized due to disposal or impairment. At the time of de-recognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus.

(ii) Cost category: Gains and losses are recognized in the Statement of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments.

(j) Investments:

Investments are carried at cost or at cost less impairment losses to reflect any declines in value which are other-than-temporary. Dividends from these investments are included in revenue. Discounts/premiums arising on purchase of bonds are amortized over the period to maturity.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

2. Restricted assets:

Included in cash and short-term investments are the following restricted amounts:

	2019	2018
Non-restricted cash:		
Operating Fund	\$ 2,248,587	\$ 2,504,206
Social Housing Fund	56,327	145,671
	2,304,914	2,649,877
Restricted cash:		
Social Housing Fund (note 11)	51,470	46,702
Settlement trust	2,751,099	354,766
	2,802,569	401,468
Total cash	5,107,483	3,051,345
Investments (note 3)	11,337,307	15,660,336
	16,444,790	18,711,681
Less restricted for:		
Settlement Trust	9,778,616	12,674,978
Operating Reserves	1,717,416	1,664,570
Indigenous Services Canada surplus funds	-	1,089,653
Capital Replacement Reserves	72,729	831,766
Health Canada surplus funds	24,674	24,336
	11,593,435	16,285,303
Total funds available for operations	\$ 4,851,355	\$ 2,426,378

3. Investments:

	2019	2018
Investments recorded at fair value:		
Securities, investment trusts	\$ 8,220,574	\$ 8,184,428
Investments recorded at amortized cost:		
Fixed income	2,056,814	4,975,498
Guaranteed Investment Certificates (GICs)	430,798	500,000
BMO High Interest Savings Accounts	629,121	2,000,410
	3,116,733	7,475,908
	\$ 11,337,307	\$ 15,660,336

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

4. Accounts receivable:

Accounts receivable consists of the following:

	2019	2018
Due from band members:		
Tenant rent receivable	\$ 422,381	\$ 632,896
Due from members	637,992	391,344
	1,060,373	1,024,240
Less allowance for doubtful accounts	(646,542)	(780,507)
	413,831	243,733
Due from others:		
Other federal government departments	1,009,775	379,502
Canada Mortgage and Housing Corporation	202,189	209,446
Developers	180,699	-
Property taxes	136,026	-
Sto:lo Nation	76,039	55,769
Other small amounts	69,246	68,928
Sumas Clay Products Ltd.	25,978	25,978
Investment interest receivable	13,280	33,375
GST receivable	10,885	32,964
Lower Fraser Fisheries Alliance	8,069	8,211
First Nation's Education Steering Committee	5,152	71,440
Clayburn Industries	134	47,643
Trans Canada Displays	-	69,221
Sumas Park Estates	-	19,317
Indigenous Services Canada interest receivable	-	139
	1,737,472	1,021,933
Less allowance for doubtful accounts	(309,257)	(130,448)
	1,428,215	891,485
	\$ 1,842,046	\$ 1,135,218

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

5. Investment in partnerships:

The First Nation owns 99.99% of the units of SxDLP, a partnership formed in fiscal 2018. SxDLP owns 99.99% of the units of SALP. The First Nation's investment includes contributions net of distributions. Both partnerships were set up on July 21, 2017 by the First Nation.

In the fiscal 2019 year, the First Nation recorded their share of the equity loss in the partnerships of \$146,682 (2018 - \$39,120) based on the December 31, 2018 year end.

Condensed summary fiscal information for each of the partnerships at December 31, 2018 is noted below.

	SxDLP	SALP
Current assets	\$ 105,604	\$ 160,537
Lease receivable	474,170	-
Related party loans	89,113	-
Capital assets	2,168,510	545,316
Total Assets	2,837,397	705,853
Current liabilities	9,151	215,200
Mortgage payable	2,316,392	-
Lease payable	-	474,170
Investment in SALP	72,623	-
Related party loans	625,123	89,113
Equity (deficiency)	(185,892)	(72,630)
Total Liabilities and Equity (deficiency)	2,837,397	705,853
Revenues	66,026	659,514
Expenses	(212,708)	(732,284)
Loss	\$ (146,682)	\$ (72,770)

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

5. Investment in partnerships (continued):

The investment in the partnership consists of the following:

	SXDLP	SALP	Total 2019	Total 2018
Loan	\$ 682,123	\$ -	\$ 682,123	\$ 522,240
Accumulated losses	(113,269)	(72,623)	(185,892)	(39,210)
	\$ 568,854	\$ (72,623)	\$ 496,231	\$ 483,030

6. Due to Lower Fraser Fisheries Alliance:

The amount due from the Lower Fraser Fisheries Alliance is without interest or fixed terms of repayment.

7. Equity in commercial enterprises:

	2019	2018
Sumas Clay Products Ltd. (100%)	\$ 1	\$ 1
SFN Renewable Energy Ltd. (100%)	1	1
Sema:th Xot:sa Development Ltd. (100%)	1	1
	\$ 3	\$ 3

Sumas Clay Products Ltd. and SFN Renewable Energy Ltd. are inactive companies and, accordingly, there is no summary financial information to disclose. Sema:th Xot:sa Developments Ltd. is the general partner of SXDLP.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

8. Long-term debt:

	2019	2018
Non-revolving demand loan payable with monthly payments of \$8,662 including interest at prime plus 0.75% per annum, maturing March 30, 2022; repayable on demand; secured by a general security agreement over the First Nation assets	\$ 1,406,500	\$ 1,451,221
Fixed rate term loan payable with monthly payments of \$6,280 including interest at 3.17% of per annum, maturing June 30, 2022; repayable on demand; secured by a general security agreement over the First Nation assets	1,208,268	1,244,709
Mortgage payable with monthly payments of \$1,140 including interest at 0.75% per annum, maturing March 29, 2024; secured by a general security agreement over the First Nation assets.	640,874	-
Mortgage payable with monthly payments of \$1,931 including interest at 2.35% per annum, maturing July 1, 2023; secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on six housing units	95,443	116,084
Mortgage payable	-	8,993
	\$ 3,351,085	\$ 2,821,007

Scheduled principal repayments for the upcoming years, assuming loans are not demanded, are as follows:

2020	\$ 123,919
2021	131,260
2022	1,385,576
2023	1,129,421
2024	580,910

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

9. Tangible capital assets:

Cost	Balance March 31, 2018	Additions/ Transfers	Disposals	Balance March 31, 2019
Water and waste water	\$ 6,704,348	\$ 1,242,821	\$ -	\$ 7,947,169
Roads	883,752	-	-	883,752
Buildings	6,358,241	1,720,384	-	8,078,625
Machinery and equipment	585,823	12,173	-	597,996
Land improvements	808,432	-	-	808,432
Vehicles	497,526	-	-	497,526
Computer equipment	156,414	4,980	-	161,394
Social housing	1,187,763	(586,743)	-	601,020
Total	\$ 17,182,299	\$ 2,393,615	\$ -	\$ 19,575,914

Accumulated amortization	Balance March 31, 2018	Disposals	Amortization/ transfers	Balance March 31, 2019
Water and waste water	\$ 2,301,941	\$ -	\$ 106,694	\$ 2,408,635
Roads	492,443	-	25,329	517,772
Buildings	3,264,692	-	594,909	3,859,601
Machinery and equipment	528,821	-	19,684	548,505
Land improvements	392,421	-	39,856	432,277
Vehicles	495,340	-	687	496,027
Computer equipment	138,156	-	10,807	148,963
Social housing	655,058	-	(358,696)	296,362
Total	\$ 8,268,872	\$ -	\$ 439,270	\$ 8,708,142

	Net book value March 31, 2018	Net book value March 31, 2019
Water and waste water	\$ 4,402,407	\$ 5,538,534
Roads	391,309	365,980
Buildings	3,093,549	4,219,024
Machinery and equipment	57,002	49,491
Land improvements	416,011	376,155
Vehicles	2,186	1,499
Computer equipment	18,258	12,431
Social housing	532,705	304,658
Total	\$ 8,913,427	\$ 10,867,772

SUMAS FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

10. Accumulated surplus:

Accumulated surplus consists of individual fund surplus, invested in tangible assets and reserve funds as follows:

	2019	2018
Surplus:		
Unrestricted equity in funds	\$ 1,584,483	\$ 1,914,619
Restricted equity in portfolio investments	12,529,706	13,029,744
Surplus associated with tangible capital assets:		
Invested in tangible capital assets	8,923,187	7,543,641
Reserve funds set aside by statutory requirements:		
Replacement reserve fund (note 11)	22,132	46,702
	\$ 23,059,508	\$ 22,534,706

11. Replacement reserve fund:

In accordance with the terms and conditions of the Operating Agreement with Canada Mortgage and Housing Corporation, Sumas First Nation Non-Profit Housing 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 and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement Reserve Fund.

A continuity of the required funds is as follows:

	2019	2018
Replacement reserve fund:		
Opening balance	\$ 46,702	\$ 33,781
Contributions	9,568	14,775
Replacement reserve expenditures	(4,800)	(1,854)
Maturing units adjustment	(29,338)	-
Closing balance	\$ 22,132	\$ 46,702

As at March 31, 2019, the Replacement Reserve Fund was fully funded (2018 - fully funded).

SUMAS FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

12. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2018 operating and capital budgets. These budgets have been approved by Council. Amortization was not contemplated on development of the budget and, as such, has not been included.

13. Settlement Trust:

The Upper Sumas IR6 Right-of-Way Settlement Trust (the "Trust") was established on May 2, 2016 by the Sumas First Nation to hold, protect, and nurture resources derived from the Upper Sumas IR 6 Settlement with the Government of Canada. The Trust has a year-end date of December 31.

The Settlement Trust received the settlement proceeds to be held for the benefit of the First Nation. The assets of the trust are restricted for specific purpose and can only be spent upon approval of the trustees.

The terms of the trust also included a one time payment to members of Sumas First Nation who were over age 18 at time of settlement of the trust or when they turn 19 if they were a minor at time of trust settlement. Distributions from the trust were \$46,967 (2018 - \$46,599) based on these criteria.

Not included in these financial statements are additional settlement proceeds including interest of \$700,595 (2018 - \$729,866) held for future distributions to members of Sumas First Nation who are minors. These proceeds will be recognized as revenue and distributions in the year the minors become entitled to the funds.

14. Contingent liabilities:

The First Nation is contingently liable for guarantees it has placed for certain loans made by financial institutions to its members. The First Nation has also guaranteed the loans of certain Limited Partnerships and Corporations which it owns. As at March 31, 2019 the total loans being guaranteed have a current balance totaling \$2,490,783. No amount has been accrued as Management considers them to be in good standing and therefore does not consider payment of the contingent liability to be likely.

SUMAS FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

15. Economic dependence:

The First Nation receives a major portion of its revenue pursuant to a funding arrangement with Indigenous Services Canada.

16. Segmented information:

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. The following table presents the expenses incurred and the revenue generated by each main object of expense and by major revenue type. The segment results for the period are as follows:

SUMAS FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2019

16. Segmented information (continued):

	Education	Social Development	Health & Community Wellness	Community Services & Economic Activities	Administ - ration & General Government	Public Works & Village Maintenance	Lands Management	Housing	Economic Development	Federal Government Contracts	Other	2019	2018
Revenues													
Federal government	\$ 637,356	\$ 162,869	\$ 7,840	\$ 61,731	\$ 300,147	\$ 82,673	\$ 524,009	\$ 56,600	\$ 44,990	\$ -	\$ 1,270,089	\$ 3,148,304	\$ 3,141,223
Other government sources	36,137	-	255,107	184,722	-	5,200	17,090	-	-	-	500,000	998,256	397,980
First Nation economic activities	8,142	-	4,350	1,139,353	330,758	2,167	247,184	-	(146,682)	-	-	1,585,272	1,253,109
Trust settlement proceeds	-	-	-	-	126,060	-	-	-	-	-	-	126,060	324,831
Federal government - contracts	-	-	-	-	-	-	-	-	-	5,064,685	-	5,064,685	5,481,294
	681,635	162,869	267,297	1,385,806	756,965	90,040	788,283	56,600	(101,692)	5,064,685	1,770,089	10,922,577	10,598,437
Expenses													
Operating expenses	28,190	4,471	70,803	446,610	166,699	69,799	359,802	68,819	106,821	-	-	1,322,014	1,706,893
Program & services expenses	288,700	186,214	84,358	570,896	-	-	-	-	-	5,064,354	-	6,194,522	6,104,435
Salaries, wages & benefits	207,244	56,135	62,425	185,823	683,844	61,810	308,525	-	141,899	-	-	1,707,705	1,672,033
Capital projects	-	-	-	-	10,668	-	-	-	-	-	2,446,979	2,457,647	1,885,410
Amortization of tangible capital assets	-	-	-	-	439,270	-	-	-	-	-	-	439,270	419,500
Expenses capitalized	(71,155)	-	-	-	(10,668)	-	-	-	-	-	(2,311,792)	(2,393,615)	(1,950,974)
	452,979	246,820	217,586	1,203,329	1,289,813	131,609	668,327	68,819	248,720	5,064,354	135,187	9,727,543	9,837,297
Annual surplus (deficit)	\$ 228,656	\$ (83,951)	\$ 49,711	\$ 182,477	\$ (532,848)	\$ (41,569)	\$ 119,956	\$ (12,219)	\$ (350,412)	\$ 331	\$ 1,634,902	\$ 1,195,034	\$ 761,140