

**Cheam First Nation**  
**Consolidated Financial Statements**  
*March 31, 2019*

# Cheam First Nation

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*For the year ended March 31, 2019*

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## Management's Responsibility

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To the Members of Cheam First Nation:

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

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

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

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

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

November 26, 2019

Original Signed by Chris Nguyen

Director of Finance

Original Signed by Andrew Victor

Councillor

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## Independent Auditor's Report

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To the Members of Cheam First Nation:

### Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Nation as at March 31, 2019, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

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

### Other Matter

The financial statements as at March 31, 2018 were audited by another public accountant who issued an unqualified audit report dated August 10, 2018.

### Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Nation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Chilliwack, British Columbia

November 26, 2019

*MNP LLP*

Chartered Professional Accountants

**MNP**

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

	2019	2018 (Restated)
<b>Financial assets</b>		
Cash and cash equivalents (Note 3), (Note 13)	3,344,073	1,487,428
Portfolio investments (Note 4), (Note 13)	6,000,000	7,000,000
Accounts receivable (Note 5)	2,092,488	2,022,372
Funds held in trust (Note 6)	887,043	885,588
Investment in Nation business entities (Note 7), (Note 13)	2,246,290	579,256
<b>Total of assets</b>	<b>14,569,894</b>	<b>11,974,644</b>
<b>Liabilities</b>		
Bank indebtedness (Note 8)	520,253	-
Accounts payable and accruals	1,032,437	860,565
Deferred revenue (Note 9), (Note 13)	171,331	8,615
Advances from related Nation entities (Note 10), (Note 13)	34,844	34,844
Long-term debt (Note 11)	5,342,192	5,572,588
<b>Total of financial liabilities</b>	<b>7,101,057</b>	<b>6,476,612</b>
<b>Net financial assets</b>	<b>7,468,837</b>	<b>5,498,032</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 13) (Schedule 1)	12,018,393	12,635,227
Prepaid expenses	50,000	96,236
<b>Total non-financial assets</b>	<b>12,068,393</b>	<b>12,731,463</b>
<b>Accumulated surplus (Note 12), (Note 13)</b>	<b>19,537,230</b>	<b>18,229,495</b>
<b>Approved on behalf of the Council</b>		
<u>Original Signed by Muriel Victor</u>	Councillor	<u>Original Signed by Rick Quipp</u> Councillor
<u>Original Signed by Andrew Victor</u>	Councillor	

**Cheam First Nation**  
**Consolidated Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2019*

	<b>2019</b> <b>Budget</b>	<b>2019</b>	<b>2018</b> <b>(Restated)</b>
<b>Revenue</b>			
Contracts and other revenue	1,840,676	2,698,096	8,437,656
Indigenous Services Canada (Note 13)	1,846,450	2,244,471	2,143,057
Other federal funding	405,811	466,984	36,717
Property tax	360,996	432,850	303,351
First Nation Health Authority	290,922	394,682	359,665
Province of BC	190,811	300,811	352,000
Canada Mortgage and Housing Corporation	-	148,888	351,693
Earnings from investment in Nation business entities (Note 13)	-	1,739,266	880,262
Interest income	-	219,276	39,059
Lease income	127,450	141,663	164,533
Rental income	-	192,340	33,920
Funding recoveries	-	(8,794)	(11,237)
	<b>5,063,116</b>	<b>8,970,533</b>	<b>13,090,676</b>
<b>Program expenses</b>			
Administration & Governance	1,191,721	3,166,561	2,060,028
Education & Training	873,383	719,729	949,482
Community Maintenance	358,904	363,436	488,556
Health Services	446,642	523,326	385,820
Social Development	695,277	816,858	633,540
Housing	26,628	525,049	416,644
Economic Development	757,157	1,091,707	47,794
Land Management	624,228	297,199	254,289
Taxation	67,606	158,933	59,293
<b>Total expenditures</b>	<b>5,041,546</b>	<b>7,662,798</b>	<b>5,295,446</b>
<b>Annual surplus</b>	<b>21,570</b>	<b>1,307,735</b>	<b>7,795,230</b>
<b>Accumulated surplus, beginning of year, as previously stated</b>	<b>13,498,725</b>	<b>13,498,725</b>	<b>5,599,604</b>
Correction of an error (Note 13)	-	4,730,770	4,834,661
<b>Accumulated surplus, beginning of year, as restated</b>	<b>13,498,725</b>	<b>18,229,495</b>	<b>10,434,265</b>
<b>Accumulated surplus, end of year (Note 12)</b>	<b>13,520,295</b>	<b>19,537,230</b>	<b>18,229,495</b>

The accompanying notes are an integral part of these financial statements

**Cheam First Nation**  
**Consolidated Statement of Change in Net Financial Assets**  
*For the year ended March 31, 2019*

	<b>2019 Budget</b>	<b>2019</b>	<b>2018 (Restated)</b>
<b>Annual surplus</b>	<b>21,570</b>	<b>1,307,735</b>	7,795,230
Purchases of tangible capital assets	-	<b>(1,216)</b>	(704,151)
Amortization of tangible capital assets	-	<b>618,050</b>	574,829
Proceeds of disposal of tangible capital assets	-	-	3,851
	-	<b>616,834</b>	(125,471)
Acquisition of prepaid expenses	-	<b>(50,000)</b>	(46,236)
Use of prepaid expenses	-	<b>96,236</b>	56,945
	-	<b>46,236</b>	10,709
<b>Increase in net financial assets</b>	<b>21,570</b>	<b>1,970,805</b>	7,680,468
<b>Net financial assets, beginning of year</b>	<b>5,498,032</b>	<b>5,498,032</b>	(2,182,436)
<b>Net financial assets, end of year</b>	<b>5,519,602</b>	<b>7,468,837</b>	5,498,032

*The accompanying notes are an integral part of these financial statements*



**Cheam First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2019*

	2019	2018 (Restated)
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual surplus	1,307,735	7,795,230
Non-cash items		
Amortization	618,050	574,829
Earnings from investment in Nation business entities and partnerships	(1,739,266)	(880,262)
	186,519	7,489,797
Changes in working capital accounts		
Accounts receivable	(70,115)	(796,770)
Prepaid expenses	46,236	10,709
Accounts payable and accruals	171,872	(753,458)
Deferred revenue	162,715	(3,600)
Funds held in trust	(1,455)	(826)
	495,772	5,945,852
<b>Financing activities</b>		
Advances of long-term debt	-	488,553
Repayment of advances of long-term debt	(230,396)	(140,607)
	(230,396)	347,946
<b>Capital activities</b>		
Purchases of tangible capital assets	(1,216)	(704,151)
Proceeds of disposal of tangible capital assets	-	3,851
	(1,216)	(700,300)
<b>Investing activities</b>		
Purchase of portfolio investments	-	(7,000,000)
Proceeds on portfolio investments	1,000,000	-
Advances from Nation business entities	72,232	216,189
<b>Increase in cash resources</b>	1,336,392	(1,190,313)
<b>Cash resources, beginning of year</b>	1,487,428	2,677,741
<b>Cash resources, end of year</b>	2,823,820	1,487,428
<b>Cash resources are composed of:</b>		
Cash and cash equivalents (Note 3)	3,344,073	1,487,428
Bank indebtedness (Note 8)	(520,253)	-
	2,823,820	1,487,428
<b>Supplementary cash flow information</b>		
Interest paid	227,210	126,904

The accompanying notes are an integral part of these financial statements

**1. Operations**

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

**2. Significant accounting policies**

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

***Reporting entity - consolidated***

The consolidated financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity, except for Nation business entities. Trusts administered on behalf of third parties by Cheam First Nation are excluded from the Nation reporting entity.

The Nation has consolidated the assets, liabilities, revenue and expenses of the following entities:

- Pilalt Historical Society

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Cheam First Nation business entities, owned or controlled by the Nation's Council but not dependent on the Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the Nation. Thus, the Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- CFN Holdings Limited Partnership (LP) (previously Cheam Holdings LP)
- Cheam Enterprises Inc.

***Basis of presentation***

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

***Asset classification***

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

***Net financial assets***

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

***Cash and cash equivalents***

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less.

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

**Portfolio investments**

Portfolio investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment.

**Funds held in Ottawa Trust Fund**

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

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

**Tangible capital assets**

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution.

**Amortization**

Amortization for tangible capital assets is provided using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	<b>Method</b>	<b>Rate</b>
Automobile equipment	declining balance	20 %
Other equipment	declining balance	10-30 %
Infrastructure	straight-line	20-50 years
Buildings	straight-line	25 years
Housing	straight-line	25 years

**Long-lived assets**

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

When the Nation determines that a long-lived asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

**Revenue recognition**

**Government Transfers**

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

**Own source revenue**

Own source revenue derived from such sources as resource based revenues, interest income and other revenue are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

**Funds held in Ottawa Trust Fund**

Due to measurement uncertainty, revenue related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

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

***Rental revenue***

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

***Investments***

The Nation uses the modified equity method to account for its' investment in Nation business entities as listed under reporting entity - consolidated. Investment income earned from portfolio investments is recognized in the period the income is earned.

***Measurement uncertainty***

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

Accounts receivable, and amounts due from related Nation entities and departments, are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

***Liability for contaminated site***

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable.

At each financial reporting date, the Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. Management has determined that no liability exists as at March 31, 2019.

***Segments***

The Nation conducts its business through nine reportable segments: Administrative & Governance, Education & Training, Community Maintenance, Health Services, Social Development, Housing, Economic Development, Land Management, and Taxation. These operating segments are established by senior management to facilitate the achievement of the Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

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

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

**Cheam First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**3. Cash and cash equivalents**

	<b>2019</b>	<b>2018</b> <i>(Restated)</i>
<b>Externally restricted</b>		
CMHC operating reserve	<b>101,056</b>	78,748
CMHC replacement reserve	<b>82,976</b>	160,437
	<b>184,032</b>	239,185
<b>Unrestricted</b>		
Operating funds	<b>3,160,041</b>	1,248,243
	<b>3,344,073</b>	1,487,428

**Replacement Reserve**

Under agreements with CMHC, the Nation established a replacement reserve, established by an annual allocation of \$27,000 (2018 - \$30,000), to ensure replacement of buildings financed by CMHC. At March 31, 2019 this reserve was under funded by \$104,340 (2018 - \$83,260).

In accordance with terms of the agreements, CMHC reserve moneys must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

**Operating Reserve**

Under agreements with CMHC, the Nation established an operating reserve resulting from annual surplus after the payment of all costs and expenses including allocation to the replacement reserve.

These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as otherwise mutually agreed to by the Nation and CMHC. These funds may only be used for the ongoing operating costs of the housing projects committed under the agreement with CMHC. Accordingly, future years' deficits may be recovered from the Operating Reserve fund. At March 31, 2019, the reserve was over funded \$94,617 (2018 - fully funded).

The difference between externally restricted cash reserves and Equity in CMHC Replacement and Operating Reserves (Note 12), results from the under funded replacement reserve and over funded operating reserve.

**4. Portfolio investments**

	<b>2019</b>	<b>2018</b> <i>(Restated)</i>
BMO Term Deposit, bearing interest at 2.10 % per annum, maturing November 1, 2019.	<b>5,000,000</b>	6,000,000
RBC Term Deposits, bearing interest at between 2.04% and 2.69% per annum, maturing between October 24, 2019 and October 24, 2022.	<b>1,000,000</b>	1,000,000
	<b>6,000,000</b>	7,000,000

**5. Accounts receivable**

	<b>2019</b>	<b>2018</b>
Funding and trade receivable	<b>2,875,369</b>	2,883,765
Member loans receivable	<b>225,113</b>	225,113
Less: Allowance for doubtful accounts	<b>1,007,994</b>	1,086,506
	<b>2,092,488</b>	2,022,372

**Cheam First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**6. Funds held in trust**

Capital and revenue trust monies are transferred to the Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the Nation's Council.

	2019	2018
<b>Capital Trust</b>		
Balance, beginning and end of year	875,560	875,560
<b>Revenue Trust</b>		
Balance, beginning of year	10,028	9,202
Interest	11,483	10,028
	21,511	19,230
Less: Transfers to Nation	10,028	9,202
Balance, end of year	11,483	10,028
	887,043	885,588

**7. Investments in Nation business entities**

The Nation has investments in the following entities:

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	2019 <i>Total investment</i>
<b>First Nation Business Partnerships – Modified Equity:</b>				
CFN Holdings LP (previously Cheam Holdings LP) - 99.99%	1	-	346,407	346,408
<b>First Nation Government Business Enterprises</b>				
Cheam Enterprises Inc.	1	(95,706)	1,995,587	1,899,882
	2	(95,706)	2,341,994	2,246,290

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	2018 (Restated) <i>Total investment</i>
<b>First Nation Business Partnerships – Modified Equity:</b>				
CFN Holdings LP - 99.99%	1	-	(190,684)	(190,683)
<b>First Nation Government Business Enterprises</b>				
Cheam Enterprises Inc.	1	(23,474)	793,412	769,939
	2	(23,474)	602,728	579,256

**Cheam First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**7. Investment in Nation business entities** *(Continued from previous page)*

Summary financial information for the Nation Business Partnership and the First Nation Business Enterprises, accounted for using the modified equity method, for the respective year-ends are as follows:

	CFN Holdings LP As as December 31, 2018	Cheam Enterprises Inc. As at March 31, 2019
<b>Balance Sheet</b>		
Assets	821,337	2,349,499
Liabilities	474,884	353,911
Equity	346,453	1,995,588
Total Liabilities and Equity	821,337	2,349,499
<b>Income Statement</b>		
Revenue	766,547	2,165,281
Expenses	229,402	963,106
Net Income	537,145	1,202,175

**8. Bank indebtedness**

Under a line of credit arrangement with the Bank of Montreal (BMO), Cheam First Nation may borrow up to \$300,000. As at March 31, 2019, Cheam First Nation had drawn \$278,780 on this line of credit (2018 - nil). The line of credit bears interest at BMO's prime rate plus 0.50%. The prime rate at March 31, 2019 was 3.95% (2018 - 3.45%). The facility is secured by a band council resolution authorizing the facility, based on the terms outlined in the Letter of Agreement from BMO signed and accepted by Cheam First Nation on July 18, 2017.

Under a line of credit arrangement with the Royal Bank of Canada (RBC), Cheam First Nation may borrow up to \$200,000. As at March 31, 2019, Cheam First Nation had not drawn on this line of credit (2018 - nil). The line of credit bears interest at RBC's prime rate plus 1.75%. The prime rate at March 31, 2019 was 3.95% (2018 - 3.45%). The facility is secured by:

1. A general security agreement - floating charge on land on the Bank's form 923 signed by Cheam First Nation constituting a floating charge on all present and after-acquired real property of Cheam First Nation and a first ranking security interest in all personal property of Cheam First Nation; and,
2. Guarantee and postponement of claim on RBC's form 812 in the amount of \$300,000 signed by Pilalt Historical Society, supported by a collateral mortgage in the amount of \$300,000 constituting a first fixed charge on the lands and improvements located at 50891 Yale Road, Chilliwack, British Columbia.

As at March 31, 2019 bank indebtedness also included outstanding cheques that amounted to \$241,473.

**9. Deferred revenue**

The following table represents changes in the deferred revenue balance attributable to major funding sources/customers:

	<i>Balance, beginning of year (Restated)</i>	<i>Contributions received</i>	<i>Contributions recognized</i>	<i>Balance, end of year</i>
Indigenous Services Canada	-	71,528	-	71,528
Shadow Produce	-	87,188	-	87,188
Other	8,615	7,150	3,150	12,615
	8,615	165,866	3,150	171,331

**Cheam First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**10. Advances from related Nation entities**

Advances from related Nation entities is comprised entirely of an advance from a related partnership, Cheam Fishing Village LP, totalling \$34,844 (2018 - \$34,844). The loan bears no interest and has no fixed terms of repayment.

**11. Long-term debt**

	2019	2018
BMO term loan, blended monthly payments of \$23,606 at 4.70% per annum, maturing July 31, 2041.	<b>4,233,828</b>	4,325,025
Project #10 - All Nations Trust Company mortgage, blended monthly payments of \$6,339 at 2.5% per annum, renewal date of June 1, 2026, maturity date of April 1, 2033.	<b>903,016</b>	958,159
Project #9 - All Nations Trust Company mortgage, blended monthly payments of \$2,027 at 1.03% per annum, renewal date of October 1, 2021, maturity date of August 1, 2026.	<b>173,589</b>	196,169
Ford Credit Canada, blended monthly payments of \$1,135 at 7.64% per annum, maturing February 18, 2021.	<b>23,221</b>	34,406
Project #7 - All Nations Trust Company mortgage, blended monthly payments of \$2,856 at 1.82% per annum, maturing June 1, 2019.	<b>8,538</b>	42,381
Project #8 - All Nations Trust Company mortgage.	-	16,448
	<b>5,342,192</b>	5,572,588

Principal repayments on long-term debt in each of the next five years , assuming long-term debt subject to refinancing is renewed, are estimated as follows:

	Principal
2020	183,683
2021	179,564
2022	174,588
2023	180,808
2024	187,284

The Ford Credit Canada loan is secured by a 2016 Ford 350 truck. The net book value of the truck pledged as security is \$26,229.

Bank of Montreal demand loans are secured by a band council resolution authorizing the facilities, based on the terms outlined in the Letter of Agreement from BMO signed and accepted by Cheam First Nation on July 18, 2017.

**12. Accumulated surplus**

Accumulated surplus consists of the following:

	2019	2018 (Restated)
Equity in Tangible Capital Assets	<b>6,676,202</b>	7,062,639
Operating Surplus	<b>11,780,230</b>	9,958,823
Equity in Ottawa Trust Funds	<b>887,043</b>	885,588
Equity in CMHC Replacement and Operating Reserves	<b>193,755</b>	322,445
	<b>19,537,230</b>	18,229,495



**13. Correction of an error**

**Deferred Capital Funding Correction of an Error**

During the year, Cheam First Nation determined that the entire deferred revenue balance, related to capital assets at March 31, 2017, should have been recognized into revenue, in accordance with Canadian Public Sector Accounting Standards. At March 31, 2017, deferred revenue related to capital assets had a balance of \$4,899,769. The effect of this correction was to decrease deferred revenue and increase ISC revenues in the amount of \$4,899,769 during the fiscal 2016/2017 year. In addition, the impact of this correction was to decrease amortization expense and increase equity in the amount of \$94,264 during the fiscal 2017/2018 year. The retroactive application of this correction of an error had a material impact on the results of operations and financial condition of Cheam First Nation.

**CFN Holdings LP Correction of an Error**

During the year, Cheam First Nation determined that its 99.99% investment in CFN Holdings LP had been recording treatment of land improvements incorrectly. At March 31, 2017, this investment had a balance of \$(139,771). The effect of this correction was to increase investment in Nation business entities and earnings from investment in Nation business entities and partnerships in the amount of \$16,199 during the fiscal 2016/2017 year. The impact of this correction was to increase investment in Nation business entities and earnings from investment in Nation business entities and partnerships in the amount of \$5,398 during the fiscal 2017/2018 year. The retroactive application of this correction of an error did not have a material impact on the results of operations and financial condition of Cheam First Nation.

**CMHC Replacement Reserve Correction of an Error**

During the year, Cheam First Nation determined that the CMHC Replacement Reserve had been incorrectly recorded as a liability account, rather than an equity account. At March 31, 2018, the CMHC Replacement Reserve (liability account) had a balance of \$243,715. The effect of this correction was to decrease CMHC Replacement Reserve (liability account) and increase CMHC Replacement Reserve (equity account) in the amount of \$243,715. The retroactive application of this correction of an error had a material impact on the results of operations and financial condition of Cheam First Nation.

**Pilalt Historical Society Correction of an Error**

During the year, Cheam First Nation determined that a wholly controlled entity, Pilalt Historical Society Inc., was being recorded as a portfolio investment, at cost, instead of being consolidated into Cheam First Nation. At March 31, 2017, Pilalt Historical Society Inc. was recorded at a balance of \$742,862. The effect of this correction was to decrease portfolio investments \$742,862, increase land by \$435,775 and cash by \$4,212, and decrease equity by \$302,875 during the fiscal 2016/2017 year. The impact of this correction was to increase revenue by \$16, increase expenses by \$9,940 and decrease equity in the amount of \$9,924 during the fiscal 2017/2018 year. The retroactive application of this correction of an error had a material impact on the results of operations and financial condition of Cheam First Nation.

**Cheam Fishing Village LP Correction of an Error**

During the year, Cheam First Nation determined that improvements to a parcel of land recorded in a related entity, Cheam Fishing Village LP, should be recorded as a capital asset of the Cheam First Nation. The effect of this correction was to increase capital assets and increase the advances from related Nation entities in the amount of \$134,994, increase accumulated amortization by \$27,789, decrease equity by \$22,147, and increase depreciation expense by \$5,642 during the fiscal 2017/2018 year. The retroactive application of this correction of an error did not have a material impact on the results of operations and financial condition of Cheam First Nation.

**14. Budget information**

The disclosed budget information has been approved by the Chief and Council of Cheam First Nation at the Chief and Council meeting held on June 20, 2018. The budget information is unaudited and is projected based on operating expenses to be incurred during the year on a program by program basis.

**15. Segments**

The Nation conducts its business through nine reportable segments, which are differentiated by major activities, accountability and control relationships. The reportable segments and their activities are as follows:

**Administrative & Governance**

Includes general operation, support, and financial management of the Nation, as well as activities related to the general governance, and leadership of the community and its members.

**Education & Training**

Includes revenue and expenses related to primary, secondary and post secondary education and training of the members of the Nation.

**Community Maintenance**

Includes revenues and expenses for services related to general community infrastructure maintenance and public works.

**Health Services**

Includes activities related to the provision of health services for the community and its members.

**Social Development**

Includes services offered to community members. Services include, but are not limited to, income assistance, child and family support, assisted living, and early childhood development.

**Housing**

Includes property management related to the mortgaged homes owned by the Nation and the administration of social housing programs.

**Economic Development**

Includes activities related to the growth of the revenue producing projects within the Nation.

**Land Management**

Includes revenue and expenses related to general governance activities and lands administration.

**Taxation**

Includes revenues and expenses for services related to property taxation that falls within Cheam First Nation's lands authority.

**16. Comparative figures**

Certain comparative figures have been reclassified to conform with current year's presentation.

**Cheam First Nation**  
**Schedule 1 - Consolidated Schedule of Tangible Capital Assets**  
*For the year ended March 31, 2019*

	Automotive Equipment	Other Equipment	Land and Infrastructure	Buildings	Housing	2019	2018
							(Restated)
<b>Cost</b>							
Balance, beginning of year	50,639	374,665	3,922,917	8,570,355	5,828,018	18,746,594	9,063,609
Acquisition of tangible capital assets	-	1,216	-	-	-	1,216	9,150,224
Disposal of tangible capital assets	-	-	-	-	-	-	(38,000)
Correction of an error (Note 13)	-	-	-	-	-	-	570,764
Balance, end of year	50,639	375,881	3,922,917	8,570,355	5,828,018	18,747,810	18,746,597
<b>Accumulated amortization</b>							
Balance, beginning of year	15,567	221,283	469,631	1,262,947	4,141,939	6,111,367	5,569,872
Annual amortization	7,014	26,073	90,229	338,636	156,098	618,050	575,647
Accumulated amortization on disposals	-	-	-	-	-	-	(34,149)
Balance, end of year	22,581	247,356	559,860	1,601,583	4,298,037	6,729,417	6,111,370
<b>Net book value of tangible capital assets</b>	<b>28,058</b>	<b>128,525</b>	<b>3,363,057</b>	<b>6,968,772</b>	<b>1,529,981</b>	<b>12,018,393</b>	<b>12,635,227</b>
Net book value of tangible capital assets 2018	35,072	153,382	3,453,286	7,307,408	1,686,079	12,635,227	

**Cheam First Nation**  
**Schedule 2 - Consolidated Schedule of Expenses by Object**  
*For the year ended March 31, 2019*

	<b>2019</b>	<b>2018</b> <i>(Restated)</i>
<b>Consolidated expenses by object</b>		
Amortization	<b>618,049</b>	574,829
Operating expenses	<b>2,169,303</b>	1,040,116
Program and service delivery expenses	<b>3,132,628</b>	2,377,336
Salaries, wages and benefits	<b>1,742,818</b>	1,303,165
	<b>7,662,798</b>	5,295,446

**Cheam First Nation**  
**Schedule 3 - Segmented Information**  
*For the year ended March 31, 2019*

	Administration and Governance	Education & Training	Community Maintenance	Health Services	Social Development	Housing	Economic Development	Lands Management	Taxation	2019
<b>Revenue</b>										
ISC	\$ 322,002	\$ 739,753	\$ 135,989	\$ -	\$ 693,447	\$ -	\$ 208,986	\$ 139,897	\$ -	\$ 2,240,074
Other government	33,148	-	-	394,680	30,000	148,888	695,122	150,000	-	1,451,838
Economic activities and other	2,010,533	23,930	86,587	3,778	103	186,793	1,315,049	1,218,996	432,851	5,278,622
	<b>2,365,683</b>	<b>763,683</b>	<b>222,576</b>	<b>398,460</b>	<b>723,550</b>	<b>335,681</b>	<b>2,219,157</b>	<b>1,508,893</b>	<b>432,851</b>	<b>8,970,533</b>
<b>Expenses</b>										
Amortization	475,878	-	-	-	-	142,171	-	-	-	618,049
Operating expenses	691,105	18,340	117,082	250,442	37,166	73,790	752,625	151,800	76,951	2,169,303
Salaries, wages and benefits	851,152	42,900	182,483	148,770	86,327	59,544	244,644	109,407	17,592	1,742,818
Program and services delivery expenses	1,148,426	658,489	63,871	124,114	693,365	249,544	94,438	35,992	64,390	3,132,628
	<b>3,166,561</b>	<b>719,729</b>	<b>363,436</b>	<b>523,326</b>	<b>816,858</b>	<b>525,049</b>	<b>1,091,707</b>	<b>297,199</b>	<b>158,933</b>	<b>7,662,798</b>
<b>Annual surplus (deficit)</b>	<b>\$ (800,878)</b>	<b>\$ 43,954</b>	<b>\$ (140,860)</b>	<b>\$ (124,866)</b>	<b>\$ (93,308)</b>	<b>\$ (189,368)</b>	<b>\$ 1,127,450</b>	<b>\$ 1,211,694</b>	<b>\$ 273,918</b>	<b>\$ 1,307,735</b>

	Administration and Governance	Education & Training	Community Maintenance	Health Services	Social Development	Housing	Economic Development	Lands Management	Taxation	2018
<b>Revenue</b>										
ISC	\$ 293,223	\$ 771,723	\$ 314,586	\$ -	\$ 624,996	\$ 18,900	\$ 24,444	\$ 84,000	\$ -	\$ 2,131,872
Other government	14,465	-	7,500	349,350	29,948	172,793	36,717	442,811	70,789	1,124,373
Economic activities and other (Note 16)	1,042,657	87,877	52,267	53,989	24,785	195,200	-	8,272,526	105,129	9,834,431
	<b>1,350,345</b>	<b>859,600</b>	<b>374,353</b>	<b>403,339</b>	<b>679,729</b>	<b>386,893</b>	<b>61,161</b>	<b>8,799,337</b>	<b>175,918</b>	<b>13,090,676</b>
<b>Expenses</b>										
Amortization	415,621	-	-	-	-	159,208	-	-	-	574,829
Operating expenses	531,088	12,960	81,656	67,432	13,843	59,701	42,941	221,945	8,550	1,040,116
Salaries, wages and benefits	762,627	114,714	162,095	115,361	55,588	56,466	1,390	20,924	14,000	1,303,165
Program and services delivery expenses	350,692	821,808	244,805	203,027	564,109	141,269	3,463	11,420	36,743	2,377,336
	<b>2,060,028</b>	<b>949,482</b>	<b>488,556</b>	<b>385,820</b>	<b>633,540</b>	<b>416,644</b>	<b>47,794</b>	<b>254,289</b>	<b>59,293</b>	<b>5,295,446</b>
<b>Annual surplus (deficit)</b>	<b>\$ (709,683)</b>	<b>\$ (89,882)</b>	<b>\$ (114,203)</b>	<b>\$ 17,519</b>	<b>\$ 46,189</b>	<b>\$ (29,751)</b>	<b>\$ 13,367</b>	<b>\$ 8,545,048</b>	<b>\$ 116,625</b>	<b>\$ 7,795,230</b>