

Consolidated Financial Statements of

**SUMAS FIRST NATION**

Year ended March 31, 2017

## 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.



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Chief



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Finance Manager and Tax Administrator



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Chilliwack BC V2P 4H7  
Canada  
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## 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, 2017, 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.



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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, 2017, 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 26, 2017

Chilliwack, Canada

# SUMAS FIRST NATION

## Consolidated Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
<b>Financial assets:</b>		
Cash (note 2)	\$ 2,816,042	\$ 1,111,932
Investments (note 3)	13,920,108	2,144,872
Accounts receivable (note 4)	837,896	793,782
Due from Lower Fraser Fisheries Alliance (note 6)	116,910	-
	<u>17,690,956</u>	<u>4,050,586</u>
<b>Restricted Assets:</b>		
Cash (note 2)	327,663	38,036
Equity in commercial enterprises (note 5)	2	2
	<u>18,018,621</u>	<u>4,088,624</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	1,600,143	1,154,026
Deferred revenue	1,199,981	539,427
Long-term debt (note 7)	2,946,078	421,345
	<u>5,746,202</u>	<u>2,114,798</u>
Net financial assets	12,272,419	1,973,826
<b>Non-financial assets:</b>		
Tangible capital assets (note 8)	7,389,124	6,356,043
Prepaid expenses and deposits	133,375	335,046
Property held for development	1,536,677	-
Inventories	97,001	71,006
	<u>9,156,177</u>	<u>6,762,095</u>
<b>Accumulated surplus (note 9)</b>	<b>\$ 21,428,596</b>	<b>\$ 8,735,921</b>
<b>Accumulated surplus is comprised of:</b>		
Accumulated operating surplus	\$ 21,095,787	\$ 8,735,921
Accumulated remeasurement gains	332,809	-
	-	-
<b>Accumulated surplus</b>	<b>\$ 21,428,596</b>	<b>\$ 8,735,921</b>

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 Operating Surplus

Year ended March 31, 2017, with comparative information for 2016

	Budget (note 11)	2017	2016
<b>Federal Government - grants and transfers:</b>			
Trust Settlement proceeds (note 12)	\$ -	\$ 14,672,673	\$ -
Indigenous and Northern Affairs Canada	1,670,798	1,649,529	1,697,729
Health Canada	59,033	65,280	59,033
Department of Fisheries and Oceans	142,178	142,178	-
First Nations Education Steering Committee	35,215	46,250	10,453
Government of Canada	-	111,500	-
New Relationship Trust	4,000	2,000	2,000
<b>Other Government Sources:</b>			
Province of British Columbia	86,722	86,233	84,362
Sto:lo Nation	180,650	201,756	192,978
CMHC and housing charges	91,593	142,435	412,627
<b>First Nation:</b>			
Property taxation	261,638	235,556	294,198
Lease, interest and other income	228,195	703,266	460,583
Commercial enterprises	418,362	417,325	407,860
Realized gain on investments	-	7,444	-
<b>Government - contracts for service:</b>			
Indigenous and Northern Affairs Canada	6,955,000	6,294,446	5,670,684
Government of Canada Department of Fisheries	-	-	763,822
<b>Total revenue</b>	<b>10,133,384</b>	<b>24,777,871</b>	<b>10,056,329</b>
<b>Expenses:</b>			
Education Programs	376,334	341,714	307,958
Social Development	280,907	204,623	234,061
Health Services	255,008	187,053	235,534
Community Services & Member Benefits	329,517	308,971	578,184
Administration and technical service	112,283	743,021	349,834
Band Government	180,000	213,804	231,400
Public works and village operations	189,384	181,233	184,956
Lands Management	208,022	525,177	240,998
Commercial Enterprises	417,543	338,883	315,103
Economic Development	169,278	27,657	123,011
Indigenous Affairs - contracts	6,955,000	6,296,188	5,668,941
Government of Canada - Contract	-	-	750,048
National Housing Streams	355,450	53,773	487,260
Social Housing	125,052	109,283	380,197
Capital Projects	43,920	1,490,707	535,139
Amortization of tangible capital assets	-	386,170	341,839
Long house project	130,000	126,203	26,321
Expenses capitalized	-	(1,419,251)	(815,316)
<b>Total expenses</b>	<b>10,127,698</b>	<b>10,115,209</b>	<b>10,175,468</b>
Annual surplus (deficit)	5,686	14,662,662	(119,139)
Accumulated operating surplus, beginning of year	8,735,921	8,735,921	8,855,060
Trust distributions (note 12)	-	(2,247,750)	-
Transfer of Lower Fraser Fisheries Alliance accumulated surplus (note 6)	-	(55,046)	-
<b>Accumulated operating surplus, end of year</b>	<b>\$ 8,741,607</b>	<b>\$ 21,095,787</b>	<b>\$ 8,735,921</b>

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, 2017, with comparative information for 2016

	Budget (note 11)	2017	2016
Annual surplus (deficit)	\$ 5,686	\$ 14,662,662	\$ (119,139)
<b>Tangible Capital Assets:</b>			
Acquisition of tangible capital assets	(43,920)	(1,419,251)	(815,316)
Amortization of tangible capital assets	-	386,170	341,839
	(43,920)	(1,033,081)	(473,477)
Change in inventories	-	(25,995)	(52,958)
Change in prepaid expenses and deposits	-	201,671	57,359
Change in property held in development	-	(1,536,677)	-
	-	(1,361,001)	4,401
Transfer of Lower Fisheries Alliance Surplus	-	(55,046)	-
Trust Distributions	-	(2,247,750)	-
Net Remeasurements gains	-	332,809	-
	-	(1,969,987)	-
Change in net financial assets	(38,234)	10,298,593	(588,215)
Net financial assets, beginning of year	1,973,826	1,973,826	2,562,041
Net financial assets, end of year	\$ 1,935,592	\$ 12,272,419	\$ 1,973,826

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, 2017, with comparative information for 2016

	2017	2016
Accumulated remeasurement gains and losses, beginning of year	\$ -	\$ -
Unrealized gains attributable to Securities and investment trusts	332,809	-
Accumulated remeasurement gains, end of year	\$ 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, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual surplus (deficit)	\$ 14,662,662	\$ (119,139)
Items not involving cash:		
Amortization of tangible capital assets	386,170	341,839
Changes in non-cash working capital:		
Accounts receivable	(44,114)	872,012
Accounts payable and accrued liabilities	446,117	87,580
Deferred revenue	660,555	(422,264)
Prepaid expenses and deposits	201,671	57,359
Inventories	(25,995)	(52,958)
	16,287,066	764,429
<b>Capital activities:</b>		
Acquisition of tangible capital assets	(1,419,251)	(815,316)
<b>Investing activities:</b>		
Due from Lower Fraser Fisheries Alliance	(116,910)	-
Redemption (purchase) of short-term investments	(11,775,236)	1,207,645
Purchase of long-term investment	(1,536,677)	-
Net remeasurement gains	332,809	-
<b>Financing activities:</b>		
Receipt (repayment) of long-term debt	2,524,732	(45,086)
Distribution of capital	(2,247,750)	-
Transfer of Lower Fraser Fisheries Alliance accumulated surplus	(55,046)	-
Increase in cash	1,993,737	1,111,672
Cash, beginning of year	1,149,968	38,296
Cash, end of year (note 2)	\$ 3,143,705	\$ 1,149,968

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

# SUMAS FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2017

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### 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), 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.

The Upper Sumas I.R. 6 Right-Of-Way Settlement Trust is consolidated into these financial statements except for any trust funds held for distribution on behalf of minors.

All inter-entity balances have been eliminated on consolidation.

#### (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.

# SUMAS FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

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## 1. Significant accounting policies (continued):

### (d) Inventories:

Inventories are valued at average cost and consists of \$94,416 (2016 - \$68,421) in tobacco products and \$2,585 (2016 - \$2,585) in fuel.

### (e) Lands held for development:

Lands held for development is recorded at the lower of cost or not 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.

### (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

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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.

# SUMAS FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

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## 1. Significant accounting policies (continued):

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

#### (i) Tangible capital assets (continued):

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.

### (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.

# SUMAS FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

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## 1. Significant accounting policies (continued):

### (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.

### (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.

# SUMAS FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

## 2. Restricted assets:

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

	2017	2016
Non-restricted cash:		
Operating Fund	\$ 2,673,940	\$ 1,113,161
Social Housing Fund	142,102	(1,229)
	2,816,042	1,111,932
Restricted cash:		
Social Housing Fund	38,036	38,036
Settlement trust	289,627	-
	327,663	38,036
Total cash	3,143,705	1,149,968
Investments (note 3)	13,920,108	2,144,872
	17,063,813	3,294,840
Less restricted for:		
Settlement Trust	12,241,171	-
Operating Reserves	1,643,577	1,608,785
INAC surplus funds	4,389	550,034
Capital Replacement Reserves	212,682	145,514
Health Canada surplus funds	24,049	23,540
	14,125,868	2,327,873
Total funds available for operations	\$ 2,937,945	\$ 966,967

## 3. Investments:

	2017	2016
Investments recorded at fair value:		
Securities, investment trusts	\$ 5,559,548	\$ -
Investments recorded at amortized cost:		
Fixed income	3,556,935	-
GICs	530,000	1,530,400
BMO High Interest Savings Accounts	4,273,625	614,472
	8,360,560	2,144,872
	\$ 13,920,108	\$ 2,144,872

# SUMAS FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

## 4. Accounts receivable:

Accounts receivable consists of the following:

	2017	2016
Due from band members:		
Tenant rent receivable	\$ 618,259	\$ 632,870
Due from members	364,900	397,734
	983,159	1,030,604
Less allowance for doubtful accounts	(758,039)	(749,668)
	225,120	280,936
Due from others:		
Canada Mortgage and Housing Corporation Subsidies	170,189	289,097
Government of Canada	165,902	70,656
Other small amounts	106,723	78,099
Sumas Park Estates	63,737	-
Trans Canada displays	61,556	61,556
Sto:lo Nation	50,511	44,439
Clayburn Industries	47,643	47,643
Canada Mortgage and Housing Corporation	32,000	-
Sumas Clay Products Ltd.	25,978	25,978
First Nation's Health Authority	-	11,398
Lower Fraser Fisheries Alliance	10,720	-
GST receivable	3,093	6,670
	738,052	635,536
Less allowance for doubtful accounts	(125,276)	(122,690)
	612,776	512,846
	\$ 837,896	\$ 793,782

# SUMAS FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

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## 5. Equity in commercial enterprises:

	2017	2016
Sumas Clay Products Ltd. (100%)	\$ 1	\$ 1
SFN Renewable Energy Ltd. (100%)	1	1
	<u>\$ 2</u>	<u>\$ 2</u>

Sumas Clay Products Ltd. and SFN Renewable Energy Ltd. are inactive companies and, accordingly, there is no summary financial information to disclose.

## 6. Due to Lower Fraser Fisheries:

The operations of the Lower Fraser Fisheries Alliance were previously managed by the First Nation. During the year 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.



# SUMAS FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

## 7. Long-term debt:

	2017	2016
Non-revolving demand loan payable with monthly interest payments of at prime plus 0.7% per annum, maturing March 16, 2037; repayable on demand; secured by a general security agreement over the First Nation assets.	\$ 1,500,000	\$ -
Non-revolving demand loan payable with monthly interest payments of at prime plus 0.7% per annum, maturing October 12, 2041; repayable on demand; secured by a general security agreement over the First Nation assets.	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 and Northern Affairs Canada and a first mortgage on six housing units	136,287	156,030
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 and Northern Affairs Canada and a first mortgage on six housing units	35,657	61,898
Loan payable	-	203,417
	<b>\$ 2,946,078</b>	<b>\$ 421,345</b>

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

2018	\$ 126,390
2019	216,315
2020	94,318
2021	97,515
2022	100,822
thereafter	2,310,718

Subsequent to March 31, 2017, Sumas First Nation converted the \$1,274,134 non-revolving demand loan payable into a 5-year fixed rate term loan with with monthly payments of \$6,280 including interest at 3.17% per annum

# SUMAS FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

## 8. Tangible capital assets:

Cost	Balance March 31, 2016	Additions/ Transfers	Disposals	Balance March 31, 2017
Water and waste water	\$ 5,270,791	\$ 47,867	\$ -	\$ 5,318,658
Roads	883,752	-	-	883,752
Buildings	4,548,798	1,314,732	-	5,863,530
Machinery and equipment	513,078	43,097	-	556,175
Land improvements	808,432	-	-	808,432
Vehicles	497,526	-	-	497,526
Computer equipment	157,881	13,555	-	171,436
Social housing	1,187,763	-	-	1,187,763
<b>Total</b>	<b>\$ 13,868,021</b>	<b>\$ 1,419,251</b>	<b>\$ -</b>	<b>\$ 15,287,272</b>

Accumulated amortization	Balance March 31, 2016	Disposals	Amortization/ transfers	Balance March 31, 2017
Water and waste water	\$ 2,151,629	\$ -	\$ 69,904	\$ 2,221,533
Roads	448,255	-	22,094	470,349
Buildings	2,935,818	-	147,605	3,083,423
Machinery and equipment	499,528	-	12,409	511,937
Land improvements	297,334	-	49,259	346,593
Vehicles	485,004	-	7,057	492,061
Computer equipment	132,203	-	31,858	164,061
Social housing	562,207	-	45,984	608,191
<b>Total</b>	<b>\$ 7,511,978</b>	<b>\$ -</b>	<b>\$ 386,170</b>	<b>\$ 7,898,148</b>

	Net book value March 31, 2016	Net book value March 31, 2017
Water and waste water	\$ 3,119,162	\$ 3,097,125
Roads	435,497	413,403
Buildings	1,612,980	2,780,107
Machinery and equipment	13,550	44,238
Land improvements	511,098	461,839
Vehicles	12,522	5,465
Computer equipment	25,678	7,375
Social housing	625,556	579,572
<b>Total</b>	<b>\$ 6,356,043</b>	<b>\$ 7,389,124</b>

# SUMAS FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

## 9. Accumulated surplus:

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

	2017	2016
<b>Surplus:</b>		
Unrestricted equity in funds	\$ 15,451,769	\$ 2,578,800
<b>Surplus associated with tangible capital assets:</b>		
Invested in tangible capital assets	5,943,046	6,138,115
<b>Reserve funds set aside by statutory requirements:</b>		
Replacement reserve fund (note 10)	33,781	19,006
	<b>\$ 21,428,596</b>	<b>\$ 8,735,921</b>

## 10. 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:

	2017	2016
Replacement reserve fund:		
Opening balance	\$ 19,006	\$ 4,231
Contributions	14,775	14,775
Closing balance	<b>\$ 33,781</b>	<b>\$ 19,006</b>

As at March 31, 2017, the Replacement Reserve Fund was fully funded (2016 - fully funded).

# SUMAS FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

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## 11. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2016 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.

## 12. 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 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 which totalled \$2,247,750 during the year.

Not included in these financial statements are additional settlement proceeds of \$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 became entitled to the funds.

## 13. Economic dependence:

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

## 14. Comparative information:

Certain 2016 comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

## 15. 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:

15. Segmented information (continued):

**SUMAS FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year ended March 31, 2017**

Table of Segmented Information:

	Education		Social Development		Health & Community Wellness		Community Services & Economic Activities		Administration & General Government		Public Works & Village Maintenance		Lands Management		Social Housing		Federal Government Contracts		Other		2017	2016	
<b>Revenues</b>																							
Federal government	401,806		244,628	5,865	15,100	305,453	229,807	466,834	347,244	-	-	-	-	-	-	-	-	-	-	-	2,016,737	1,769,215	
Provincial government & other	6,257		-	192,010	84,722	-	5,000	-	142,435	-	-	-	-	-	-	-	-	-	-	-	430,424	689,967	
First Nation economic activities	13,841		-	8,476	1,008,570	119,491	2,160	18,784	40,500	-	-	-	-	-	-	-	-	-	-	-	1,363,591	1,162,641	
Trust settlement proceeds	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	151,769	-	
Federal government - contracts	421,904		244,628	206,351	1,108,392	424,944	236,967	485,618	530,179	6,294,446	6,294,446	14,824,442	24,777,871	10,056,329							6,294,446	6,434,506	
<b>Expenses</b>																							
Operating expenses	21,343		6,543	47,807	629,997	(164,931)	94,803	161,227	60,536	422,555	378,701	1,658,581	1,118,622								1,658,581	1,118,622	
Program & services expenses	184,705		161,503	56,609	-	-	145,028	90,561	20,820	5,873,633	-	6,532,859	7,438,151								6,532,859	7,438,151	
Salaries, wages & benefits	135,666		36,577	82,637	101,679	639,218	115,277	273,389	81,701	-	-	1,466,144	1,530,712								1,466,144	1,530,712	
Capital projects	-		-	-	-	1,316,637	174,070	-	-	-	-	1,490,707	561,460								1,490,707	561,460	
Amortization of tangible capital assets	-		-	-	-	340,186	-	-	-	-	-	386,170	341,839								386,170	341,839	
Expenses capitalized	-		-	-	-	(1,371,384)	(47,867)	-	-	-	-	(1,419,251)	(815,316)								(1,419,251)	(815,316)	
	341,714		204,623	187,053	731,676	759,726	481,311	525,177	209,041	6,296,188	378,701	10,115,210	10,175,468								10,115,210	10,175,468	
<b>Annual surplus (deficit)</b>	80,190		40,005	19,298	376,716	(334,782)	(244,344)	(39,559)	321,138	(1,742)	14,445,741	14,662,661	(119,139)								14,662,661	(119,139)	