

**CHEAM FIRST NATION
FINANCIAL STATEMENTS
MARCH 31, 2018**

CHEAM FIRST NATION

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MARCH 31, 2018

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STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Cheam First Nation 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 First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the nation's assets are appropriately accounted for and adequately safeguarded.

The Cheam First Nation 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 Gray

Chief

Diane Sh

Councilor

Rick Lang

Councillor

6112 Sussex Avenue
Burnaby, British Columbia
Canada V5H 3C3

INDEPENDENT AUDITOR'S REPORT

604 . 434-5800
Fax: 604 . 433-6200

To the Members of:
CHEAM FIRST NATION

We have audited the accompanying financial statements of the CHEAM FIRST NATION which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statement of changes in accumulated surplus, consolidated statement of revenues and expenditures, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Cheam First Nation as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

ENNS & COMPANY
Chartered Professional Accountants

August 10, 2018
Burnaby, B.C., Canada

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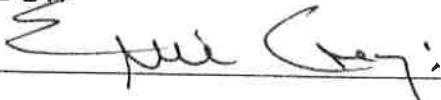
Enns & Company
is an incorporated practice which provides a full range of
professional services in accounting, audit, tax and management consulting.

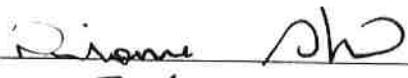
CHEAM FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash	\$ 1,321,022	\$ 2,542,572
Temporary investments	7,000,000	
Accounts receivable (Note 2)	2,022,372	1,225,602
Net investment in Government Business Enterprises (Note 5)	557,658	-
Portfolio investment (Note 4)	749,807	742,862
Ottawa Trust Fund (Note 3)	885,588	884,762
Due from related company (Note 11)	100,150	100,150
Replacement reserve fund (Note 9)	160,448	129,209
TOTAL FINANCIAL ASSETS	12,797,045	5,625,157
LIABILITIES		
Accounts payable and accrued liabilities	856,383	1,608,477
Net investment in Government Business Enterprises (Note 5)	-	123,481
Replacement reserve (Note 9)	243,709	225,861
Deferred revenue (Note 7)	8,615	12,215
Deferred revenue relating to capital assets (Note 8)	4,805,505	4,899,769
Mortgages payable (Note 10)	5,572,587	5,224,642
TOTAL LIABILITIES	11,486,799	12,094,445
NET FINANCIAL ASSETS (LIABILITIES) (Page 6)	1,310,246	(6,469,288)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	12,092,243	3,515,875
Construction in progress	50,000	8,496,072
Prepaid expenses	46,236	56,945
TOTAL NON-FINANCIAL ASSETS	12,188,479	12,068,892
ACCUMULATED SURPLUS (Page 4)	\$ 13,498,725	\$ 5,599,604

Contingencies (Note 13)

APPROVED BY:

 Chief

 Councillor

 Councillor

The accompanying notes are an integral part of these financial statements

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CHEAM FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 5,599,604	\$ 4,300,665
Prior period adjustment (Note 15)	-	273,000
BALANCE, as restated	5,599,604	4,573,665
Excess of revenues over expenses	7,899,660	1,137,193
Net receipt (payment) in Ottawa Trust Fund (Page 24)	826	(111,254)
Other items	(1,365)	-
BALANCE, END OF YEAR	\$13,498,725	\$ 5,599,604

Represented by:

Accumulated surplus - Operations fund (Page 25)	\$10,848,986	\$ 2,827,306
Accumulated surplus - Ottawa Trust Fund (Page 24)	885,588	884,762
Accumulated surplus - Capital fund (Page 23)	1,764,151	1,887,536
	\$13,498,725	\$ 5,599,604

The accompanying notes are an integral part of these financial statements

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CHEAM FIRST NATION
CONSOLIDATED STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2018

	2018	Budget	
	2018	(Unaudited)	2017
REVENUES			
Indigenous and Northern Affairs Canada (INAC)	\$ 2,129,312	\$ 1,609,604	\$ 1,862,484
AANDC Recoveries - prior year	(11,237)	-	(90,567)
Gravel sales/royalties	530,150	532,961	329,392
Rental income	373,152	323,720	320,271
Property taxes	404,352	331,733	378,744
Health Canada	342,750	298,359	285,110
Aboriginal rights and title revenue	7,362,324	7,871,770	1,856,016
C.M.H.C. subsidies	172,793	91,714	132,135
Land Management	646,876	-	-
Non-AANDC Social Development Revenue	30,000	-	-
Other Revenue-Health Services	49,710	-	-
Non-AANDC Economic Development Revenue	36,717	-	-
Non-AANDC Education revenue	32,948	-	34,353
SASET Training & Career Counsel (Net)	(4,084)	-	(1,906)
Environmental site assessment -Non AANDC	-	-	44,700
Deferred contributions related to capital assets release	94,264	-	10,700
Other income	45,531	49,975	182,459
	12,235,558	11,109,836	5,343,891
Share of earnings (losses) in Government Business Enterprises	874,864	-	68,802
	13,110,422	11,109,836	5,412,693
EXPENDITURES			
Band revenue - Operations	21,274	-	28,042
Property taxation expenses	95,143	29,747	74,389
Health and social programs	975,670	923,963	914,524
Education programs	892,383	636,181	746,269
Administration	2,248,583	1,701,046	1,401,574
Non-profit housing	401,889	245,790	351,594
Maintenance	220,683	138,449	138,315
Land Management	14,218	-	-
Aboriginal rights and title	167,517	-	411,203
Economic programs	173,402	49,415	209,590
	5,210,762	3,724,591	4,275,500
EXCESS OF REVENUES OVER EXPENDITURES	\$ 7,899,660	\$ 7,385,245	\$ 1,137,193

The accompanying notes are an integral part of these financial statements

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

	2018	2017
EXCESS OF REVENUES OVER EXPENDITURES	\$ 7,899,660	\$ 1,137,193
Revenue not available for spending - Ottawa Trust Fund	826	(111,254)
Disallowable allowance for doubtful accounts	-	273,000
Acquisition of tangible capital assets	(9,150,223)	-
Proceeds on disposal of tangible capital assets	3,851	-
Amortization of tangible capital assets	570,002	259,361
Capital project funding	8,446,072	(5,457,387)
Acquisition of prepaid expenses	(46,236)	(56,945)
Use of prepaid expenses	56,945	59,868
Other items	(1,365)	-
CHANGE IN NET FINANCIAL ASSETS	7,779,532	(3,896,164)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	(6,469,286)	(2,573,122)
NET FINANCIAL ASSETS (LIABILITIES), END OF YEAR	\$ 1,310,246	\$ (6,469,286)

The accompanying notes are an integral part of these financial statements

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CHEAM FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 7,899,660	\$ 1,137,193
Add: non-working capital charges		
Amortization of capital assets	570,002	259,361
Share of losses (earnings) of Government Business Enterprises	(874,864)	(68,802)
	7,594,798	1,327,752
Net change in non-cash working capital balances from operations		
Accounts receivable	(796,770)	(4,264)
Prepaid expenses	10,709	2,923
Accounts payable	(753,456)	(20,071)
Deferred revenue	(3,600)	4,065
Replacement reserve	17,848	19,696
	6,069,529	1,330,101
FINANCING ACTIVITIES		
Repayments of mortgages payable	(140,607)	(133,871)
Due from related company	-	(150)
Advances of mortgage payable	488,553	3,872,901
	347,946	3,738,880
INVESTING ACTIVITIES		
Acquisitions of capital assets	(9,150,223)	-
Proceeds on disposal of capital assets	3,851	-
Deferred contributions related to capital assets increase	(94,264)	2,181,096
Construction in progress	(50,000)	(5,457,387)
Transfer of construction in progress to capital assets	8,496,072	-
Increase in temporary investments	(7,000,000)	-
Increase in portfolio investments	(6,945)	(6,000)
Net investment in Government Business Enterprises	193,723	-
	(7,607,786)	(3,282,291)
NET INCREASE (DECREASE) IN CASH	(1,190,311)	1,786,690
NET CASH, BEGINNING OF YEAR	2,671,781	885,091
NET CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,481,470	\$ 2,671,781
REPRESENTED BY		
Bank	\$ 1,321,022	\$ 2,542,572
Replacement reserve fund	160,448	129,209
	\$ 1,481,470	\$ 2,671,781

The accompanying notes are an integral part of these financial statements

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**CHEAM FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

OPERATIONS

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

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Cheam First Nation'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.

Temporary Investments

Temporary investments represent guaranteed investment certificates with maturity dates ranging from 91 days to twelve months from date of acquisition.

Government Business Enterprises

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.

Fund accounting

CheamFirst Nation follows the restricted fund method of accounting for contributions.

The Operations Fund accounts for Cheam'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 Cheam'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.

**CHEAM FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-financial assets

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

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.

**CHEAM FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

1. 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) Cheam 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.

**CHEAM FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

2. ACCOUNTS RECEIVABLE

Accounts receivable balance includes an amount of approximately \$378,000 (2017:\$378,000) net of allowance of \$378,000 (2017:\$378,000) that is receivable from band members as long overdue rent. In accordance with the Cheam First Nation's housing policy and following the new Cheam Land Code now operational, mortgages are taken by Cheam to fund the construction of homes for the members and on occupation, the member tenants are charged rent by Cheam to fund the mortgage repayments. Once a mortgage is fully repaid, Chief and Council will review and determine if 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 and Land Code, those tenants won't be considered for their CP until they have cleared all rent arrears and other loans due to Cheam. Cheam First Nation 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.

3. 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 FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

4. 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 First Nation. At the balance sheet date, the investment in Pilalt Historical Society and the results and financial position of the subsidiary, based on unaudited financial statements at March 31, 2018 were as follows:

	2018	2017
<u>Net Investment</u>		
Investment at cost	\$ 749,807	\$ 742,862
Total net investment at cost	\$ 749,807	\$ 742,862
 Share of losses since incorporation not accounted for		
	\$ 312,799	\$ 302,875
 <u>Financial Information of Pilalt Historical Society</u>		
Current assets	\$ 5,960	\$ 4,212
Property	435,775	435,775
Total assets	\$ 441,735	\$ 439,987
Accounts payable and accrued liabilities	\$ 4,727	\$ -
Due to Cheam Indian Band	749,807	742,862
Equity	(312,799)	(302,875)
Total liabilities and net assets	\$ 441,735	\$ 439,987
Revenue	\$ 16	\$ -
Expenses	(9,940)	(4,095)
	\$ (9,924)	\$ (4,095)

**CHEAM FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

5. 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, 2018 were as follows:

	2018	2017
<u>Investment</u>		
Net investment	\$ 793,412	\$ (153,960)
Due to/from Cheam Enterprises Inc.	(23,474)	170,250
Total net investment at cost	\$ 769,938	\$ 16,290
 Share of earnings in Cheam Enterprises Inc.	 \$ 947,373	 \$ 16,528
 <u>Financial Information of Cheam Enterprises Inc.</u>		
Cash	\$ 75,164	\$ (14,152)
Accounts receivable	692,392	75,660
Due from related party	135,995	35,363
Investment	7,069	9,634
Capital assets	758	70
Total assets	\$ 911,378	\$ 106,575
 Accounts payable	 \$ 137,442	 \$ 78,036
Due to/(from) Cheam Indian Band	(23,474)	170,250
Deferred revenue	700	700
Long-term debt	3,298	11,832
Equity	793,412	(154,243)
Total liabilities and net assets	\$ 911,378	\$ 106,575
 Revenues	 \$ 1,711,788	 \$ 526,064
Expenses	(764,415)	(509,536)
Net (loss) surplus	\$ 947,373	\$ 16,528

CHEAM FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

5. 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, 2017 were as follows:

	2018	2017
Investment		
Net investment	\$ (212,280)	\$ (139,771)

Share of earnings (loss) in Cheam Holding LP	\$ (72,509)	\$ 52,274
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**Financial Information of Cheam Holding LP at
December 31, 2017**

Bank	\$ 47,835	\$ 6,240
Accounts and notes receivable	\$ 7,763	\$ 13,699
Investment in Smamelet Siya:m LP	(204,876)	(157,714)
Total assets	\$ (149,278)	\$ (137,775)
Accounts payable	\$ 25,587	\$ -
Advances from Cheam Enterprises Inc.	\$ 37,426	\$ 2,000
Partners capital - Cheam Indian Band	(212,280)	(139,771)
Equity	(11)	(4)
Total liabilities and net assets	\$ (149,278)	\$ (137,775)
Revenues	\$ 35,434	\$ (30,614)
Expenses	(107,952)	(1,765)
Net (loss) surplus	\$ (72,518)	\$ (32,379)

NET INVESTMENT SUMMARY

	2018	2017
Cheam Enterprises Inc.	\$ 769,938	\$ 16,290
Cheam Holding LP	(212,280)	(139,771)
Total net investment at cost	\$ 557,658	\$ (123,481)

**CHEAM FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

6. TANGIBLE CAPITAL ASSETS

COST

	Opening balance	Additions	Disposals	Closing balance
Automotive	\$ 37,210	\$ 36,429	\$ (23,000)	\$ 50,639
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	14,500	(15,000)	146,532
Office furniture & equipment	52,324	107,160	-	159,484
Roads & paving	157,368	-	-	157,368
Tennis court	19,300	-	-	19,300
Waterworks/sewers	514,407	1,905,707	-	2,420,114
Band-owned housing - non-residential	1,483,925	7,086,427	-	8,570,353
Band-owned housing - residential	344,000	-	-	344,000
Non-Profit Housing - CMHC	5,484,018	-	-	5,484,018
	\$ 9,063,600	\$ 9,150,223	\$ (38,000)	\$ 18,175,824

ACCUMULATED AMORTIZATION

	Opening balance	Amortization	Disposals	Closing balance
Automotive	\$ 33,414	\$ 4,402	\$ (22,249)	\$ 15,569
Computer equipment	24,239	1,244	-	25,483
Dykes	148,371	12,140	-	160,511
Farm equipment	35,379	488	-	35,867
School building	-	-	-	-
Machinery and equipment	108,055	4,623	(11,900)	100,778
Office furniture & equipment	47,468	11,687	-	59,155
Roads & paving	102,829	2,727	-	105,557
Tennis court	19,299	-	-	19,299
Waterworks/sewers	122,866	33,610	-	156,476
Band-owned housing - non-residential	923,074	339,873	-	1,262,947
Band-owned housing - residential	343,992	-	-	343,992
Non-Profit Housing - CMHC	3,638,739	159,208	-	3,797,947
	\$ 5,547,726	\$ 570,002	\$ (34,149)	\$ 6,083,581

**CHEAM FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

6. TANGIBLE CAPITAL ASSETS (continued)

NET BOOK VALUE

	March 31 2018	March 31 2017
Automotive	\$ 35,070	\$ 3,796
Computer equipment	2,902	4,146
Dykes	594,855	606,995
Farm equipment	4,397	4,885
School building	1	1
Machinery and equipment	45,754	38,977
Office furniture & equipment	100,329	4,856
Roads & paving	51,811	54,539
Tennis court	1	1
Waterworks/sewers	2,263,638	391,541
Band-owned housing - non-residential	7,307,406	560,851
Band-owned housing - residential	8	8
Non-Profit Housing - CMHC	1,686,071	1,845,279
	<hr/>	<hr/>
	\$ 12,092,243	\$ 3,515,875

7. DEFERRED REVENUE

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

	2018	2017
School District #33	\$ 3,150	\$ 3,150
Sign - Prepaid revenue	1,500	1,500
Others	3,965	7,565
	<hr/>	<hr/>
	\$ 8,615	\$ 12,215

**CHEAM FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

8. 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, the new health and community centre and Water system.

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

	Grant revenue	Accumulated Amortization	Net 2018	Net 2017
AANDC-Housing units	\$ 267,509	\$ 85,600	\$ 181,909	\$ 192,609
Multiplex	2,741,255	54,825	2,686,430	2,741,255
Water system	1,869,789	28,047	1,841,742	1,869,789
Wastewater system	46,116	692	45,424	46,116
Campsites	50,000	-	50,000	50,000
	\$ 4,974,669	\$ 169,164	\$ 4,805,505	\$ 4,899,769

9. 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:

	2018	2017
Opening balance	\$ 225,861	\$ 206,164
Transfer from Housing operating account	30,000	30,000
Interest Income	311	-
Expenditures-current	(12,463)	(10,303)
Closing balance	243,709	225,861
 Replacement reserve funds	 160,448	 129,209
 Amount underfunded	 \$ 83,261	 \$ 96,652

**CHEAM FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

10. MORTGAGES PAYABLE

	2018	2017
Ford Credit Loan secured on a 2016 Ford F350 truck requiring monthly principal and interest payment of \$1,135 with interest at 7.64% per annum and matured on February 18, 2021. The net carrying value of the truck at March 31, 2018 is \$32,786.	\$ 34,405	\$ -
Bank of Montreal Portion of Real Estate loan advance totalling \$4,705,000 (Note 13) secured on the Band's multiplex requiring monthly principal and interest payment of \$24,674 starting August 31, 2017 with interest at 3.7% per annum and maturing on July 31, 2041.	4,325,025	3,872,901
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 \$138,737(2017: \$161,860)	42,381	75,585
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 \$190,369(2017: \$217,565)	16,448	44,201
CMHC Loan secured on non-profit housing project IX requiring monthly principal and interest payment of \$2,026 with interest at 1.03% per annum and maturing on October 1, 2021. Collateralized by land and building having a net carrying value of \$244,485(2017: \$268,934)	196,169	218,370

**CHEAM FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

10. MORTGAGES PAYABLE (continued)

	2018	2017
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 \$1,011,056 (2017: \$1,078,459)	958,159	1,013,586
	5,572,587	5,224,643
Less: Current portion	(279,740)	(218,487)
	\$ 5,292,847	\$ 5,006,156

Mortgage repayments over the next 5 years are as follows:

2019	\$ 279,740
2020	244,612
2021	240,789
2022	237,673
2023	244,910
Thereafter	4,324,862

11. DUE FROM RELATED COMPANY

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

**CHEAM FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

12. BANK FACILITIES

The bank facilities from the Royal bank of Canada are secured by a general security agreement covering all the assets of Cheam 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 4). At March 31, 2018, none of the facilities were utilized.

Bank facilities provided by the Bank of Montreal totalled \$6,130,000 and consist of the following:

Operating facility of \$300,000 bearing interest at prime plus 0.5% and is repayable on demand.

Real Estate facility for the multiplex of \$4,705,000 bearing interest at prime plus 0.75% and is repayable over a maximum period of 25 years.

Credit card facility and settlement risk product facility of \$125,000.

On-reserve Housing loan facility of \$1,000,000 bearing interest at prime plus 0.75% and is repayable over 300 months.

At March 31, 2018, only \$4,325,025 of the Real Estate facility was utilized.

13. 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

Cheam 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, Cheam 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 First Nation which will assume any future potential liabilities. All additional clean-up and remedial work requirements have been met and performed to date by Cheam.

**CHEAM FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

14. FINANCIAL INSTRUMENTS

Cheam, as part of its operations, carries a number of financial instruments. Unless otherwise noted, Cheam is not exposed to any significant liquidity risk as a result of these financial instruments.

Credit risk

Cheam is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. Cheam 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.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. It is management's opinion that Cheam is not exposed to significant other price risk risk.

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. Cheam 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. Cheam 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.

**CHEAM FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018**

15. ESCROW AGREEMENT

In November, 2017, a law firm has received escrow property held in trust for \$500,000 from Spectra Energy for Cheam First Nation. Per section 4 of the Escrow Agreement, the law firm will hold the funds for up to two years until December 21, 2019. During that time, if the firm gets unanimous direction from Cheam and Spectra Energy, the lawyer will release the funds. If the lawyer did not receive any direction during the two year period, at the end of the two years, the funds will be returned to Spectra Energy. Cheam cannot withdraw any money during this period unless they get Spectra Energy's consent. Considering Cheam does not have control over these funds, it is not an asset of Cheam at March 31, 2018. Accordingly, the \$500,000 was not recorded on the books of Cheam at March 31, 2018.

16. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded to account for an adjustment to the bad debt expense at March 31, 2017 of \$5,000 (2016: \$273,000) that was disallowed per CMHC. The effect on the prior year figures is as follows:

	As Previously Stated	As Restated
STATEMENT OF FINANCIAL POSITION		
Accounts Receivable	\$ 947,602	\$ 1,225,602
Net Financial Assets	(6,747,286)	(6,469,288)
Accumulated Surplus	5,321,606	5,599,604
CONSOLIDATED STATEMENT OF CHANGES IN ACCUMULATED SURPLUS		
Balance, Beginning of year	4,300,667	4,573,665
Excess of revenues over expenditures	1,132,193	1,137,193
Balance, End of year	5,321,606	5,599,604
CONSOLIDATED STATEMENT OF REVENUES AND EXPENDITURES		
Excess of revenues over expenditures	1,132,193	1,137,193
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS		
Excess of revenues over expenditures	1,132,193	1,137,193
Disallowance allowance for doubtful accounts	-	273,000
Net Financial Assets	(6,747,286)	(6,469,288)

17. COMPARATIVES

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

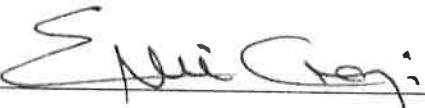
**CHEAM FIRST NATION
STATEMENT OF FINANCIAL POSITION - CAPITAL FUND
AS AT MARCH 31, 2018**

	2018	2017
FINANCIAL ASSETS	\$ -	\$ -
LIABILITIES		
Current portion of mortgages payable (Note 10)	279,239	-
Mortgages payable - non-current (Note 10)	5,293,348	5,224,642
Deferred revenue relating to capital assets (Note 8)	4,805,505	4,899,769
TOTAL LIABILITIES	10,378,092	10,124,411
NET DEBT	(10,378,092)	(10,124,411)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	12,092,243	3,515,875
Construction in progress	50,000	8,496,072
ACCUMULATED SURPLUS	\$ 1,764,151	\$ 1,887,536

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

BALANCE, BEGINNING OF YEAR	\$ 1,887,536	\$ 2,609,634
Interfund transfers	(122,020)	(722,098)
Other items	(1,365)	-
BALANCE, END OF YEAR	\$ 1,764,151	\$ 1,887,536

APPROVED BY:

 Chief

 Councillor

 Councillor

The accompanying notes are an integral part of these financial statements

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**CHEAM FIRST NATION
STATEMENT OF FINANCIAL POSITION - OTTAWA TRUST FUND
AS AT MARCH 31, 2018**

	2018	2017
FINANCIAL ASSETS		
Ottawa Trust Fund - Revenue (Note 3)	\$ 10,028	\$ 9,202
Ottawa Trust Fund - Capital (Note 3)	875,560	875,560
TOTAL FINANCIAL ASSETS	885,588	884,762
LIABILITIES		
ACCUMULATED SURPLUS	\$ 885,588	\$ 884,762

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

	Revenue	Capital	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 9,202	\$ 875,560	\$ 884,762	\$ 996,016
Interest Income	19,337	-	19,337	18,729
Fund distributions	(18,511)	-	(18,511)	(129,983)
	826	-	826	(111,254)
BALANCE, END OF YEAR	\$ 10,028	\$ 875,560	\$ 885,588	\$ 884,762

APPROVED BY:

Eric Coay : Chief
Dianne Sh Councillor
Rick Dangy Councillor

The accompanying notes are an integral part of these financial statements

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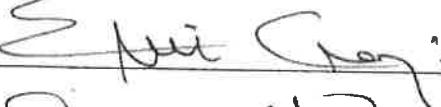
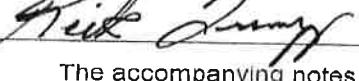
CHEAM FIRST NATION
STATEMENT OF FINANCIAL POSITION - OPERATIONS FUND
AS AT MARCH 31, 2018

	2018	2017
FINANCIAL ASSETS		
Bank	\$ 1,321,022	\$ 2,542,572
Temporary investments	7,000,000	-
Accounts receivable	2,022,372	1,225,602
Net investment in Government Business Enterprises (Note 5)	557,657	-
Portfolio investment (Note 4)	749,807	742,862
Due from related company	100,150	100,150
Replacement reserve fund (Note 9)	160,448	129,209
TOTAL FINANCIAL ASSETS	11,911,456	4,740,395
LIABILITIES		
Accounts payable and accrued liabilities	856,382	1,608,475
Net investment in Government Business Enterprises (Note 5)	-	123,483
Replacement reserve (Note 9)	243,709	225,861
Deferred revenues (Note 7)	8,615	12,215
TOTAL LIABILITIES	1,108,706	1,970,034
NET FINANCIAL ASSETS	10,802,750	2,770,361
NON-FINANCIAL ASSETS		
Prepaid expenses	46,236	56,945
TOTAL NON-FINANCIAL ASSETS	46,236	56,945
ACCUMULATED SURPLUS (Page 25)	\$ 10,848,986	\$ 2,827,306

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 2,827,306	\$ 695,015
Prior period adjustment	-	273,000
BALANCE, BEGINNING OF YEAR, AS RESTATED	-	968,015
Excess (Deficiency) of revenues over expenses for year	7,899,660	1,137,193
Interfund transfers	10,726,966	2,105,208
	122,020	722,098
BALANCE, END OF YEAR	\$ 10,848,986	\$ 2,827,306

APPROVED BY:

 Chief
 Councillor
 Councillor

The accompanying notes are an integral part of these financial statements

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