

Consolidated Financial Statements of

SUMAS FIRST NATION

Year ended March 31, 2018


MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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



Chief

Finance Manager and Tax Administrator



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

INDEPENDENT AUDITORS' REPORT

To the Council and Members of Sumas First Nation

We have audited the accompanying consolidated financial statements of Sumas First Nation which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of operations and accumulated surplus, change in net financial assets, remeasurement gains and losses and cash flows for the year then ended, and notes comprising 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sumas First Nation as at March 31, 2018, 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.

KPMG LLP

Chartered Professional Accountants

July 16, 2018

Chilliwack, Canada

SUMAS FIRST NATION

Consolidated Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash (note 2)	\$ 2,649,877	\$ 2,816,042
Investments (note 3)	15,660,336	13,920,108
Accounts receivable (note 4)	1,135,218	837,896
Investment in partnerships (note 5)	483,030	-
Due from Lower Fraser Fisheries Alliance (note 6)	223,002	116,910
	20,151,463	17,690,956
Restricted assets:		
Cash (note 2)	401,468	327,663
Equity in commercial enterprises (note 7)	3	2
	20,552,934	18,018,621
Financial liabilities:		
Accounts payable and accrued liabilities	1,568,866	1,600,143
Deferred revenue	4,136,083	1,199,981
Long-term debt (note 8)	2,821,007	2,946,078
	8,525,956	5,746,202
Net financial assets	12,026,978	12,272,419
Non-financial assets:		
Tangible capital assets (note 9)	8,913,427	7,389,124
Prepaid expenses and deposits	44,593	133,375
Property held for development	1,536,677	1,536,677
Inventories	13,031	97,001
	10,507,728	9,156,177
Contingent liabilities (note 14)		
Accumulated surplus (note 10)	\$ 22,534,706	\$ 21,428,596
Accumulated surplus is comprised of:		
Accumulated operating surplus	\$ 21,856,927	\$ 21,095,787
Accumulated remeasurement gains	677,779	332,809
Accumulated surplus	\$ 22,534,706	\$ 21,428,596

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

On behalf of Chief and Council:




Chief

Councilor

SUMAS FIRST NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2018, with comparative information for 2017

	Budget (note 12)	2018	2017
Federal Government - grants and transfers:			
Trust Settlement proceeds (note 13)	\$ -	\$ -	\$ 14,672,673
Indigenous Services Canada	3,670,706	2,723,328	1,649,529
First Nations Health Authority	67,705	67,705	65,280
Department of Fisheries and Oceans	142,649	142,649	142,178
First Nations Education Steering Committee	74,668	37,780	46,250
Other federal government departments	30,000	69,908	111,500
New Relationship Trust	1,600	1,600	2,000
CMHC and housing charges	92,913	95,958	142,435
Other Government Sources:			
Province of British Columbia	150,000	180,564	86,233
Sto:lo Nation	219,710	219,711	201,756
First Nation:			
Property taxation	253,368	258,897	235,556
Lease, interest and other income	291,420	991,094	703,266
Commercial enterprises	393,100	392,796	417,325
Partnership loss (note 5)	-	(39,210)	-
Realized gain on sale of investments	-	1,244	7,444
Gain on sale of tangible capital assets	-	19,718	-
Government - contracts for service:			
Indigenous Services Canada	6,650,000	5,481,294	6,294,446
Total revenue	12,037,839	10,645,036	24,777,871
Expenses:			
Education Programs	333,865	387,661	341,714
Social Development	200,202	191,782	204,623
Health Services	276,621	229,242	187,053
Community Services & Member Benefits	359,989	706,476	308,971
Administration and technical service	171,678	562,274	743,021
Band Government	180,000	207,177	213,804
Public works and village operations	177,806	126,650	181,233
Lands Management	574,541	622,047	525,177
Commercial Enterprises	375,316	435,377	338,883
Economic Development	179,472	274,487	27,657
Indigenous Services Canada - contracts	6,650,000	5,481,295	6,296,188
National Housing Streams	-	94,547	53,773
Social Housing	87,038	55,488	109,283
Capital Projects	2,283,000	1,716,640	1,490,707
Amortization of tangible capital assets	-	419,500	386,170
Long house project	158,500	277,628	126,203
Expenses capitalized	-	(1,950,974)	(1,419,251)
Total expenses	12,008,028	9,837,297	10,115,209
Annual surplus	29,811	807,739	14,662,662
Accumulated operating surplus, beginning of year	21,095,787	21,095,787	8,735,921
Trust distributions (note 13)	-	(46,599)	(2,247,750)
Transfer of Lower Fraser Fisheries Alliance accumulated surplus (note 6)	-	-	(55,046)
Accumulated operating surplus, end of year	\$ 21,125,598	\$ 21,856,927	\$ 21,095,787

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

SUMAS FIRST NATION

Consolidated Statement of Change in Net Financial Assets

Year ended March 31, 2018, with comparative information for 2017

	Budget (note 12)	2018	2017
Annual surplus	\$ 29,811	\$ 807,739	\$ 14,662,662
Tangible capital assets:			
Acquisition of tangible capital assets	(2,283,000)	(1,950,974)	(1,419,251)
Amortization of tangible capital assets	-	419,500	386,170
Proceeds on disposal of tangible capital assets	-	26,889	-
Gain on disposal of tangible capital assets	-	(19,718)	-
	(2,283,000)	(1,524,303)	(1,033,081)
Other non-financial assets:			
Change in inventories	-	83,970	(25,995)
Change in prepaid expenses and deposits	-	88,782	201,671
Change in property held in development	-	-	(1,536,677)
	-	172,752	(1,361,001)
Other impacts:			
Transfer of Lower Fraser Fisheries Alliance surplus	-	-	(55,046)
Trust distributions	-	(46,599)	(2,247,750)
Net remeasurements gains	-	344,970	332,809
	-	298,371	(1,969,987)
Change in net financial assets	(2,253,189)	(245,441)	10,298,593
Net financial assets, beginning of year	12,272,419	12,272,419	1,973,826
Net financial assets, end of year	\$ 10,019,230	\$ 12,026,978	\$ 12,272,419

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

SUMAS FIRST NATION

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Accumulated remeasurement gains and losses, beginning of year	\$ 332,809	\$ -
Unrealized gains attributable to Securities and investment trusts	346,214	332,809
Realized gains transferred to operations	(1,244)	-
Net remeasurement gains for the year	344,970	-
Accumulated remeasurement gains, end of year	\$ 677,779	\$ 332,809

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

SUMAS FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 807,739	\$ 14,662,662
Items not involving cash:		
Amortization of tangible capital assets	419,500	386,170
Gain on disposal of tangible capital assets	(19,718)	-
Partnership loss	39,210	-
Changes in non-cash working capital:		
Accounts receivable	(297,322)	(44,114)
Accounts payable and accrued liabilities	(31,277)	446,117
Deferred revenue	2,936,102	660,555
Prepaid expenses and deposits	88,781	201,671
Inventories	83,970	(25,995)
	4,026,985	16,287,066
Capital activities:		
Acquisition of tangible capital assets	(1,950,974)	(1,419,251)
Proceeds on disposal of tangible capital assets	26,889	-
	(1,924,085)	(1,419,251)
Investing activities:		
Purchase of short-term investments	(1,740,228)	(11,775,236)
Due from Lower Fraser Fisheries Alliance	(106,092)	(116,910)
Purchase of long-term investment	-	(1,536,677)
Net remeasurement gains	344,970	332,809
Investment in partnership	(522,240)	-
	(2,023,590)	(13,096,014)
Financing activities:		
Receipt (repayment) of long-term debt	(125,071)	2,524,732
Distribution of capital	(46,599)	(2,247,750)
Transfer of Lower Fraser Fisheries Alliance accumulated surplus	-	(55,046)
	(171,670)	221,936
Increase (decrease) in cash	(92,360)	1,993,737
Cash, beginning of year	3,143,705	1,149,968
Cash, end of year (note 2)	\$ 3,051,345	\$ 3,143,705

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

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Notes to Consolidated Financial Statements

Year ended March 31, 2018

1. Significant accounting policies:

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

(a) Fund accounting:

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

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

(b) Reporting entity and principles of financial reporting:

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

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

Investment in partnership includes Sema:th Xot:sa Developments Limited Partnership (99.99% ownership) ("SXDL"). SXDL has 99.99% ownership in Sth'oqi Aquaculture Limited Partnership ("SALP"). SXDL and SALP are government business enterprises and are recorded using the modified equity method. The partnerships have year ends of December 31, 2017 (note 5). The income (loss) from this investment as at December 31, 2017 is included income (loss) for the year.

The Upper Sumas I.R. 6 Right-Of-Way Settlement Trust (the "Trust") has a year-end of December 31, 2017 (note 13). The Trust is consolidated into these financial statements as at December 31, 2017 except for any trust funds held for distribution on behalf of minors. There has been no adjustments in the Trust's transactions.

All inter-entity balances have been eliminated on consolidation.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(c) Government transfers:

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

(d) Inventories:

Inventories are valued at average cost and consists of \$10,446 (2017 - \$94,416) in tobacco products and \$2,585 (2017 - \$2,585) in fuel.

(e) Lands held for development:

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

(f) Non-financial capital assets:

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

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(f) Non-financial capital assets (continued):

(i) Tangible capital assets

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

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

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

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

(ii) Contributions of tangible capital assets

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

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(g) Contaminated sites:

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

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

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

(h) Use of estimates:

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

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(i) Financial instruments:

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

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

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

(j) Investments:

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

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(k) Newly adopted accounting standards:

Effective April 1, 2017, the First Nation adopted the following new accounting standards:

- (i) PS 2200, Related Party Disclosures. PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the consolidated financial statements.
- (ii) PS 3420, Inter-entity Transactions. PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. Requirements of this standard are considered in conjunction with requirements of PS 2200.
- (iii) PS 3210, Assets. PS 3210 provides guidance for applying the definition of assets set out in PS 1000, Financial Statement Concepts, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, a disclosure should be provided.
- (iv) PS 3320, Contingent Assets. PS 3320 defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely.
- (v) PS 3380, Contractual Rights. PS 3380 defines and establishes disclosure standards for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing.

There was no impact to the consolidated financial statements upon transition to the new standards.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

2. Restricted assets:

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

	2018	2017
Non-restricted cash:		
Operating Fund	\$ 2,504,206	\$ 2,673,940
Social Housing Fund	145,671	142,102
	2,649,877	2,816,042
Restricted cash:		
Social Housing Fund (note 11)	46,702	38,036
Settlement trust	354,766	289,627
	401,468	327,663
Total cash	3,051,345	3,143,705
Investments (note 3)	15,660,336	13,920,108
	18,711,681	17,063,813
Less restricted for:		
Settlement Trust	12,674,978	12,241,171
Operating Reserves	1,664,570	1,643,577
Indigenous Services Canada surplus funds	1,089,653	4,389
Capital Replacement Reserves	831,766	212,682
Health Canada surplus funds	24,336	24,049
	16,285,303	14,125,868
Total funds available for operations	\$ 2,426,378	\$ 2,937,945

3. Investments:

	2018	2017
Investments recorded at fair value:		
Securities, investment trusts	\$ 8,184,428	\$ 5,559,548
Investments recorded at amortized cost:		
Fixed income	4,975,498	3,556,935
Guaranteed Investment Certificates (GICs)	500,000	530,000
BMO High Interest Savings Accounts	2,000,410	4,273,625
	7,475,908	8,360,560
	\$ 15,660,336	\$ 13,920,108

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

4. Accounts receivable:

Accounts receivable consists of the following:

	2018	2017
Due from band members:		
Tenant rent receivable	\$ 632,896	\$ 618,259
Due from members	391,344	364,900
	1,024,240	983,159
Less allowance for doubtful accounts	(780,507)	(758,039)
	243,733	225,120
Due from others:		
Other federal government departments	379,502	165,902
Canada Mortgage and Housing Corporation	209,446	202,189
First Nation's Education Steering Committee	71,440	-
Trans Canada Displays	69,221	61,556
Other small amounts	68,928	106,658
Sto:lo Nation	55,769	50,511
Clayburn Industries	47,643	47,643
Investment interest receivable	33,375	-
GST receivable	32,964	3,093
Sumas Clay Products Ltd.	25,978	25,978
Sumas Park Estates	19,317	63,737
Lower Fraser Fisheries Alliance	8,211	10,720
Indigenous Services Canada interest receivable	139	65
	1,021,933	738,052
Less allowance for doubtful accounts	(130,448)	(125,276)
	891,485	612,776
	\$ 1,135,218	\$ 837,896

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

5. Investment in partnerships:

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

In the fiscal 2018 year, the First Nation recorded their share of the equity loss in the partnerships of \$39,210 based on the December 31, 2017 year end.

Condensed summary fiscal information for each of the partnerships at December 31, 2017 is noted below.

	SXDLP	SALP
Current assets	\$ 24,864	\$ 80,248
Lease receivable	508,635	-
Related party loans	89,113	-
Capital assets	2,196,967	595,504
Total Assets	2,819,579	675,752
Current liabilities	-	78,864
Mortgage payable	2,337,335	-
Lease payable	-	508,635
Related party loans	521,454	89,113
Equity (deficiency)	(39,210)	140
Total Liabilities and Equity (deficiency)	2,819,579	676,752
Revenues	10,109	130,407
Expenses	(49,319)	(130,267)
Income (loss)	\$ (39,210)	\$ 140

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

6. Due to Lower Fraser Fisheries Alliance:

The operations of the Lower Fraser Fisheries Alliance were previously managed by the First Nation. In fiscal 2017 the operating authority was transferred to the Alliance resulting in the transfer of equity of \$55,046.

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

7. Equity in commercial enterprises:

	2018	2017
Sumas Clay Products Ltd. (100%)	\$ 1	\$ 1
SFN Renewable Energy Ltd. (100%)	1	1
Sema:th Xot:sa Development Ltd. (100%)	1	-
	\$ 3	\$ 2

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

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

8. Long-term debt:

	2018	2017
Non-revolving demand loan payable with monthly payments of \$8,662 including interest at prime plus 0.75% per annum, maturing March 30, 2022; repayable on demand; secured by a general security agreement over the First Nation assets	\$ 1,451,221	\$ 1,500,000
Fixed rate term loan payable with monthly payments of \$6,280 including interest at 3.17% of per annum, maturing June 30, 2022; repayable on demand; secured by a general security agreement over the First Nation assets	1,244,709	1,274,134
Mortgage payable with monthly payments of \$1,931 including interest at 2.35% per annum, maturing September 1, 2018; secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on six housing units	116,084	136,287
Mortgage payable with monthly payments of \$2,254 including interest at 1.62% per annum, maturing July 1, 2018; secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on six housing units	8,993	35,657
	\$ 2,821,007	\$ 2,946,078

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

2018	\$ 113,734
2019	179,564
2020	90,286
2021	1,352,076
2022	1,085,347
thereafter	-

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

9. Tangible capital assets:

Cost	Balance March 31, 2017	Additions/ Transfers	Disposals	Balance March 31, 2018
Water and waste water	\$ 5,318,658	\$ 1,385,690	\$ -	\$ 6,704,348
Roads	883,752	-	-	883,752
Buildings	5,863,530	535,636	(40,925)	6,358,241
Machinery and equipment	556,175	29,648	-	585,823
Land improvements	808,432	-	-	808,432
Vehicles	497,526	-	-	497,526
Computer equipment	171,436	-	(15,022)	156,414
Social housing	1,187,763	-	-	1,187,763
Total	\$ 15,287,272	\$ 1,950,974	\$ (55,947)	\$ 17,182,299

Accumulated amortization	Balance March 31, 2017	Disposals	Amortization/ transfers	Balance March 31, 2018
Water and waste water	\$ 2,221,533	\$ -	\$ 80,408	\$ 2,301,941
Roads	470,349	-	22,094	492,443
Buildings	3,083,423	(4,093)	185,362	3,264,692
Machinery and equipment	511,937	-	16,884	528,821
Land improvements	346,593	-	45,828	392,421
Vehicles	492,061	-	3,279	495,340
Computer equipment	164,061	(44,683)	18,778	138,156
Social housing	608,191	-	46,867	655,058
Total	\$ 7,898,148	\$ (48,776)	\$ 419,500	\$ 8,268,872

	Net book value March 31, 2017	Net book value March 31, 2018
Water and waste water	\$ 3,097,125	\$ 4,402,407
Roads	413,403	391,309
Buildings	2,780,107	3,093,549
Machinery and equipment	44,238	57,002
Land improvements	461,839	416,011
Vehicles	5,465	2,186
Computer equipment	7,375	18,258
Social housing	579,572	532,705
Total	\$ 7,389,124	\$ 8,913,427

SUMAS FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

10. Accumulated surplus:

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

	2018	2017
Surplus:		
Unrestricted equity in funds	\$ 4,012,027	\$ 3,210,598
Restricted equity in portfolio investments	12,674,978	12,241,171
Surplus associated with tangible capital assets:		
Invested in tangible capital assets	5,800,999	5,943,046
Reserve funds set aside by statutory requirements:		
Replacement reserve fund (note 11)	46,702	33,781
	\$ 22,534,706	\$ 21,428,596

11. Replacement reserve fund:

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

These funds are to be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement Reserve Fund.

A continuity of the required funds is as follows:

	2018	2017
Replacement reserve fund:		
Opening balance	\$ 33,781	\$ 19,006
Contributions	14,775	14,775
Replacement reserve expenditures	(1,854)	-
Closing balance	\$ 46,702	\$ 33,781

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

SUMAS FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

12. Budget data:

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

13. Settlement Trust:

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

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

The terms of the trust also included a one time payment to members of Sumas First Nation who were over age 18 at time of settlement of the trust or when they turn 19 if they were a minor at time of trust settlement. Distributions from the trust were \$46,599 (2017 - \$2,247,750) based on these criteria.

Not included in these financial statements are additional settlement proceeds including interest of \$729,866 (2017 - \$780,683) held for future distributions to members of Sumas First Nation who are minors. These proceeds will be recognized as revenue and distributions in the year the minors become entitled to the funds.

14. Contingent liabilities:

The First Nation is contingently liable for guarantees it has placed for certain loans made by financial institutions to its members. The First Nation has also guaranteed the loans of certain Limited Partnerships and Corporations which it owns. As at March 31, 2018 the total loans being guaranteed have a current balance totaling \$2,490,783. No amount has been accrued as Management considers them to be in good standing and therefore does not consider payment of the contingent liability to be likely.

SUMAS FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

15. Economic dependence:

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

16. Segmented information:

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. The following table presents the expenses incurred and the revenue generated by each main object of expense and by major revenue type. The segment results for the period are as follows:

16. Segmented information (continued):

SUMAS FIRST NATION
Notes to Consolidated Financial Statements
Year ended March 31, 2018

Table of Segmented Information:

		Education	Social Development	Health & Community Wellness	Community Services & Economic Activities	Administration & Government	Public Works & Village Maintenance	Lands Management	Housing	Economic Development	Federal Government Contracts	Other	2018	2017
Revenues														
Federal government	\$ 466,586	\$ 206,642	\$ 2,880	\$ 1,600	\$ 297,282	\$ 86,524	\$ 481,640	\$ 95,958	\$ 55,320	\$ 3,141,223	\$ 2,016,735			
Other government sources	24,248	-	224,010	144,722	-	5,000	-	-	-	-	397,980			430,424
First Nation economic activities	9,987	500	3,836	1,067,778	48,667	2,217	113,332	-	3,271	1,299,708	1,363,591			
Trust settlement proceeds	-	-	-	324,831	-	-	-	-	-	50,120	14,672,672			
Federal government - contracts	500,821	207,142	230,726	1,538,931	345,949	93,741	594,972	95,958	58,591	1,446,791	5,481,294	5,481,294	10,645,036	6,294,446
Expenses														
Operating expenses	-	2,550	51,454	741,399	585,534	91,367	42,368	55,488	136,733	-	-	-	1,706,893	1,658,580
Program & services expenses	210,190	146,696	68,017	323,044	(428,926)	-	240,584	63,535	-	-	5,481,295	-	6,104,435	6,532,859
Salaries, wages & benefits	177,471	42,536	109,771	108,422	612,843	35,283	339,095	-	137,754	108,858	-	108,858	1,672,033	1,466,144
Capital projects	-	-	-	-	-	-	-	-	-	1,885,410	-	1,885,410	1,885,410	1,490,707
Amortization of tangible capital assets	-	-	-	-	372,633	-	-	46,867	-	-	-	-	419,500	386,170
Expenses capitalized	-	-	-	-	-	-	-	-	-	(1,950,974)	-	(1,950,974)	(1,950,974)	(1,419,251)
	387,661	191,782	229,242	1,172,865	1,142,084	126,650	622,047	165,890	274,487	43,294	5,481,295	9,837,297	10,115,209	
Annual surplus (deficit)	\$ 113,160	\$ 15,360	\$ 1,484	\$ 366,066	\$ (796,135)	\$ (32,909)	\$ (27,075)	\$ (69,932)	\$ (215,896)	\$ (1)	\$ 1,453,617	\$ 807,739	\$ 14,662,659	