

Sts'ailes
Consolidated Financial Statements
March 31, 2023

Sts'ailes Contents

For the year ended March 31, 2023

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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.

July 25, 2023

Original signed by Willie Charlie

CEO

Independent Auditor's Report

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, 2023, and the consolidated statements of operations, accumulated operating surplus, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2023, and the results of its consolidated operations, its consolidated remeasurement gains and losses, 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 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, 2023

MNP LLP
Chartered Professional Accountants

Sts'ailes
Consolidated Statement of Financial Position
As at March 31, 2023

	2023	2022
Financial assets		
Cash and cash equivalents	23,556,144	11,978,653
Restricted cash (Note 4)	177,336	69,491
Portfolio investments (Note 5)	110	110
Accounts receivable (Note 6)	7,954,154	10,242,220
Inventory for resale	45,430	199,739
Investment in Nation business entities (Note 7)	9,945,024	4,101,027
Funds held in trust (Note 8)	541,512	538,542
Long-term loans (Note 9)	6,152,600	5,622,200
Total of financial assets	48,372,310	32,751,982
Liabilities		
Accounts payable and accruals	2,549,194	2,513,938
Deferred revenue (Note 11)	16,401,790	9,929,077
Long-term debt (Note 12)	11,976,198	12,486,827
Term loans due on demand (Note 13)	1,941,998	2,456,783
Reforestation obligation	-	159,049
Total of financial liabilities	32,869,180	27,545,674
Net financial assets	15,503,130	5,206,308
Contingencies (Note 14)		
Non-financial assets		
Tangible capital assets (Schedule 1)	11,842,035	15,495,050
Prepaid expenses	44,813	349,319
Total non-financial assets	11,886,848	15,844,369
Accumulated surplus (Note 15)	27,389,978	21,050,677

Approved on behalf of the Council

<u>Original signed by Ralph Leon Jr.</u>	Chief	<u>Original signed by Sherry Point</u>	Councilor
<u>Original signed by Boyd Peters</u>	Councilor	<u>Original signed by Christy Wenman</u>	Councilor

Sts'ailes
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2023

	2023 Budget	2023	2022
Revenue			
Indigenous Services Canada	11,569,380	16,858,367	12,977,687
Economic activity	2,923,422	6,393,574	6,611,651
Province of British Columbia	7,631,214	5,260,222	4,187,896
First Nation Health Authority	1,648,036	3,357,448	2,257,712
Sts'ailes contracts	616,599	1,334,058	1,412,769
Other revenue	443,079	1,266,763	386,234
Canada Mortgage and Housing Corporation	65,000	60,489	63,169
Interest income	982,000	1,299,104	704,434
First Nations Education Steering Committee	643,828	1,223,773	1,139,347
Sto:lo Aboriginal Skills and Employment Training	780,840	756,586	846,651
Investment income	635,500	745,019	334,867
Rental income	1,132,362	595,960	699,571
Legal settlements	-	500,000	-
Loss on disposal of tangible capital assets	-	(56,672)	-
Loss from investment in Nation business entities	-	(400,272)	(121,124)
	29,071,260	39,194,419	31,500,864
Expenditures			
Sts'ailes Administration and Governance	6,686,304	3,474,422	2,109,767
Employment	1,228,326	1,273,610	1,295,095
Social Development	1,159,499	1,601,992	1,365,236
Education	7,076,233	7,756,144	7,228,175
Health	3,467,226	3,255,060	2,244,619
Snowoyelh	1,811,829	1,568,721	1,514,812
Community Development	2,492,389	4,892,634	2,922,880
Economic Development	372,733	589,001	493,547
Housing	1,616,600	3,262,760	1,875,266
Lands	1,590,806	2,484,482	1,110,326
Economic Development - Business Entities	1,083,166	4,133,154	4,204,710
Total expenditures	28,585,111	34,291,980	26,364,433
Annual surplus	477,599	4,902,439	5,136,431
Accumulated surplus, beginning of year	21,050,677	21,050,677	15,914,246
Change in status of Government Business Enterprises (Note 7)	-	1,436,862	-
Accumulated surplus, end of year	21,528,276	27,389,978	21,050,677

Sts'ailes
Consolidated Statement of Change in Net Financial Assets (Net Debt)
For the year ended March 31, 2023

	2023 Budget	2023	2022
Annual surplus	477,599	4,902,439	5,136,431
Purchases of tangible capital assets	-	(1,890,430)	(1,054,708)
Amortization of tangible capital assets	1,415,595	1,443,345	1,443,335
Proceeds on disposal of tangible capital assets	-	-	139,972
Gain (loss) on disposal of tangible capital assets	-	56,672	(46,031)
Change in status of Government Business Enterprises (Note 7)	-	5,784,393	-
	1,415,595	5,393,980	482,568
Use of prepaid expenses	-	403	117,634
Increase in net financial assets	1,893,194	10,296,822	5,736,633
Net financial assets (debt), beginning of year	5,206,308	5,206,308	(530,325)
Net financial assets, end of year	7,099,502	15,503,130	5,206,308

Sts'ailes
Consolidated Statement of Cash Flows
For the year ended March 31, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	4,902,439	5,136,431
Non-cash items		
Amortization	1,443,345	1,443,335
Gain on disposal of tangible capital assets	56,672	(46,031)
Loss from investment in Nation business entities	400,272	121,124
	6,802,728	6,654,859
Changes in working capital accounts		
Restricted cash	(107,845)	298,198
Accounts receivable	(2,525,502)	(8,366,747)
Inventory for resale	4,781	(83,743)
Accounts payable and accruals	(194,127)	878,219
Deferred revenue	6,472,713	6,169,395
Reforestation obligation	(14,001)	(26,297)
Prepaid expenses	403	117,634
Change in funds held in trust	(2,970)	819
Change in status of Government Business Enterprises (Note 7)	3,222,825	-
	13,659,005	5,642,337
Financing activities		
Repayment of long-term debt	(510,629)	(567,308)
Repayment of bank indebtedness	-	(341,147)
Repayment of term loans due on demand	(514,784)	(361,482)
	(1,025,413)	(1,269,937)
Capital activities		
Purchases of tangible capital assets	(1,890,430)	(1,054,708)
Proceeds on disposal of tangible capital assets	-	139,972
	(1,890,430)	(914,736)
Investing activities		
Advances to Nation business entities	-	(1,334,508)
Repayment of advances to Nation business entities	834,329	-
	834,329	(1,334,508)
Increase in cash resources	11,577,491	2,123,156
Cash resources, beginning of year	11,978,653	9,855,497
Cash resources, end of year	23,556,144	11,978,653
Supplementary cash flow information		
Interest paid	498,454	457,647

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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.

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.

First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments. All inter-entity balances have been eliminated on consolidation.

- Sts'ailes Development Limited Partnership (up to December 31, 2022) - Refer to Note 7
- Sts'ailes Development Corporation (up to December 31, 2022) - Refer to Note 7
- Sasquatch Crossing Eco Lodge Ltd (SCEL Ltd) (up to December 31, 2022) - Sts'ailes Development Corporation acquired the shares of SCEL Ltd as a result of the corporate reorganization that occurred during the year
- SLD (Sts'ailes Sasq'ets A:eylexwtawtxw) Land Holdings Inc.
- SLD (Lexw'a:yi:les) Land Holdings Inc.

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
- Harrison Salmon Producers GP Inc.
- Sts'ailes Development Limited Partnership (from January 1, 2023 to March 31, 2023) - Refer to Note 7
- Sts'ailes Development Corporation (from January 1, 2023 to March 31, 2023) - Refer to Note 7

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.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

Net financial assets

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of consolidated financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets 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 operating 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.

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.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

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 and Sts'ailes Development 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.

A liability for asset retirement obligations reflects management's best estimate of the amount required to retire the related tangible capital asset (or component thereof). The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future asset retirement.

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.

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 \$359,354 (2022 - \$281,047).

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

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, 2023.

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, 2023.

Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the First Nation to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at March 31, 2023. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. The First Nation recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

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.

Financial instruments

The First Nation recognizes its financial instruments when the First Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the First Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The First Nation has not made such an election during the year.

The First Nation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. Interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

3. Change in accounting policy

Effective April 1, 2022, the First Nation adopted the recommendations relating to the following accounting policies, as set out in the CPA Canada Public Sector Accounting Handbook:

- PS 3450 Financial Instruments
- PS 3280 Asset Retirement Obligation

Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. The adoption of PS 3450 and PS 3280 did not have a material impact on the financial statements.

4. Restricted cash

	2023	2022
CMHC Operating and Replacement Reserves	144,347	37,326
FNFA Secured Revenues Trust Account	<u>32,989</u>	<u>32,165</u>
Total	<u>177,336</u>	<u>69,491</u>

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 (2022 - \$13,371), to ensure replacement of buildings financed by CMHC. At March 31, 2023, \$74,266 has been set aside to fund this reserve (2022 - \$22,897). The reserve was fully funded at March 31, 2023 (2022 - underfunded by \$37,778).

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

Operating reserve

Under agreements with 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, 2023, \$70,081 has been set aside to fund this reserve (2022 - \$14,429). The reserve was fully funded at March 31, 2023 (2022 - underfunded by \$55,379).

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.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

5. Portfolio investments

	2023	2022
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

	2023	2022
Accounts receivable	5,960,645	9,054,554
Bremner Trio interest receivable	1,541,809	835,829
CMHC subsidy assistance receivable	5,340	4,263
Rent receivable	277,074	194,204
Tax receivables	169,286	153,370
	7,954,154	10,242,220

Accounts receivable is net of an allowance of doubtful accounts in the amount of \$1,168,005 (2022 - \$1,171,910).

7. Investment in Nation business entities

The nature of the following First Nation entities that were previously consolidated under the First Nation changed during the 2023 year which resulted in these entities meeting the definition of a Government Business Enterprise ("GBE").

- 1) Sts'ailes Development Limited Partnership
- 2) Sts'ailes Development Corporation

The change in their status to GBEs occurred as of January 1, 2023, and as a result, the First Nation applied both consolidation and modified equity method to account for their activities.

While assets and liabilities of these entities are no longer included in the consolidated statement of financial position as at March 31, 2023, their revenues and expenses are consolidated up to December 31, 2022 prior to the date of the status change. The financial position and results of prior periods have not been adjusted.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

The First Nation has investments in the following entities:

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	<i>2023 Total investment</i>
Nation Business Entities – Modified Equity:				
Harrison Salmon Producers Limited Partnership - 50%	1	(158,464)	675,694	517,231
Sts'ailes Development Limited Partnership - 99%	1	8,903,306	524,250	9,427,557
Sts'ailes Development Corporation - 100%	100	100	36	236
	102	8,744,942	1,199,980	9,945,024
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	<i>2022 Total investment</i>
Nation Business Entities – 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

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 As at March 31, 2023</i>	<i>Sts'ailes Development Limited Partnership As at December 31, 2022</i>
Assets		
Current assets	351,069	1,203,723
Long term assets	<u>1,313,103</u>	<u>4,916,805</u>
Total assets	1,664,172	6,120,528
Liabilities		
Current liabilities	14,580	126,099
Long term liabilities	<u>299,504</u>	<u>4,704,274</u>
Total liabilities	314,084	4,830,373
Partner's capital	1,350,088	1,290,155
Total revenue	451,522	4,109,933
Total expenses	724,951	3,935,026
Net income (loss)	(273,429)	174,907

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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.

	2023	2022
Capital Trust		
Balance, beginning/end of year	530,706	530,706
Revenue Trust		
Balance, beginning of year	7,836	8,654
Interest	16,330	10,244
Provincial grants	2,420	2,435
Less: Revenue transfer	-	(4,843)
Less: Transfers to Nation	(15,780)	(8,654)
Balance, end of year	10,806	7,836
	541,512	538,542

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, 2023, accrued interest is \$1,541,809 (2022 - \$835,829). This is included as accounts receivable at year end (Note 6).

	2023	2022	
	<i>Principal</i>	<i>Allowance</i>	
Loan receivable bearing interest at 13.00% per annum until the principal amount and all accrued interest has been paid.	5,000,000	-	5,000,000
	5,000,000	-	5,000,000
Loan receivable bearing interest at 10.00% per annum until the principal amount and all accrued interest has been paid.	622,200	-	622,200
	622,200	-	622,200
Loan receivable bearing interest at 10.00% per annum until the principal amount and all accrued interest has been paid.	530,400	-	530,400
	530,400	-	530,400
	6,152,600	-	5,622,200
	6,152,600	-	5,622,200

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, 2023 was 6.70% (2022 - 2.70%). 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, 2023, the facility was unused.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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>
Province of BC funding	6,377,430	4,925,000	-	11,302,430
FNHA funding - Community care center	2,577,184	-	829,570	1,747,614
ISC funding	84,532	6,598,701	3,388,066	3,295,167
FNHA funding	-	56,579	-	56,579
FNESC funding	401,152	-	401,152	-
First Peoples Heritage funding	258,554	-	258,554	-
CFBC funding	230,000	-	230,000	-
Other	225	-	225	-
	9,929,077	11,580,280	5,107,567	16,401,790

12. Long-term debt

	2023	2022
First Nations Finance Authority promissory note, bearing interest at 3.35%, with blended monthly payments of \$40,959.	8,962,738	9,203,478
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%.	(514,321)	(487,417)
First Nations Finance Authority promissory note, bearing interest at 3.35%, with blended monthly payments of \$21,445, due June 2024.	2,361,963	2,525,824
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%.	(222,474)	(210,835)
All Nation's Trust Company mortgage, payments of \$2,833 per month including interest at 1.67%, up for renewal on July 1, 2024	610,989	633,754
All Nation's Trust Company mortgage, payments of \$2,917 per month including interest at 2.13%, up for renewal on October 1, 2027.	557,182	583,402
All Nation's Trust Company mortgage, payments of \$1,794 per month including interest at 1.22%, up for renewal on May 1, 2026.	220,121	238,621
	11,976,198	12,486,827

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

12. Long-term debt *(Continued from previous page)*

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:

2024	377,894
2025	385,853
2026	394,073
2027	402,562
2028	411,329

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
- Fisheries operating revenues
- Sts'ailes Development Limited Partnership - Forestry

13. Term loans due on demand

	2023	2022
Bank of Montreal loan bearing interest at prime plus 0.50%, payable in monthly principal payment of \$28,559 plus interest	1,941,998	2,284,704
<u>Bank of Montreal loan</u>	<u>-</u>	172,079
	1,941,998	2,456,783

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

2024	342,706
2025	342,706
2026	342,706
2027	342,706
2028	342,706

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

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

14. Contingent liabilities

- a) Sts'ailes is the guarantor for \$10,500,000 in residential loans granted to Sts'ailes members under the Housing Loan Program by the Bank of Montreal.
- b) 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, 2023 is \$1,137,894 (2022 - \$1,238,535).

15. Accumulated operating surplus

Accumulated operating surplus consists of the following:

	2023	2022
Equity in Tangible Capital Assets	10,453,742	11,582,448
Internally Restricted Equity (Note 16)	457,861	407,861
Surplus	5,880,498	4,290,316
Equity in Ottawa Trust Funds	541,512	538,542
CMHC Operating and Replacement Reserves	111,341	130,483
Investment in Nation Business Entities	9,945,024	4,101,027
	27,389,978	21,050,677

16. Internally Restricted Equity

The First Nation maintains reserve funds for certain tangible capital assets. These balances at March 31, 2023 are as follows:

	2023	2022
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	150,000	100,000
	457,861	407,861

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 July 11, 2022. The budget information is projected based on operating expenses to be incurred during the year on a program by program basis.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

18. 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.

19. Comparative figures

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

20. Financial Instruments

The First Nation as part of its operations carries a number of financial instruments. It is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The First Nation is exposed to interest rate risk with respect to its term deposits which are at fixed rates of interest.

Sts'ailes
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2023

	<i>Buildings</i>	<i>Housing</i>	<i>Equipment</i>	<i>Infrastructure</i>	<i>Land</i>	2023	2022
Cost							
Balance, beginning of year	16,520,343	6,049,019	4,332,032	8,625,531	2,716,343	38,243,268	37,412,743
Acquisition of tangible capital assets	1,193,061	-	406,952	275,000	15,417	1,890,430	1,054,708
Disposal of tangible capital assets	(670,972)	-	(359,816)	(258,430)	(2,332,343)	(3,621,561)	(47,590)
Change in status of Goverment Business Enterprises	(204,234)	-	(195,932)	(1,029,551)	-	(1,429,717)	-
Adjustment for housing sale	-	-	-	-	-	-	(176,593)
Balance, end of year	16,838,198	6,049,019	4,183,236	7,612,550	399,417	35,082,420	38,243,268
Accumulated amortization							
Balance, beginning of year	10,763,689	3,251,614	3,083,138	5,649,777	-	22,748,218	21,435,125
Annual amortization	610,800	279,741	334,693	218,111	-	1,443,345	1,443,293
Accumulated amortization on disposals	(348,191)	-	(311,597)	(49,102)	-	(708,890)	(47,456)
Change in status of Goverment Business Enterprises	(45,246)	-	(38,866)	(158,176)	-	(242,288)	-
Adjustment for housing sale	-	-	-	-	-	-	(82,744)
Balance, end of year	10,981,052	3,531,355	3,067,368	5,660,610	-	23,240,385	22,748,218
Net book value of tangible capital assets	5,857,146	2,517,664	1,115,868	1,951,940	399,417	11,842,035	15,495,050
Net book value of tangible capital assets 2022	5,756,654	2,797,405	1,248,894	2,975,754	2,716,343	15,495,050	

Sts'ailes
Schedule 2 - Segmented Information
For the year ended March 31, 2023

	Sts'ailes Administration and Governance	Employment	Social Development	Education	Health	Snowoyelh	Community Development	Economic Development	Housing	Lands	Economic Development - Controlled Entities	2023
Revenue												
Indigenous Services Canada	\$ 970,111	\$ 603,241	\$ 1,699,227	\$ 4,287,963	\$ 1,821,336	\$ 2,155,371	\$ 2,497,345	\$ -	\$ 2,443,983	\$ 320,674	\$ 59,114	\$ 16,858,367
Other government	1,021,077	623,279	-	4,981,879	1,691,707	1,573,033	1,629,026	1,302,303	60,489	249,820	-	13,132,615
Economic activities and other	3,635,343	-	-	21,410	19,674	-	31,190	60,129	494,648	939,730	4,001,316	9,203,437
	5,626,531	1,226,520	1,699,227	9,291,253	3,532,717	3,728,404	4,157,561	1,362,432	2,999,120	1,510,224	4,060,430	39,194,419
Expenses												
Amortization	\$ -	-	-	-	-	-	1,390,658	-	-	-	52,687	1,443,345
Operating expenses	976,382	362,850	152,658	1,619,215	1,449,929	285,614	2,622,056	212,560	3,033,541	1,388,203	3,049,896	15,152,905
Salaries, wages and benefits	2,363,147	903,222	130,050	4,617,083	1,314,291	1,128,253	877,032	376,440	229,064	1,064,728	1,021,899	14,025,211
Program and services delivery expenses	134,893	7,538	1,319,284	1,519,846	490,840	154,854	2,889	-	154	31,550	8,671	3,670,519
	3,474,422	1,273,610	1,601,992	7,756,144	3,255,060	1,568,721	4,892,634	589,001	3,262,760	2,484,482	4,133,154	34,291,980
Surplus (deficit) before transfers	2,152,109	(47,091)	97,235	1,535,108	277,657	2,159,683	(735,073)	773,431	(263,640)	(974,257)	(72,724)	4,902,439
Transfers between programs	(1,739,596)	(1,234)	(75,863)	(257,922)	42,021	(15,647)	1,794,059	(396,526)	(44,709)	695,416	-	-
Annual surplus (deficit)	\$ 412,513	\$ (48,325)	\$ 21,372	\$ 1,277,187	\$ 319,678	\$ 2,144,036	\$ 1,058,986	\$ 376,905	\$ (308,349)	\$ (278,841)	\$ (72,724)	\$ 4,902,439

	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	196,963	652,223	-	3,835,921	1,641,643	1,567,191	1,590,089	934,885	63,169	103,931	-	10,586,015
Economic activities and other	1,949,791	-	-	14,779	16,759	-	5,749	25,484	604,388	229,449	5,090,764	7,937,162
	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	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