



**Spuzzum First Nation
Financial Statements**

March 31, 2018



Spuzzum First Nation

INDEX TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2018

Management's Responsibility for Financial Reporting
Auditor's Report

SUMMARY FINANCIAL STATEMENTS

Summary Statement of Financial Position	Statement 1
Summary Statement of Operations	Statement 2
Summary Statement of Changes in Net Assets	Statement 3
Summary Statement of Cash Flows	Statement 4
Notes to Financial Statements	

Spuzzum First Nation
March 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants Canada and as such include amounts that are the best estimates and judgments of management.

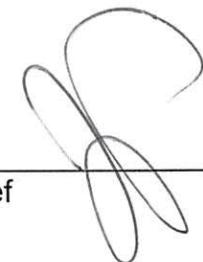
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council meet 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 their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Ribeyre Chang Haylock, conduct an independent examination in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Spuzzum First Nation and meet when required.

Chief



Councillor



Councillor



INDEPENDENT AUDITOR'S REPORT

To: The Members of the Spuzzum First Nation

Report on the Financial Statements

We have audited the accompanying financial statements of the Spuzzum First Nation, which comprise the summary statement of financial position as at March 31, 2018, and the summary statement of operations, summary statement of change in net financial assets, summary statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's 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 judgment, 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, the financial statements present fairly, in all material respects, the financial position of Spuzzum 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.

Port Coquitlam, B.C.
October 4, 2018

Chartered Professional Accountants

Spuzzum First Nation

SUMMARY STATEMENT OF FINANCIAL POSITION

As at March 31, 2018	Statement 1	
	2018	2017
Financial assets		
Cash	\$ 925,844	\$ 294,764
Restricted cash	42,238	50,959
Accounts receivable - Note 3	147,474	123,073
Investments - Note 4	1,275,574	15,975
Trust moneys - Note 5	755,105	738,095
Total financial assets	3,146,235	1,222,866
Liabilities		
Accounts payable and accrued expenses	167,845	255,408
Deferred revenue - Note 6	597,240	-
Demand loan - Note 7	296,646	306,549
Long-term debt - Note 8	31,405	44,157
Total liabilities	1,093,136	606,114
Contingent liability - Note 9		
Net financial assets	2,053,099	616,752
Non-financial assets		
Prepaid expenses	10,498	10,791
Tangible capital assets - Note 10	1,773,743	1,929,843
Total non-financial assets	1,784,241	1,940,634
Accumulated surplus - Note 11	\$ 3,837,340	\$ 2,557,386

See accompanying notes

On behalf of Band Council:



Chief



Councillor

Spuzzum First Nation

SUMMARY STATEMENT OF OPERATIONS

For the year ended March 31, 2018	Statement 2		
	Budget	2018	2017
Revenue			
Operating Fund			
Indigenous Services Canada	\$ 987,249	\$1,165,067	\$1,130,816
Nlaka'pamux Nation Tribal Council	-	-	1,157
Fraser Thompson Indian Services Society	-	146,197	104,398
First Nation Education Steering Committee	-	16,962	48,426
Sto:lo Nation	-	36,933	7,551
Property tax	-	41,013	40,902
Province of British Columbia	-	30,371	-
Rental	-	43,125	48,154
New Relationship Trust	-	7,000	5,400
Other	-	397,039	180,119
Deferred revenue out	-	(597,240)	-
Social Housing Fund			
Trust Fund			
Investment Fund			
	987,249	2,730,583	1,644,664
Expenditures			
Operating Fund			
Band government	148,372	360,921	337,614
Social development	111,484	107,304	128,809
Economic development	33,835	29,707	131,728
Education and training	269,178	371,691	325,291
Health programs	-	113,634	74,929
Community infrastructure	106,435	204,609	160,311
Capital projects	317,000	78,460	43,320
Depreciation	-	120,378	101,988
Social Housing Fund			
	986,304	1,414,382	1,387,393
Annual surplus	945	1,316,201	257,271
Accumulated surplus, beginning of year		2,557,386	2,281,374
(Recoveries) reimbursements		(36,247)	18,741
Accumulated surplus, end of year		\$3,837,340	\$2,557,386

See accompanying notes

Spuzzum First Nation

SUMMARY STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended March 31, 2018

Statement 3

2018 2017

Annual surplus	\$ 1,316,201	\$ 257,271
(Recoveries) reimbursements in the year	(36,247)	18,741
	1,279,954	276,012
<hr/>		
Changes in tangible capital assets		
Acquisition of tangible capital assets	22,970	(405,109)
Amortization of tangible capital assets	133,130	114,557
	156,100	(290,552)
<hr/>		
Changes in other non-financial assets		
Use of prepaid asset - net	293	(3,907)
	293	(3,907)
<hr/>		
Increase (decrease) in net financial assets	1,436,347	(18,447)
<hr/>		
Net financial assets, beginning of year	616,752	635,199
<hr/>		
Net financial assets, end of year	\$ 2,053,099	\$ 616,752

Spuzzum First Nation

SUMMARY STATEMENT OF CASH FLOWS

For the year ended March 31, 2018

Statement 4

	2018	2017
OPERATING ACTIVITIES		
Funding surplus	\$ 1,316,201	\$ 257,271
Add:		
Deferred revenue	597,240	-
Less:		
Recoveries	(36,247)	18,741
Net change in Band Members' Equity	1,877,194	276,012
Items not involving cash:		
Depreciation of capital equity assets	120,378	101,988
Depreciation of Social Housing Fund assets	12,752	12,569
Revenues earned in Trust Fund	(17,010)	(14,453)
Revenues earned in Investment Fund	(1,401,109)	-
Changes in non-cash working capital items	(111,671)	51,872
Cash provided by operating activities	480,534	427,988
INVESTING ACTIVITIES		
Purchase of fixed assets	22,970	(405,109)
Cash provided by (used in) investing activities	22,970	(405,109)
FINANCING ACTIVITIES		
Repayment of long-term debt	(22,655)	(22,246)
Distributions from Nlaka'pamux Resources Limited Partnership	141,510	-
Cash provided by (used in) financing activities	118,855	(22,246)
Increase in cash during the year	622,359	633
Cash, beginning of year	345,723	345,090
Cash, end of year	\$ 968,082	\$ 345,723
Represented by:		
Cash	\$ 925,844	\$ 294,764
Restricted cash	42,238	50,959
	\$ 968,082	\$ 345,723

See accompanying notes

Spuzzum First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

See Auditor's Report

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These summary financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the CICPA Public Sector Accounting and Auditing Handbook, which encompasses the following principles.

a) Fund accounting

The Spuzzum First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the summary financial statements. Details of the operations of each fund are set out in the supplementary schedules. The Spuzzum First Nation maintains the following funds:

- The Operating Fund which reports the general activities of the Nation administration.
- The Trust Fund which reports on trust funds owned by the Nation and held by a third party.
- The Social Housing Fund which reports on the housing activities related to CMHC funded housing.
- The Investment Fund which reports the Band's investments in various entities.

b) Reporting entity and principles of financial reporting

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

These financial statements consolidate the assets, liabilities and results of operation for the following entities which use accounting principles which lend themselves to consolidation:

- Operating Fund
- Trust Fund
- Social Housing Fund
- Investment Fund

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

c) Investments in non-controlled entities

Long-term investments in non-controlled entities are recorded at the lower of cost or net realizable value.

d) Cash and/or cash equivalents

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition.

Spuzzum First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

See Auditor's Report

1. Continued...

e) Restricted cash

Restricted cash represents amounts reserved either internally or by statute for specific future purposes.

f) Deferred Revenue

Deferred revenue represents grants and other fees which have been collected, but for which the related expenses or services have yet to be incurred or performed. These amounts will be recognized as revenues in the fiscal year in which the services are performed or related expenditures incurred.

g) Tangible capital assets

Tangible capital assets are valued at either cost or estimated cost and recorded in the Operating Fund. Items over \$3,000 are capitalized.

The acquisition costs of tangible capital assets and payments on capital debt, which are not funded from capital financing sources, are charged to operations and matched with the applicable revenue source in the year of expenditure. These expenditures are also recorded as an addition to assets of the Operating Fund with a corresponding increase in Operating Fund - unrestricted equity.

Tangible capital assets acquired as part of the Social Housing Fund are recorded as assets of that Fund.

h) Depreciation

Tangible capital assets are recorded and depreciated with a corresponding reduction in Equity in Tangible Capital Assets. Assets are depreciated over their expected useful life using the straight line method:

Domestic water system	15 years
Buildings	25 years
Equipment	5 years
Infrastructure	25 years
Vehicles	5 years

Social Housing assets acquired under Canada Mortgage and Housing Corporation sponsored housing programs are depreciated at a rate equivalent to the annual principal reduction in the related long-term debt, as required for Canada Mortgage and Housing Corporation reporting purposes. To be consistent, housing assets in the Capital Fund are also depreciated at a rate equivalent to the annual principal reduction in the related long-term debt.

Spuzzum First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

See Auditor's Report

1. Continued...

i) Non-financial assets

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

j) Revenue recognition

Revenue is recognized as it becomes receivable under the terms of the applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Statement of Financial Position.

k) Use of estimates

The preparation of financial statements in conformity with Canadian 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 reported amounts of revenues and expenditures during the reported period. Actual results could differ from the estimates.

2. ECONOMIC DEPENDENCE

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

3. ACCOUNTS RECEIVABLE

	2018	2017
Indigenous Services Canada	\$ 26,991	\$ 34,572
Canada Mortgage and Housing Corporation	12,767	42,000
First Nation Health Authority	-	4,746
First Nations Education Steering Committee	-	12,503
First Nations Emergency Services	71,653	-
Other	79,537	32,765
Allowance for doubtful accounts	(43,474)	(3,513)
Nation members loans	241,959	286,506
Nation members loans allowance	(241,959)	(286,506)
Nation members rent	218,163	218,163
Nation members rent allowance	(218,163)	(218,163)
	<hr/> \$ 147,474	<hr/> \$ 123,073

Spuzzum First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

See Auditor's Report

4. INVESTMENTS

Investments consist of the following:	2018	2017
All Nations Trust Company, 8,400 Class A shares, at cost	\$ 5,600	\$ 5,600
Nlaka'pamux Resources Limited Partnership 17.9% interest	1,269,974	10,375
Southern Nlaka'pamux Forestry Resources Ltd. 6 Common shares at cost of \$1 each (20% interest) and advances of \$15,994	16,000	16,000
Less allowance for impairment	(16,000)	(16,000)
	-	-
	\$ 1,275,574	\$ 15,975

5. TRUST MONEYS

The Ottawa Trust accounts arise from moneys derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 and 69 of the Indian Act.

6. DEFERRED REVENUE

	2018	2017
Indigenous Services Canada	\$ 417,143	\$ -
First Nation Health Authority	150,097	-
Province of British Columbia	30,000	-
	\$ 597,240	\$ -

Spuzzum First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

See Auditor's Report

7. DEMAND LOAN

	2018	2017
Loan payable with monthly payments of \$1,404 including interest at 2.3% per annum is due November 1, 2020, secured by assignment of fire insurance and a Ministerial Guarantee.	\$ 296,646	\$ 306,549

Assuming early repayment of the debt is not demanded, scheduled principal repayments for the

2019	10,135
2020	10,370
2021	276,141
2022	-
2023	-
	<hr/>
	\$ 296,646

8. LONG-TERM DEBT

	2018	2017
Mortgage payable with monthly payments of \$1,098 including interest at 1.11% per annum is due August 1, 2020, secured by certain assets and a Ministerial Guarantee.	\$ 31,405	\$ 44,157

Scheduled principal repayments for the next five years are as follows:

2019	12,893
2020	13,037
2021	5,475
2022	-
2023	-
	<hr/>
	\$ 31,405

Spuzzum First Nation

March 31, 2018

See Auditor's Report

9. CONTINGENT LIABILITY

In 2017 Spuzzum First Nation received a loan under the On-Reserve Residential Rehabilitation Assistance Program in the amount of \$60,000. The forgivable loan will be earned over 5 years starting from January 6, 2017. In order to earn the full amount of the forgivable RRAP loan, the First Nation must continue to own and operate the property and it must be occupied by band members with a total household income at or below the income threshold established by CMHC, for the entire term of the loan. If the First Nation fails to comply with the terms and conditions of the loan agreement, the loan becomes due on demand with interest at 4.75% per annum calculated half yearly not in advance from the date of failure to comply.

10. TANGIBLE CAPITAL ASSETS

Spuzzum First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

See Auditor's Report

11. ACCUMULATED SURPLUS

	2018	2017
Accumulated Surplus is comprised of the following:		
Restricted surpluses		
Trust Fund	\$ 755,105	\$ 738,095
CMHC replacement reserve	34,523	34,016
CMHC subsidy surplus	-	-
Equity in tangible capital assets	1,445,692	1,579,137
Unrestricted surplus	1,460,510	206,138
	<hr/> <u>\$ 3,695,830</u>	<hr/> <u>\$ 2,557,386</u>

12. REPLACEMENT RESERVE FUND

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage and Housing Corporation, Spuzzum First Nation Social Housing must set aside funds annually for the non-annual expenditures of the Program for the repair, maintenance and replacement of worn out assets.

As at March 31, 2018, the Replacement Reserve Fund was fully funded (2017 - fully funded).

13. SUBSIDY SURPLUS FUND

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage and Housing Corporation, Spuzzum First Nation Social Housing is permitted to set aside an amount of \$500 per housing unit for the purpose of meeting future requirements of income listed over and above the maximum federal assistance. The Fund may be replenished to its original limit from subsequent operating surpluses.

As at March 31, 2018, the Subsidy Surplus Fund was nil (2017 - nil).

14. BUDGET INFORMATION

The budget information disclosed has been approved by the Spuzzum First Nation Chief and Council. Individual program operations not showing budget information does not mean budgets were not prepared but rather that their amounts were not readily determinable.

Spuzzum First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

See Auditor's Report

15. FINANCIAL INSTRUMENTS

Risk management policy

Spuzzum First Nation is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at March 31, 2018.

Credit risk

The carrying value of the First Nation's main financial assets represents the maximum credit risk to which the nation is exposed.

Spuzzum First Nation's credit risk is due mainly to its accounts receivable. The balance sheet amounts are presented net of the allowance for impaired accounts, which management estimates based on past experience and its assessment of current economic conditions.

Spuzzum First Nation believes that its accounts receivable credit risk is limited because:

- Majority of its receivables are due from Canadian government agencies.
- Spuzzum First Nation recognizes a specific allowance for accounts receivable when management considers the expected collectable amount to be lower than the actual amount receivable.

Liquidity risk

Spuzzum First Nation considers that it has sufficient credit facilities to ensure that funds are available to meet its current and long-term financial needs, at a reasonable cost.

Market risk

Spuzzum First Nation is exposed to interest rate risk on its fixed-interest and variable-interest financial instruments. Fixed-interest instruments subject the nation to a fair value risk while the variable-interest instruments subject it to a cash flow risk.

The following table summarizes the contractual maturities of the financial liabilities as at March 31, 2018.

	Carrying amount	Contractual cash flows	0 to 1 year	2 to 4 years	5 + years
Accounts payable and accrued expenses	\$ 167,845	\$ 167,845	\$ 167,845	\$ -	\$ -
Deferred revenue	597,240	597,240	597,240	-	-
Demand loan	296,646	296,646	10,135	286,511	
Long-term debt	31,405	31,405	12,893	18,512	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 1,093,136	\$ 1,093,136	\$ 788,113	\$ 305,023	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>



RIBEYRE CHANG HAYLOCK