

**CHEAM INDIAN BAND
FINANCIAL STATEMENTS
MARCH 31, 2016**

**CHEAM INDIAN BAND
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MARCH 31, 2016**

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STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Cheam Indian Band are the responsibility of management and have been approved by the Chief and Council.

The 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 judgements. When alternative accounting methods exist, management has chosen those, it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Cheam Indian Band 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 band's assets are appropriately accounted for and adequately safeguarded.

The Cheam Indian Band Council is responsible for ensuring that management fulfills its responsibilities of financial reporting and is ultimately responsible for reviewing and approving the financial statements.

Council meets 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 its responsibilities, and to review the financial statements and the external auditor's report.

The financial statements have been audited by Enns & Company in accordance with Canadian auditing standards on behalf of the members. Enns & Company has full and free access to the Chief and Council with regard to audit requirements.

Eric sg: _____ Chief

Cliff _____ Councillor

Muriel _____ Councillor

6112 Sussex Avenue
Burnaby, British Columbia
Canada V5H 3C3

INDEPENDENT AUDITOR'S REPORT

To the Members of:
Cheam Indian Band

■ 604 . 434-5800
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We have audited the accompanying schedules of revenues and expenditures of the Cheam Indian Band for the year ended March 31, 2016.

Management Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial information based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures of the financial information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial information 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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information present fairly, in all material respects, the revenues and expenditures of the Cheam Indian Band for the year ended March 31, 2016 in accordance with Canadian accounting standards for first nations organizations.



Burnaby, B.C., Canada
July 26, 2016

ENNS & COMPANY
Chartered Professional Accountants

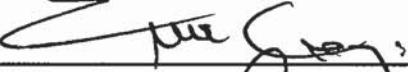
**CHEAM INDIAN BAND
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016**

	2016	2015
FINANCIAL ASSETS		
Bank	\$ 784,509	\$ 1,868,857
Accounts receivable (Note 3)	948,337	1,303,183
Portfolio investment (Note 5)	736,862	730,862
Ottawa Trust Fund (Note 4)	996,016	1,048,911
Due from related company (Note 12)	100,000	100,000
Replacement reserve fund (Note 10)	100,581	27,101
TOTAL FINANCIAL ASSETS	3,666,305	5,078,914
LIABILITIES		
Accounts payable and accrued liabilities	1,628,546	1,348,097
Net investment in Government Business Enterprises (Note 6)	192,282	73,675
Replacement reserve (Note 10)	206,164	178,277
Deferred revenue (Note 8)	8,150	9,150
Deferred revenue relating to capital assets (Note 9)	2,718,673	2,729,373
Mortgages payable (Note 11)	1,485,612	1,618,443
TOTAL LIABILITIES	6,239,427	5,957,015
NET FINANCIAL ASSETS (LIABILITIES) (Page 6)	(2,573,122)	(878,101)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	3,775,236	4,046,266
Construction in progress	3,038,685	1,475,788
Prepaid expenses	59,868	55,422
TOTAL NON-FINANCIAL ASSETS	6,873,789	5,577,476
ACCUMULATED SURPLUS (Page 4)	\$ 4,300,667	\$ 4,699,375

Contingencies (Note 14)

Capital commitment (Note 15)

APPROVED BY:

 _____ Chief

 _____ Councillor

 _____ Councillor

The accompanying notes are an integral part of these financial statements

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CHEAM INDIAN BAND
CONSOLIDATED STATEMENT OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
BALANCE, BEGINNING OF YEAR	\$ 4,699,375	\$ 4,960,420
Excess (deficiency) of revenues over expenses	(345,814)	(89,576)
Net receipt (payment) in Ottawa Trust Fund (Page 23)	(52,894)	(171,469)
BALANCE, END OF YEAR	\$ 4,300,667	\$ 4,699,375
 Represented by:		
Accumulated surplus - Operations fund (Page 24)	\$ 695,015	\$ 2,476,226
Accumulated surplus - Ottawa Trust Fund (Page 23)	996,016	1,048,910
Accumulated surplus - Capital fund (Page 22)	2,609,636	1,174,239
	\$ 4,300,667	\$ 4,699,375

The accompanying notes are an integral part of these financial statements

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CHEAM INDIAN BAND
CONSOLIDATED STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2016

	2016	2016 Budget (Unaudited)	2015
REVENUES			
Indigenous and Northern Affairs Canada (INAC)	\$ 1,883,346	\$ 1,594,343	\$ 1,766,588
Gravel sales/royalties	339,136	330,000	337,523
Rental income	299,414	276,020	259,438
Property taxes	357,371	330,056	335,538
Health Canada	323,655	270,944	256,664
Aboriginal rights and title revenue	881,786	414,096	804,660
C.M.H.C. subsidies	92,893	92,917	92,917
First Nations Education Steering Committee	21,038	20,636	21,421
SASET - Education	14,842	-	-
SASET Employment & Career Counsel (Net)	(5,391)	12,368	(3,580)
SASET - Other	(2,066)	23,585	(3,536)
Environmental site assessment -Non INAC	98,100	-	122,700
Deferred contributions related to capital assets release	10,700	-	10,700
Other income	90,284	29,860	179,027
	4,405,108	3,394,825	4,180,060
EXPENDITURES			
Band revenue - Operations	72,129	51,456	47,361
Property taxation expenses	32,959	7,700	21,172
Health and social programs	874,568	878,649	915,096
Education programs	722,308	689,796	648,759
Administration	1,192,617	1,379,455	1,426,785
Non-profit housing	314,591	291,442	333,344
Maintenance	135,312	129,835	187,149
Aboriginal rights and title	633,403	-	235,297
Economic programs	279,427	49,487	260,955
	4,257,314	3,477,820	4,075,918
NET OPERATING INCOME (LOSS) FOR THE YEAR			
	147,794	<u>(82,995)</u>	104,142
Share of earnings (losses) in Government Business Enterprises	(118,608)	(193,718)	
Housing receivables provision (Note 3)	(375,000)	-	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (345,814)		\$ (89,576)

The accompanying notes are an integral part of these financial statements

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CHEAM INDIAN BAND
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
SURPLUS (DEFICIENCY) FOR YEAR	\$ (345,814)	\$ (89,576)
Revenue not available for spending - Ottawa Trust Fund	(52,894)	(171,469)
Acquisition of tangible capital assets	-	(20,362)
Amortization of tangible capital assets	271,030	281,421
Capital project funding	(1,562,897)	(903,442)
Acquisition of prepaid expenses	(59,868)	(55,422)
<u>Use of prepaid expenses</u>	<u>55,422</u>	<u>54,376</u>
CHANGE IN NET FINANCIAL ASSETS	(1,695,021)	(904,474)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	(878,101)	26,373
NET FINANCIAL ASSETS (LIABILITIES), END OF YEAR	\$ (2,573,122)	\$ (878,101)

The accompanying notes are an integral part of these financial statements

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**CHEAM INDIAN BAND
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016**

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures for year	\$ (345,814)	\$ (89,576)
Add: non-working capital charges	271,030	281,421
Amortization of capital assets	118,608	193,718
Share of losses (earnings) of Government Business Enterprises	43,824	385,563
Net change in non-cash working capital balances from operations		
Accounts receivable	354,846	(364,176)
Prepaid expenses	(4,446)	(1,046)
Accounts payable	280,449	757,445
Deferred revenue	(1,000)	(14,093)
Funded reserves	27,887	15,857
	701,560	779,550
FINANCING ACTIVITIES		
Repayments of mortgages payable	(132,831)	(129,949)
Due from related company	-	(100,000)
Due to Government Business Enterprises	-	45,001
	(132,831)	(184,948)
INVESTING ACTIVITIES		
Acquisitions of capital assets	-	(20,362)
Deferred contributions related to capital assets	(10,700)	1,852,878
Construction in progress increase	(1,562,897)	(903,442)
Increase (decrease) in investments	(6,000)	(5,278)
	(1,579,597)	923,796
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,010,868)	1,518,398
NET CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,895,958	377,560
NET CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 885,090	\$ 1,895,958
REPRESENTED BY		
Bank	\$ 784,509	\$ 1,868,857
Replacement reserve fund	100,581	27,101
	\$ 885,090	\$ 1,895,958

The accompanying notes are an integral part of these financial statements

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**CHEAM INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

1. OPERATIONS

Cheam Indian Band is an unincorporated band empowered entity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Cheam Indian Band's policy is to follow accounting policies generally accepted for First Nations in Canada. The financial statements have been prepared in accordance with the Canadian Public Sector Accounting standards.

Fund accounting

Cheam Indian Band follows the restricted fund method of accounting for contributions.

The Operations Fund accounts for the band's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Capital Asset Fund reports the assets and liabilities related to the band's capital assets.

Revenue recognition

Revenues received, pursuant to annual funding agreements with the Minister of Indigenous and Northern Affairs Canada ("INAC") are recognised as they become receivable under the terms of the funding agreements.

Other funding revenues are recognised as they become receivable under the terms of the funding agreements.

Rental revenue is recognized monthly as it becomes receivable under the terms of the applicable rental agreements.

Cash and cash equivalents

Cash and cash equivalents consist of cash and investments which are readily convertible into cash or have a maturity date of 90 days or less from date of acquisition and are not subject to significant risk of changes in value.

Short-term investments

Short-term investments represent guaranteed investment certificates and other savings deposits with maturity dates ranging from 91 days to twelve months from date of acquisition.

Investments

Investments are fixed income investments with maturity dates greater than twelve months from date of acquisition.

**CHEAM INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-financial assets

Tangible capital and other non-financial assets are accounted for as assets by Cheam Indian Band because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Band until they are sold.

Expenses

Expenses are accounted for on the accrual basis

Financial instruments

All financial assets except for investments that are quoted in an active market are measured at amortized cost. Amortized cost is the amount at which a financial asset is measured at initial fair value plus financing fees and transaction costs that are directly attributable to their acquisition. These equity securities are thereafter carried at cost plus the cumulative amortization of any difference between that initial amount and the maturity amount using the straight line amortization method.

Equity instruments, if any that are quoted in an active market are stated at fair value. Changes in fair value are recognized in income in the period the changes occur. Transaction costs to acquire or dispose of these securities are recognized in net income in the period during which they are incurred.

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 society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the recoverable amount that could be realized from selling the financial asset or the amount that the society 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.

Financial liabilities, including accounts payable and accrued liabilities are measured at amortized cost.

Prepaid expenses

Prepaid expenses primarily comprise advance payments made to vendors in the current fiscal year for goods and services to be recognized in the next fiscal year.

**CHEAM INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Liability for contaminated sites

Contaminated sites are the 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 band is directly responsible or accepts responsibility; and
- (iv) a reasonable estimate of the amount can be made.

Tangible capital assets and amortization

Capital assets are recorded at cost as an addition to capital assets with a corresponding increase in equity in capital assets. These additions which are not funded through capital financing are also charged as an expense to operations and matched with the applicable revenue source in the year of expenditure.

Office furniture and equipment	20% reducing balance
Computer equipment	30% reducing balance
Farm equipment	10% reducing balance
Machinery and equipment	10% reducing balance
Vehicles	20% reducing balance
Buildings	4% straight-line basis
Tennis court	5% straight-line basis
Roads and paving	5% straight-line basis
Waterworks and sewers	2.5% straight-line basis
Dykes	2% straight-line basis

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Government Business Enterprises

The band as a First Nation, accounts for its share in the operations of Government Business Enterprises under the modified equity method as outlined in the CPA Public Sector Accounting Handbook.

**CHEAM INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

3. ACCOUNTS RECEIVABLE

Accounts receivable balance includes an amount of approximately \$375,000 (2015:\$750,000) net of allowance of \$375,000 (2015:\$nil) that is receivable from band members as long overdue rent. In accordance with the Cheam Indian Band's housing policy, mortgages are taken by the band to fund the construction of homes for the members and on occupation, the member tenants are charged rent by the band to fund the mortgage repayments. Once a mortgage is fully repaid, those tenants become entitled to a certificate of possession ("CP") of their house making them legal owners

However, in accordance with that same housing policy, those tenants won't be entitled to the CP until they have cleared all rent arrears and other loans due to the band. Cheam Indian Band is currently working on a proposed new framework agreement on First Nations Land Management which will allow different types of legal land interests and flexible legal land governance in the future. Once completed, the chief and council are of the opinion that this may result in an increase of the value of the land and will motivate more members to obtain their CP after settlement of their housing debts.

Accordingly, the chief and council are of the opinion that only a 50% provision is required with regard to those long overdue rent arrears and loans.

4. OTTAWA TRUST FUND

Funds on deposit with the Department of Indigenous and Northern Affairs Canada are held in trust in the Consolidated Revenue Fund of the Government of Canada and are managed by the department under Sections 63 to 69 of the Indian Act. The amounts on the financial statements have been provided by the Government of Canada.

**CHEAM INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

5. PORTFOLIO INVESTMENT AT COST

The investment represents a 100% ownership in the Pilalt Historical Society that was incorporated on January 29, 1996 under the Society Act of the Province of British Columbia. The main objective of the Society is to protect, preserve and promote the archaeological culture and spiritual heritage of the people of the Cheam Indian Band. At the balance sheet date, the investment in Pilalt Historical Society and the results and financial position of the subsidiary, based on audited financial statements were as follows:

	2016	2015
<u>Net Investment</u>		
Investment at cost	\$ 736,862	\$ 730,862
Total net investment at cost	\$ 736,862	\$ 730,862
Share of losses since incorporation not accounted for	\$ 298,780	\$ 294,603

Financial Information of Pilalt Historical Society

Current assets	\$ 2,307	\$ 484
Property	435,775	435,775
Total assets	\$ 438,082	\$ 436,259
Due to Cheam Indian Band	\$ 736,862	\$ 730,862
Equity	(298,780)	(294,603)
Total liabilities and net assets	\$ 438,082	\$ 436,259
Revenue	\$ -	\$ -
Expenses	(4,178)	(5,303)
	\$ (4,178)	\$ (5,303)

**CHEAM INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

6. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

(i) Cheam Enterprises Inc.

The investment represents a 100% ownership in Cheam Enterprises Inc. that is engaged in various business activities for the benefits of the band members. At the balance sheet date, the investment in Cheam Enterprises Inc. and the results and financial position of the subsidiary, based on management accounts as at March 31, 2016 were as follows:

	2016	2015
<u>Investment</u>		
Net investment	\$ (170,488)	\$ (179,323)
Due from Cheam Enterprises Inc.	170,251	170,251
Total net investment at cost	\$ (237)	\$ (9,072)
 Share of earnings in Cheam Enterprises Inc.	 \$ 8,834	 \$ (12,723)

Financial Information of Cheam Enterprises Inc.

Bank	\$ 7,813	\$ 35,733
Accounts receivable	67,233	4,425
Capital assets	247	206
Total assets	\$ 75,293	\$ 40,364
 Accounts payable	 \$ 75,531	 \$ 49,435
Due to Cheam Indian Band	170,250	170,250
Equity	(170,488)	(179,321)
Total liabilities and net assets	\$ 75,293	\$ 40,364
 Revenues	 \$ 95,818	 \$ 53,452
Expenses	(86,984)	(66,175)
Net (loss) surplus	\$ 8,834	\$ (12,723)

**CHEAM INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

6. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES (CONTINUED)

(II) Cheam Holding Limited Partnership

The investment represents a 99.99% interest in Cheam Holding Limited Partnership that in turn, holds a 49.9% in Smamelet Siya:m Limited Partnership which is engaged in various business activities. At the balance sheet date, the investment in Cheam Holdings LP and its share of the earnings in the limited partnership, based on unaudited financial statements at December 31, 2015 were as follows:

	2016	2015
Investment		
Net investment	\$ (192,045)	\$ (64,603)
Share of earnings (loss) in Cheam Holding LP	\$ (127,442)	\$ (180,995)

Financial Information of Cheam Holding LP at December 31, 2015

Bank	\$ 8,005	\$ 7,450
Accounts and notes receivable	13,699	17,449
Investment in Smamelet Siya:m LP	(211,759)	(88,700)
Total assets	\$ (190,055)	\$ (63,801)
Accounts payable	\$ 2,000	\$ 1,999
Partners capital - Cheam Indian Band	(192,045)	(65,803)
Partners capital - Cheam Holdings Ltd	(10)	3
Total liabilities and net assets	\$ (190,055)	\$ (63,801)
Revenues	\$ (123,060)	\$ (152,129)
Expenses	(3,195)	(30,084)
Net (loss) surplus	\$ (126,255)	\$ (182,213)

NET INVESTMENT SUMMARY

	2016	2015
Cheam Enterprises Inc.	\$ (237)	\$ (9,072)
Cheam Holding LP	(192,045)	(64,603)
Total net investment at cost	\$ (192,282)	\$ (73,675)

**CHEAM INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

7. TANGIBLE CAPITAL ASSETS

COST					
	Opening balance	Additions	Disposals	Closing balance	
Automotive	\$ 37,210	\$ -	\$ -	\$ 37,210	
Computer equipment	28,385	-	-	28,385	
Dykes	755,366	-	-	755,366	
Farm equipment	40,264	-	-	40,264	
School building	1	-	-	1	
Machinery and equipment	147,032	-	-	147,032	
Office furniture & equipment	52,324	-	-	52,324	
Roads & paving	157,368	-	-	157,368	
Tennis court	19,300	-	-	19,300	
Waterworks/sewers	514,407	-	-	514,407	
Band-owned housing - non-residential	1,483,925	-	-	1,483,925	
Band-owned housing - residential	344,000	-	-	344,000	
Non-Profit Housing - CMHC	5,484,018	-	-	5,484,018	
	\$ 9,063,600	\$ -	\$ -	\$ 9,063,600	
AMORTIZATION					
	Opening balance	Amortization	Amortization on disposals	Closing balance	
Automotive	\$ 31,278	\$ 1,186	\$ -	\$ 32,464	
Computer equipment	19,924	2,538	-	22,462	
Dykes	120,877	15,106	-	135,983	
Farm equipment	34,233	603	-	34,836	
School building	-	-	-	-	
Machinery and equipment	98,913	4,811	-	103,724	
Office furniture & equipment	44,737	1,518	-	46,255	
Roads & paving	94,740	5,219	-	99,959	
Tennis court	19,299	-	-	19,299	
Waterworks/sewers	100,038	12,789	-	112,827	
Band-owned housing - non-residential	834,580	45,251	-	879,831	
Band-owned housing - residential	343,992	-	-	343,992	
Non-Profit Housing - CMHC	3,274,723	182,008	-	3,456,731	
	\$ 5,017,334	\$ 271,029	\$ -	\$ 5,288,363	

**CHEAM INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

7. TANGIBLE CAPITAL ASSETS - continued

NET BOOK VALUE

	March 31 2016	March 31 2015
Automotive	\$ 4,746	\$ 5,932
Computer equipment	5,923	8,461
Dykes	619,383	634,489
Farm equipment	5,428	6,031
School building	1	1
Machinery and equipment	43,308	48,119
Office furniture & equipment	6,069	7,587
Roads & paving	57,409	62,628
Tennis court	1	1
Waterworks/sewers	401,580	414,369
Band-owned housing - non-residential	604,094	649,345
Band-owned housing - residential	8	8
Non-Profit Housing - CMHC	2,027,287	2,209,295
	<hr/>	<hr/>
	\$ 3,775,237	\$ 4,046,266

8. DEFERRED REVENUE

Deferred contributions represent unspent resources funding received in the current or prior period that are related to the subsequent period as follows:

	2016	2015
School District #33	\$ 3,150	\$ 3,650
Sign - Prepaid revenue	1,500	1,500
Health Canada	3,500	4,000
	<hr/>	<hr/>
	\$ 8,150	\$ 9,150

**CHEAM INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized portion of contributions towards the construction of social housing units and the construction in progress of the new health and community centre.

The changes for the year in the deferred contributions balances are as follows:

	Grant revenue	Accumulated Amortization	Net 2016	Net 2015
AANDC-Housing units	\$ 267,509	\$ 64,200	\$ 203,309	\$ 214,009
Health Canada-Multiplex	536,689	-	536,689	536,689
Water system	1,869,789	-	1,869,789	1,869,789
Wastewater system	108,886	-	108,886	108,886
	\$ 2,782,873	\$ 64,200	\$ 2,718,673	\$ 2,729,373

10. REPLACEMENT RESERVE

Under the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC"), the replacement reserve account is to be credited annually through a transfer from the operating account. This fund along with accumulated interest, must be held in a separate bank account and 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. At the year end, the balance was as follows:

	2016	2015
Opening balance	\$ 178,277	\$ 162,420
Transfer from Housing operating account	30,000	30,000
Interest income	-	214
Expenditures-current	(2,113)	(14,357)
Closing balance	206,164	178,277
Replacement reserve funds	100,581	27,101
Amount underfunded	\$ 105,583	\$ 151,176

**CHEAM INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

11. MORTGAGES PAYABLE

	2016	2015
CMHC		
Loan secured on non-profit housing project VII requiring monthly principal and interest payment of \$2,856 with interest at 1.82% per annum and maturing on June 1, 2019. Collateralized by land and building having a net carrying value of \$184,982 (2015: \$208,105)	108,068	140,055
CMHC		
Loan secured on non-profit housing project VIII requiring monthly principal and interest payment of \$2,361 with interest at 2.0% per annum and maturing on October 1, 2018. Collateralized by land and building having a net carrying value of \$244,760 (2015: \$271,956)	71,288	97,909
CMHC		
Loan secured on non-profit housing project IX requiring monthly principal and interest payment of \$2,103 with interest at 1.8% per annum and maturing on October 1, 2016. Collateralized by land and building having a net carrying value of \$293,383 (2015: \$317,832)	239,626	260,353
CMHC		
Loan secured on housing project X requiring monthly principal and interest payment of \$5,981 with interest at 1.67% per annum and maturing on June 1, 2018. Collateralized by land and building having a net carrying value of \$1,145,865 (2015: \$1,213,266)	1,066,629	1,120,126
	1,485,611	1,618,443
<u>Less: Current portion</u>	<u>(135,212)</u>	<u>(132,277)</u>
	<u>\$ 1,350,399</u>	<u>\$ 1,486,166</u>

**CHEAM INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

11. MORTGAGES PAYABLE (Continued)

Mortgage repayments over the next 5 years are as follows:

2017	\$ 135,212
2018	137,707
2019	128,435
2020	88,212
2021	81,074
Thereafter	914,972

12. DUE FROM RELATED COMPANY

The amount due is from an unincorporated entity that is indirectly owned by the band, bears no interest, is unsecured and has no specific term of repayment

13. BANK FACILITIES

The bank overdraft is secured by a general security agreement covering all the assets of the band including the Cheam Landfill's assets and bank accounts and by a collateral mortgage in the amount of \$300,000 constituting a first fixed charge on the land owned by Pilalt Historical Society (Note 5).

**CHEAM INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

14. CONTINGENCIES

Disputed invoice

Cheam is currently in dispute with one of its contractors regarding some reclamation work for \$100,000 that was performed a few years ago by that contractor and which apparently, may not have been approved and agreed by Cheam. It is currently reviewing all past agreements made between that contractor and the previous Chief & Council to determine whether both the work and compensation were approved at that time. As the outcome of this case is still uncertain, no provision has been made in the accounts in that respect.

Contaminated site

The band operated a landfill under Cheam Landfill that was an unincorporated band empowered entity within the meaning of the Income Taxes Act (Canada) and exempt from income taxes.

The landfill was located on the reserve and provided landfill services to the community at large. It was treated as a Government Business Enterprise ("GBE") under the definitions of the Public Sector Handbook and on October 31, 2011, Cheam Landfill discontinued the landfill operations and at March 31, 2012, completed most of the closure operations including all clean-up and remedial work requirements.

On December 31, 2013, the band completed the dissolution of the Cheam Landfill after completing the closure of its bank and tax accounts, released the excess provision for closure costs and transferred the remaining assets and liabilities to the Cheam Indian Band which will assume any potential future liabilities.

15. CAPITAL COMMITMENT

The band is in the process of constructing a multi-purpose centre consisting of an administration office, health centre, community hall and gym. Total estimated costs for the project are approximately \$6.6 million that is partly funded by Health Canada to the extent of \$2.0 million

As at March 31, 2016, the costs incurred to date amounted to approximately \$1.2 million (2015: \$0.5 million).

**CHEAM INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

16. FINANCIAL RISKS

The band, as part of its operations, carries a number of financial instruments. It is management's opinion that the band is not exposed to any significant risk as a result of these financial instruments.

Credit risk

The band is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. The society does not obtain collateral to support the accounts receivable subject to credit risk except for rental tenants (Note 3) but mitigates this risk by dealing only with what management believes to be financially sound counterparties and accordingly, does not anticipate significant loss for non-performance.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The band is not exposed to such currency risk as all its transactions are conducted in Canadian dollar.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate. The band is not exposed to material interest risk on its fixed income securities as such investment is either not significant or the investment is held by the Ottawa Trust Fund that is controlled by the Government of Canada.

Liquidity risk

Liquidity risk is the risk that the society will be unable to fulfill its obligations on a timely basis. The society manages its liquidity risk by monitoring its operating requirements and by preparation of a budget to ensure that it has sufficient funds to fulfill its obligations.

17. COMPARATIVES

Certain comparatives for the previous year were restated in order to conform with the current year's presentation.

CHEAM INDIAN BAND
STATEMENT OF FINANCIAL POSITION - CAPITAL FUND
AS AT MARCH 31, 2016

	2016	2015
FINANCIAL ASSETS	\$ -	\$ -
LIABILITIES		
Current portion of mortgages payable (Note 11)	135,212	132,277
Mortgages payable - non-current (Note 11)	1,350,400	1,486,166
Deferred revenue relating to capital assets (Note 9)	2,718,673	2,729,373
TOTAL LIABILITIES	4,204,285	4,347,816
NET DEBT	(4,204,285)	(4,347,816)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	3,775,236	4,046,267
Construction in progress	3,038,685	1,475,788
ACCUMULATED SURPLUS	\$ 2,609,636	\$ 1,174,239

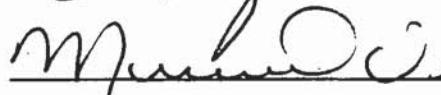
STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

BALANCE, BEGINNING OF YEAR	\$ 1,174,239	\$ 2,254,785
Interfund transfers	1,435,397	(1,080,546)
BALANCE, END OF YEAR	\$ 2,609,636	\$ 1,174,239

APPROVED BY:

 _____ Chief

 _____ Councillor

 _____ Councillor

The accompanying notes are an integral part of these financial statements

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CHEAM INDIAN BAND
STATEMENT OF FINANCIAL POSITION - OTTAWA TRUST FUND
AS AT MARCH 31, 2016

	2016	2015
FINANCIAL ASSETS		
Ottawa Trust Fund - Revenue (Note 4)	\$ 120,456	\$ 173,350
Ottawa Trust Fund - Capital (Note 4)	875,560	875,560
TOTAL FINANCIAL ASSETS	996,016	1,048,910
LIABILITIES		
ACCUMULATED SURPLUS	\$ 996,016	\$ 1,048,910

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

	Revenue	Capital	2016	2015
BALANCE, BEGINNING OF YEAR	\$ 173,350	\$ 875,560	\$ 1,048,910	\$ 1,220,380
Land use improvements	-	-	-	(100,000)
Interest income	22,256	-	22,256	28,130
Fund distribution - Annual	(75,150)	-	(75,150)	(99,600)
	(52,894)	-	(52,894)	(171,470)
BALANCE, END OF YEAR	\$ 120,456	\$ 875,560	\$ 996,016	\$ 1,048,910

APPROVED BY:

Evelyn George _____ Chief

Colleen _____ Councillor

Marilyn Deneen _____ Councillor

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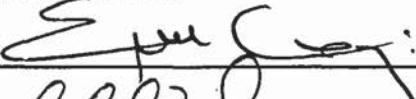
**ENNS &
COMPANY**

CHEAM INDIAN BAND
STATEMENT OF FINANCIAL POSITION - OPERATIONS FUND
AS AT MARCH 31, 2016

	2016	2015
FINANCIAL ASSETS		
Bank	\$ 784,509	\$ 1,868,857
Accounts receivable	948,337	1,303,183
Portfolio investment (Note 5)	736,862	730,862
Due from related company	100,000	100,000
Replacement reserve fund (Note 10)	100,581	27,101
TOTAL FINANCIAL ASSETS	2,670,289	4,030,003
LIABILITIES		
Accounts payable and accrued liabilities	1,628,546	1,348,097
Net investment in Government Business Enterprises (Note 6)	192,282	73,675
Replacement reserve (Note 10)	206,164	178,277
Deferred revenues (Note 8)	8,150	9,150
TOTAL LIABILITIES	2,035,142	1,609,199
NET FINANCIAL ASSETS	635,147	2,420,804
NON-FINANCIAL ASSETS		
Prepaid expenses	59,868	55,422
TOTAL NON-FINANCIAL ASSETS	59,868	55,422
ACCUMULATED SURPLUS (Page 25)	\$ 695,015	\$ 2,476,226

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS		
	2016	2015
BALANCE, BEGINNING OF YEAR	\$ 2,476,226	\$ 1,485,256
Excess (Deficiency) of revenues over expenses for year	\$ (345,814)	\$ (89,576)
Interfund transfers	2,130,412	1,395,680
	(1,435,397)	1,080,546
BALANCE, END OF YEAR	\$ 695,015	\$ 2,476,226

APPROVED BY:

 Chief

 Councillor

 Councillor

The accompanying notes are an integral part of these financial statements

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