

Sts'ailes
Consolidated Financial Statements
March 31, 2022

Sts'ailes Contents

For the year ended March 31, 2022

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Management's Responsibility

To the Members of Sts'ailes

The accompanying consolidated financial statements of Sts'ailes 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 Sts'ailes 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.



CAO

To the Members of Sts'ailes:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sts'ailes (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of operations and accumulated surplus, changes in net financial assets (net debt) 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 First Nation as at March 31, 2022, and the results of its consolidated operations, changes in its net financial assets 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 First 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 First 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 First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First 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 First 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 First 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 First 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chilliwack, British Columbia

July 25, 2022

MNP LLP

Chartered Professional Accountants

MNP

Sts'ailes
Consolidated Statement of Financial Position
As at March 31, 2022

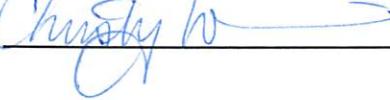
	2022	2021
Financial assets		
Cash and cash equivalents	11,978,653	9,855,497
Restricted cash (Note 4)	69,491	367,689
Portfolio investments (Note 5)	110	110
Accounts receivable (Note 6)	10,242,220	1,875,473
Inventory for resale	199,739	115,996
Investment in Nation business entities (Note 7)	4,101,027	3,509,841
Funds held in trust (Note 8)	538,542	539,360
Long-term loans (Note 9)	5,622,200	5,000,000
Total of financial assets	32,751,982	21,263,966
Liabilities		
Bank indebtedness (Note 10)	-	341,147
Accounts payable and accruals	2,513,938	1,635,716
Deferred revenue (Note 11)	9,929,077	3,759,682
Long-term debt (Note 12)	12,486,827	13,054,135
Term loans due on demand (Note 13)	2,456,783	2,818,265
Reforestation obligation	159,049	185,346
Total of financial liabilities	27,545,674	21,794,291
Net financial assets (net debt)	5,206,308	(530,325)
Contingencies (Note 14)		
Non-financial assets		
Tangible capital assets (Schedule 1)	15,495,050	15,977,618
Prepaid expenses	349,319	466,953
Total non-financial assets	15,844,369	16,444,571
Accumulated surplus (Note 15)	21,050,677	15,914,246

Approved on behalf of the Council




Chief

Councilor

Councilor

Councilor

Sts'ailes
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2022

	2022 Budget	2022	2021
Revenue			
Indigenous Services Canada	9,065,370	12,977,687	11,243,398
Economic activity	5,085,531	6,611,651	5,134,528
Province of British Columbia	5,208,884	4,187,896	4,539,499
First Nation Health Authority	2,801,173	2,257,712	2,364,213
Sts'ailes contracts	2,299,733	1,412,769	466,730
Other revenue	489,448	386,234	571,048
Canada Mortgage and Housing Corporation	66,101	63,169	66,101
First Nations Education Steering Committee	734,138	1,139,347	1,005,333
Rental income	809,562	699,571	540,474
Sto:lo Aboriginal Skills and Employment Training	717,124	846,651	541,270
Interest income	650,000	704,434	705,650
Investment income	99,000	334,867	547,183
Loss from investment in Nation business entities	-	(121,124)	(151,450)
	28,026,064	31,500,864	27,573,977
Expenditures			
Sts'ailes Administration and Governance	3,604,415	2,109,767	2,283,300
Employment	689,236	1,295,095	556,179
Social Development	1,133,444	1,365,236	1,740,214
Education	6,574,803	7,228,175	5,991,453
Health	1,401,502	2,244,619	1,242,000
Snowoyelh	1,591,158	1,514,812	1,978,278
Community Development	3,243,480	2,922,880	2,324,232
Economic Development	433,998	493,547	500,769
Housing	5,426,265	1,875,266	1,054,586
Lands	1,515,145	1,110,326	715,721
Economic Development - Controlled Entities	49,114	4,204,710	3,111,445
Total expenditures	25,662,560	26,364,433	21,498,177
Annual surplus	2,363,504	5,136,431	6,075,800
Accumulated surplus, beginning of year	15,914,246	15,914,246	9,838,446
Accumulated surplus, end of year	18,277,750	21,050,677	15,914,246

Sts'ailes
Consolidated Statement of Change in Net Financial Assets (Net Debt)
For the year ended March 31, 2022

	2022 Budget	2022	2021
Annual surplus	2,363,504	5,136,431	6,075,800
Purchases of tangible capital assets	-	(1,054,708)	(1,208,491)
Amortization of tangible capital assets	1,415,595	1,443,335	1,432,089
Proceeds on disposal of tangible capital assets	-	139,972	-
Gain on disposal of tangible capital assets	-	(46,031)	-
Use of prepaid expenses	-	117,634	173,515
Increase in net financial assets	3,779,099	5,736,633	6,472,913
Net debt, beginning of year	(530,325)	(530,325)	(7,003,238)
Net financial assets, end of year	3,248,774	5,206,308	(530,325)

Sts'ailes
Consolidated Statement of Cash Flows
For the year ended March 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	5,136,431	6,075,800
Non-cash items		
Amortization	1,443,335	1,432,089
Gain on disposal of tangible capital assets	(46,031)	-
Loss from investment in Nation business entities	121,124	151,451
	6,654,859	7,659,340
Changes in working capital accounts		
Restricted cash	298,198	(261,243)
Accounts receivable	(8,366,747)	(315,447)
Inventory for resale	(83,743)	(3,104)
Accounts payable and accruals	878,220	107,064
Deferred revenue	6,169,394	3,103,449
Reforestation obligation	(26,297)	(82,514)
Prepaid expenses	117,634	173,515
Change in funds held in trust	819	(2,146)
	5,642,337	10,378,914
Financing activities		
Repayment of long-term debt	(567,308)	(219,484)
Repayment of bank indebtedness	(341,147)	(530,996)
Advances of term loans due on demand	-	420,485
Repayment of term loans due on demand	(361,482)	(334,535)
	(1,269,937)	(664,530)
Capital activities		
Purchases of tangible capital assets	(1,054,708)	(1,208,491)
Proceeds on disposal of tangible capital assets	139,972	-
	(914,736)	(1,208,491)
Investing activities		
Advances to Nation business entities	(1,334,508)	(75,949)
Increase in cash resources	2,123,156	8,429,944
Cash resources, beginning of year	9,855,497	1,425,553
Cash resources, end of year	11,978,653	9,855,497
Supplementary cash flow information		
Interest paid	457,647	270,284

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

1. Operations

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

Impact of COVID-19 on operations

In early March 2020 the impact of the global outbreak of COVID-19 began to have a significant impact on communities through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

The Nation's operations were not materially impacted by COVID-19.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the First Nation's operations as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/ isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the First Nation's operations.

2. Significant accounting policies

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

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.

Reporting entity consolidated

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

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

- Sts'ailes Development Limited Partnership
- Sts'ailes Development Corporation
- Sasquatch Crossing Eco Lodge Ltd
- SLD (Sts'ailes Sasq'ets A:ylexwtawtxw) Land Holdings Inc.
- SLD (Lexw'a:yi:les) Land Holdings Inc.

All inter-entity balances have been eliminated on consolidation.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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

Sts'ailes business entities, owned or controlled by the First Nation's Council but not dependent on the First 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 First Nation. Thus, the First 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:

- Harrison Salmon Producers Limited Partnership
- Sts'ailes Eco Energy Development (Sakwi) Limited Partnership
- Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership

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, prepaid expenses, and inventories of supplies.

Net financial assets (net debt)

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

Cash and cash equivalents

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

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

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	Rate
Buildings	declining balance	10%
Housing	declining balance	10%
Infrastructure	declining balance	10%
Equipment	declining balance	20 - 30%

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of the First Nation's 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 First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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

Revenue recognition

Government transfers

The First 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 First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Housing rental income

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.

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.

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.

Investments

Sts'ailes uses the modified equity method to account for its investment in Harrison Salmon Producers Limited Partnership, Sts'ailes Eco Energy Development (Sakwi) Limited Partnership and Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership whereby the First Nation records its proportionate share of annual earnings as revenue.

Measurement uncertainty

The preparation of the 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 First Nation entities and departments, are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Reforestation obligation is based upon various judgments and assumptions and is accrued and charged to earnings on the basis of the volume of timber cut.

Inventory

Management has estimated the value of the inventory based upon their assessment of the realizable amount less selling costs.

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 Sts'ailes 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.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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

Segments

Sts'ailes conducts its operations through eleven reportable segments: Sts'ailes Administration and Governance, Employment, Social Development, Education, Health, Snowoyelh, Community Development, Economic Development, Housing, Lands, and Economic Development - Controlled Entities. These operating segments are established by senior management to facilitate the achievement of Sts'ailes 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.

Retirement benefits

Sts'ailes has a defined contribution pension plan covering substantially all full-time employees who have completed one year of service. There are no prior service costs. Contributions are discretionary, and are based on the percentage of participants' contributions, up to a maximum. Sts'ailes contributions totaled \$333,717 (2021 - \$281,047).

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 First 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. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2022.

At each financial reporting date, the First 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 First 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, 2022.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

3. Recent accounting pronouncement

PS 3280 Asset Retirement Obligations (New)

In August 2018, new PS 3280 Asset Retirement Obligations was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new PS 3280 establishes standards on how to account for and report a liability for asset retirement obligations (ARO). As asset retirement obligations associated with landfills are included in the scope of new PS 3280, PS 3270 *Solid Waste Landfill Closure and Post-Closure Liability* will be withdrawn.

The main features of this standard are as follows:

- An ARO represents a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic matter.
- When an asset is no longer in productive use, the associated asset retirement costs are expensed.
- Measurement of the ARO liability should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date.
- Subsequent measurement of the ARO liability results in either a change in the carrying amount of the related tangible capital asset or an expense. The accounting treatment depends on the nature of the remeasurement and whether the asset remains in productive use.
- The best method to estimate the liability is often a present value technique.

This standard was to be effective for fiscal years beginning on or after April 1, 2021. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new Section is now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted.

4. Restricted cash

	2022	2021
CMHC Operating and Replacement Reserves	37,326	37,404
FNFA Secured Revenues Trust Account	32,165	304,124
Term Deposit - Bank of Montreal	-	26,161
Total	69,491	367,689

Notes to restricted assets

Replacement Reserve

Under agreements with Canada Mortgage and Housing Corporation, the Nation established a replacement reserve, funded by an annual allocation of \$13,371 (2021 - \$14,655), to ensure replacement of buildings financed by CMHC. At March 31, 2022, \$22,897 has been set aside to fund this reserve (2021 - \$22,903). The reserve was underfunded by \$37,778 at March 31, 2022 (2021 - \$32,649).

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.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

4. Restricted cash (Continued from previous page)

Operating reserve

Under agreements with Canada Mortgage and Housing Corporation 1997 On-Reserve Program requirements, the First Nation must establish 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 Sts'ailes and CMHC.

These funds must only be used for the ongoing operating costs of the housing projects committed under the 1997 On-Reserve Program. Accordingly, future years' deficits may be recovered from the Operating Reserve fund. At March 31, 2022, \$14,429 has been set aside to fund this reserve (2021 - \$14,501). The reserve was underfunded by \$55,379 at March 31, 2022 (2021 - \$47,941).

Secured Revenues Trust Account

The secured revenues trust account arises from a financing agreement with the First Nations Finance Authority (FNFA). Other revenues of Sts'ailes are deposited into this account to secure funds FNFA has lent to Sts'ailes. The account is managed by a third party which is required to pay amounts to FNFA under the terms of the borrowing agreement before paying any remaining amount from the account to Sts'ailes.

5. Portfolio investments

	2022	2021
Measured at cost:		
BC First Nations Gaming Revenue Sharing LP - Partnership Unit	100	100
BC First Nations Gaming Sharing General Partner Ltd. - Common Share	10	10
	110	110

6. Accounts receivable

	2022	2021
Accounts receivable	9,890,383	1,578,521
CMHC subsidy assistance receivable	4,263	5,508
Rent receivable	194,204	189,290
Tax receivables	153,370	102,154
	10,242,220	1,875,473

Accounts receivable is net of an allowance of doubtful accounts in the amount of \$1,171,910 (2021 - \$1,170,761).

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

7. Investment in Nation business entities

The First Nation has investments in the following entities:

				2022
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	<i>Total investment</i>
Nation Business Partnerships – Modified Equity:				
Harrison Salmon Producers Limited Partnership - 50%	1	202,578	812,395	1,014,974
Sts'ailes Eco Energy Development (Sakwi) Limited Partnership - 99%	1	812,240	(1,414,040)	(601,799)
Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership - 99%	1	3,728,596	(40,745)	3,687,852
	3	4,743,414	(642,390)	4,101,027
				2021
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	<i>Total investment</i>
Nation Business Partnerships – Modified Equity:				
Harrison Salmon Producers Limited Partnership - 50%	1	95,638	786,911	882,550
Sts'ailes Eco Energy Development (Sakwi) Limited Partnership - 99%	1	694,766	(1,269,189)	(574,422)
Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership - 99%	1	3,240,700	(38,988)	3,201,713
	3	4,031,104	(521,266)	3,509,841

Continued on next page

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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

Summary financial information for each Nation business partnership, accounted for using the modified equity method, for their respective year-end is as follows:

	<i>Harrison Salmon Producers Limited Partnership</i> As at March 31, 2022	<i>Sts'ailes Eco Energy Development (Sakwi) Limited Partnership</i> As at December 31, 2021	<i>Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership</i> As at December 31, 2021
Assets			
Cash	737,102	2,610	974,062
Accounts receivable	390,409	-	-
Inventory	67,490	-	-
Investments	-	545,253	8,363,836
Property, plant and equipment	1,267,742	-	-
Advances to related parties	10,485	-	1
Total assets	2,473,228	547,863	9,337,899
Liabilities			
Trade and other payables	694,697	1,871	-
Long-term debt	-	1,238,535	-
Advances from related parties	155,013	721,639	9,378,647
Total liabilities	849,710	1,962,045	9,378,647
Partner's capital (deficiency)	1,623,518	(1,414,182)	(40,748)
Total revenue (loss)	779,665	(9,833)	650,000
Total expenses	728,692	135,034	651,758
Net income (loss)	50,973	(144,867)	(1,758)

8. Funds held in trust

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

	2022	2021
Capital Trust		
Balance, beginning/end of year	530,706	530,706
Revenue Trust		
Balance, beginning of year	8,654	6,508
Interest	10,244	6,217
Provincial grants	2,435	2,437
Less: Revenue transfer	(4,843)	-
Less: Transfers to Nation	(8,654)	(6,508)
Balance, end of year	7,836	8,654
	538,542	539,360

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

9. Long-term loans

Long-term loans receivable consists of two promissory notes issued to Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership, a partnership owned 99% by the Sts'ailes. As of March 31, 2022, accrued interest is \$835,829 (2021 - \$160,274).

	2022	2021
	<i>Principal</i>	<i>Allowance</i>
Loan receivable bearing interest at 13% per annum until the principal amount and all accrued interest has been paid.	5,000,000	-
Loan receivable bearing interest at 10% per annum until the principal amount and all accrued interest has been paid.	622,200	-
	5,622,200	5,000,000

10. Bank indebtedness

Under a line of credit arrangement with the Bank of Montreal, Sts'ailes may borrow up to \$1,650,000. The line of credit bears interest at bank's prime rate plus 0.50%. The prime rate at March 31, 2022 was 2.70% (2021 - 2.45%). This arrangement does not have a termination date and can be withdrawn at the bank's option. The credit line is secured by a general security agreement covering all property of Sts'ailes. As at March 31, 2022, the facility was unused.

11. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Revenue recognized</i>	<i>Balance, end of year</i>
Deferred Province of BC funding	-	6,377,430	-	6,377,430
Deferred FNHA funding - Community care center	3,133,500	-	556,316	2,577,184
Deferred FNESC funding	626,182	-	225,030	401,152
Deferred First Peoples Heritage funding	-	258,554	-	258,554
Deferred CFBC funding	-	230,000	-	230,000
Deferred ISC funding	-	422,660	338,128	84,532
Deferred revenue - other	-	225	-	225
	3,759,682	7,288,869	1,119,474	9,929,077

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

12. Long-term debt

	2022	2021
First Nations Finance Authority promissory note, bearing interest at 3.75%, with blended monthly payments of \$40,959.	9,203,478	9,400,000
Interim Financing Debt Reserve Fund Investment, the Authority holds a deposit of 5% of the loans advanced in the Debt Reserve Fund. Interest is paid daily at an annual rate of 1.60%.	(487,417)	(480,046)
First Nations Finance Authority promissory note, bearing interest at 3.79%, with blended monthly payments of \$21,445, due June 2024.	2,525,824	2,683,383
Interim Financing Debt Reserve Fund Investment, the Authority holds a deposit of 5% of the loans advanced in the Debt Reserve Fund. Interest is paid daily at an annual rate of 1.10%.	(210,835)	(207,647)
All Nation's Trust Company mortgage, payments of \$2,917 per month including interest at 2.13%, up for renewal on October 1, 2022.	583,402	605,775
All Nation's Trust Company mortgage, payments of \$1,794 per month including interest at 1.22%, up for renewal on May 1, 2026.	238,621	395,679
All Nation's Trust Company mortgage, payments of \$2,833 per month including interest at 1.67%, up for renewal on July 1, 2024	633,754	656,991
	12,486,827	13,054,135

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:

2023	372,036
2024	379,482
2025	387,163
2026	395,087
2027	403,262

The following specified revenue streams are pledged as security in favour of the First Nation Finance Authority:

- Harrison Hydro Limited Partnership
- Stooke Creek Project Limited Partnership
- Forest & Range Consult and Revenue Sharing Agreement
- Sts'ailes Development Limited Partnership - Fisheries
- Sts'ailes Development Limited Partnership - Forestry

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

13. Term loans due on demand

	2022	2021
Bank of Montreal loan bearing interest at prime plus 0.50%, payable in monthly principal payment of \$28,559 plus interest	2,284,704	2,627,410
Bank of Montreal loan bearing interest at prime plus 0.50%, payable in blended monthly instalments of \$2,014	<u>172,079</u>	<u>190,855</u>
	2,456,783	2,818,265

Principal repayments on long-term debt in each of the next five years, assuming the loans are paid in accordance with the terms and not called, are estimated as follows:

2023	360,815
2024	361,497
2025	362,204
2026	362,938
2027	363,699

Bank of Montreal demand loans are secured by the following guarantees:

- Department of Indigenous Services Canada guarantee in the amount of \$250,000
- Guarantee in the amount of \$5,000,000 signed by Sasquatch Crossing Eco Lodge Ltd.
- First and second ranking all-Indebtedness Mortgage in the amount of \$6,000,000 over 15500 Morris Valley Rd, Harrison, BC
- First Nations Market Housing Fund credit enhancement facility approved to \$2,700,000

14. Contingent liabilities

- a) As of March 31, 2022, Sts'ailes was contingently liable in respect of one guaranteed individual Band Member mortgage with a total outstanding principal balance of \$27,152 (2021 - \$27,152).
- b) Sts'ailes is the guarantor for \$3,000,000 in residential loans granted to Sts'ailes members under the Housing and Loan Program by the Bank of Montreal.
- c) Sts'ailes has provided a limited guarantee on a commercial loan to one of its business entities, Sts'ailes Eco Energy Development (Sakwi) Limited Partnership. The guarantee is limited to the royalties received by Sts'ailes under the terms of the Impact Benefit Agreement with Sakwi Creek Power Corp. and BC Hydro. The amount of the royalties is undetermined as of the date of the consolidated financial statements. The outstanding balance of the commercial loan at March 31, 2022 is \$1,238,535 (2021 - \$1,223,754).

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

15. Accumulated surplus

Accumulated surplus consists of the following:

	2022	2021
Equity in Tangible Capital Assets	11,582,448	11,500,905
Internally Restricted Equity (Note 16)	407,861	307,861
Operating surplus	8,484,500	3,528,716
Equity in Ottawa Trust Funds	538,542	539,360
CMHC Operating and Replacement Reserves	37,326	37,404
	21,050,677	15,914,246

16. Internally Restricted Equity

The First Nation maintains reserve funds for certain tangible capital assets. These balances at March 31, 2022 are as follows:

	2022	2021
Sts'ailes Housing	56,624	56,624
Church	171	171
Roads	1,916	1,916
Memorial Bench	1,783	1,783
Daycare Building	56,000	56,000
Fitup Facilities	10,459	10,459
Health Program	24,405	24,405
Legacy Fund	92,733	92,733
Community Building	63,770	63,770
Environment Remediation Reserve	100,000	-
	407,861	307,861

17. Budget information

The disclosed budget information has been approved by the Chief and Council of the Sts'ailes at the Chief and Council meeting held on October 29, 2021. The budget information is projected based on operating expenses to be incurred during the year on a program by program basis.

18. Economic dependence

Sts'ailes receives a significant portion of its revenue from Indigenous Services Canada (ISC) as a result of funding agreements entered into with the Government of Canada. These funding agreements are administered by ISC under the terms and conditions of the *Indian Act*. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these funding agreements.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

19. Segments

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

Sts'ailes Administration and Governance

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

Employment

Includes employment programs for the members of the Nation.

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.

Health

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

Snowoyelh

Includes activities related to family healing and growth, ensuring the safety and well being of children, and providing healing and treatment for addiction.

Community Development

Includes services related to construction contracts, general community maintenance, and public works.

Economic Development

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

Housing

Includes activities related to the provision of housing to the members of the First Nation.

Lands

Includes activities related to land administration and aboriginal rights and title.

Economic Development - Controlled Entities

Includes activities related to the growth of revenue producing projects of entities owned by the First Nation.

Sts'ailes
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2022

	<i>Buildings</i>	<i>Housing</i>	<i>Equipment</i>	<i>Infrastructure</i>	<i>Land</i>	2022	2021
Cost							
Balance, beginning of year	16,079,691	6,225,612	3,765,566	8,625,531	2,716,343	37,412,743	36,204,252
Acquisition of tangible capital assets	440,652	-	614,056	-	-	1,054,708	1,208,491
Disposal of tangible capital assets	-	-	(47,590)	-	-	(47,590)	-
Adjustment for housing sale	-	(176,593)	-	-	-	(176,593)	-
Balance, end of year	16,520,343	6,049,019	4,332,032	8,625,531	2,716,343	38,243,268	37,412,743
Accumulated amortization							
Balance, beginning of year	10,199,796	3,023,535	2,836,729	5,375,065	-	21,435,125	20,003,036
Annual amortization	563,893	310,823	293,865	274,712	-	1,443,293	1,432,089
Accumulated amortization on disposals	-	-	(47,456)	-	-	(47,456)	-
Adjustment for housing sale	-	(82,744)	-	-	-	(82,744)	-
Balance, end of year	10,763,689	3,251,614	3,083,138	5,649,777	-	22,748,218	21,435,125
Net book value of tangible capital assets	5,756,654	2,797,405	1,248,894	2,975,754	2,716,343	15,495,050	15,977,618
Net book value of tangible capital assets 2021	5,879,895	3,202,077	928,837	3,250,466	2,716,343	15,977,618	

Sts'ailes
Schedule 2 - Segmented Information
For the year ended March 31, 2022

	Sts'ailes Administration and Governance	Employment	Social Development	Education	Health	Snowoyelh	Community Development	Economic Development	Housing	Lands	Economic Development - Controlled Entities	2022
Revenue												
Indigenous Services Canada	\$ 1,429,949	\$ 1,091,348	\$ 1,686,760	\$ 4,014,404	\$ 1,630,410	\$ 532,592	\$ 857,214	\$ 50,096	\$ 1,318,071	\$ 280,508	\$ 86,334	\$ 12,977,687
Other government	181,863	652,223	-	3,835,921	1,529,378	1,567,191	1,590,089	934,885	63,169	103,931	-	10,458,650
Economic activities and other	1,964,891	-	-	14,779	129,024	-	5,749	25,484	604,388	229,449	5,090,764	8,064,527
	3,576,703	1,743,571	1,686,760	7,865,104	3,288,812	2,099,783	2,453,052	1,010,465	1,985,628	613,888	5,177,098	31,500,864
Expenses												
Amortization	\$ -	-	-	-	-	-	1,318,835	-	-	-	124,500	1,443,335
Operating expenses	272,865	444,623	229,596	1,235,454	935,158	313,592	1,105,080	191,239	1,676,716	325,403	3,052,114	9,781,840
Salaries, wages and benefits	1,733,109	841,982	42,070	4,552,414	1,099,537	1,119,859	498,688	302,308	198,273	780,784	989,803	12,158,828
Program and services delivery expenses	103,793	8,490	1,093,570	1,440,307	209,924	81,361	277	-	277	4,139	38,293	2,980,430
	2,109,767	1,295,095	1,365,236	7,228,175	2,244,619	1,514,812	2,922,880	493,547	1,875,266	1,110,326	4,204,710	26,364,433
Surplus (deficit) before transfers												
Surplus (deficit) before transfers	1,466,936	448,475	321,524	636,929	1,044,193	584,971	(469,828)	516,919	110,361	(496,438)	972,388	5,136,431
Transfers between programs	(909,617)	(11,297)	(85,762)	(287,703)	(90,870)	19,541	1,676,974	(357,000)	(22,671)	68,404	-	-
Annual surplus (deficit)	\$ 557,319	\$ 437,178	\$ 235,763	\$ 349,226	\$ 953,323	\$ 604,512	\$ 1,207,145	\$ 159,919	\$ 87,690	\$ (428,033)	\$ 972,388	\$ 5,136,431

	Sts'ailes Administration and Governance	Employment	Social Development	Education	Health	Snowoyelh	Community Development	Economic Development	Housing	Lands	Economic Development - Controlled Entities	2021
Revenue												
Indigenous Services Canada	\$ 2,186,302	\$ 299,600	\$ 1,745,620	\$ 5,028,709	\$ 150,000	\$ 303,195	\$ 414,432	\$ 95,448	\$ 669,392	\$ 350,700	\$ -	\$ 11,243,398
Other government	406,150	407,280	-	3,592,121	1,472,327	2,035,159	93,590	989,628	66,101	780,078	-	9,842,436
Economic activities and other	2,373,286	-	-	107,255	31,283	-	11,336	(70,871)	591,409	249,382	3,195,063	6,488,143
	4,965,738	706,880	1,745,620	8,728,086	1,653,610	2,338,354	519,358	1,014,205	1,326,902	1,380,160	3,195,063	27,573,977
Expenses												
Amortization	-	-	-	-	-	-	1,302,188	-	-	-	129,902	1,432,089
Operating expenses	370,879	209,933	614,302	1,031,509	455,386	530,041	754,344	301,468	879,494	170,925	2,379,946	7,698,226
Salaries, wages and benefits	1,857,460	342,697	155,167	4,172,705	748,253	1,202,081	267,653	199,302	175,092	541,578	504,882	10,166,868
Program and services delivery expenses	54,962	3,550	970,745	787,239	38,361	246,157	47	-	-	3,218	96,715	2,200,994
	2,283,300	556,179	1,740,214	5,991,453	1,242,000	1,978,278	2,324,232	500,769	1,054,586	715,721	3,111,445	21,498,177
Surplus (deficit) before transfers												
Surplus (deficit) before transfers	2,682,437	150,701	5,406	2,736,633	411,610	360,076	(1,804,873)	513,436	272,316	664,439	83,618	6,075,800
Transfers between programs	(173,851)	(7,325)	(10,600)	(168,831)	1,400	(143,042)	853,803	(59,899)	(264,566)	(27,091)	-	-
Annual surplus (deficit)	\$ 2,508,587	\$ 143,376	\$ (5,194)	\$ 2,567,802	\$ 413,010	\$ 217,034	\$ (951,070)	\$ 453,537	\$ 7,751	\$ 637,349	\$ 83,618	\$ 6,075,800