
**SUMAS FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The First Nation is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the First Nation. The First Nation reviews internal financial statements on a monthly basis and external audited financial statements yearly. The First Nation also discusses any significant financial reporting or internal control matters prior to its approval of the financial statements.

The external auditors, Manning Elliott Accountants and Business Advisors, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to the financial management of the Sumas First Nation and we meet when required. The accompanying Independent Auditors' Report re-iterates management's responsibility for the financial statements, outlines the auditors' responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Sumas First Nation:

Dalton Silver
Name

Chief
Title

July 29, 2022
Date

A. Butler
Name

Finance manager
Title

July 29, 2022
Date

Abbotsford, BC

INDEPENDENT AUDITORS' REPORT

To the Members of Sumas First Nation

Report on the Consolidated Compiled Financial Statements

Opinion

We have audited the consolidated compiled financial statements of Sumas First Nation (the First Nation), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of changes in annual surplus (deficit), operations, changes in net financial assets, remeasurement gains and losses and cash flows for the year then ended, and notes to the consolidated compiled financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated compiled financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2022, and the consolidated results of its operations and 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the First Nation in accordance with ethical requirements that are relevant to our audit of the consolidated compiled 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 compiled financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated compiled financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated compiled 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.

Auditors' Responsibilities for the Audit of the Consolidated Compiled Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated compiled 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 compiled financial statements.

INDEPENDENT AUDITORS' REPORT

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 compiled 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 auditors' report to the related disclosures in the consolidated compiled 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 auditors' 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 compiled financial statements, including the disclosures, and whether the consolidated compiled financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Manning Elliott LLP

MANNING ELLIOTT LLP

Chartered Professional Accountants

Abbotsford, British Columbia

July 29, 2022

**SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022**

	2022	2021
FINANCIAL ASSETS		
Cash (Note 2)	\$ 2,870,798	\$ 606,211
Restricted cash (Note 2)	1,357,572	2,768,752
Investments (Notes 2, 3)	23,457,466	17,376,492
Accounts receivable (Note 4)	1,767,444	2,113,140
Investment in partnerships (Note 5)	170,919	308,447
Advances to related parties (Note 6)	2,190,633	1,629,684
Equity in commercial enterprises (Note 7)	3	3
	31,814,835	24,802,729
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	1,678,013	2,096,752
Deferred revenue	11,430,413	4,160,964
Long-term debt (Note 8)	3,896,069	3,087,382
	17,004,495	9,345,098
NET FINANCIAL ASSETS	14,810,340	15,457,631
NON-FINANCIAL ASSETS		
Inventory	34,681	15,334
Prepaid expenses and deposits	111,271	59,639
Property held for development	1,536,678	1,536,677
Tangible capital assets (Note 9)	16,209,420	13,635,797
	17,892,050	15,247,447
ACCUMULATED SURPLUS	\$ 32,702,390	\$ 30,705,078
CONTINGENT LIABILITIES (Note 14)		
On behalf of Chief and Council:		
 Chief	 Councillor	
 Councillor		

SUMAS FIRST NATION**CONSOLIDATED STATEMENT OF CHANGES IN ANNUAL SURPLUS (DEFICIT)****FOR THE YEAR ENDED MARCH 31, 2022**

ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 29,994,694	\$ 28,358,794
ANNUAL OPERATING SURPLUS	961,163	1,635,900
	30,955,857	29,994,694
ACCUMULATED REMEASUREMENT GAINS	1,746,533	710,384
ACCUMULATED SURPLUS - END OF YEAR	\$ 32,702,390	\$ 30,705,078

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2022

	Budget	2022	2021
REVENUE			
Indigenous Service Canada	\$ 1,690,306	\$ 3,984,158	\$ 2,354,226
Indigenous Service Canada - contracts for service	-	4,483,962	4,749,283
Trans Mountain funding	572,000	2,703,195	2,540,993
Lease interest and other income	2,672,276	2,582,011	2,132,362
CMHC and housing charges	-	990,669	44,476
First Nations Health Authority	327,378	579,595	343,319
Property taxation	578,351	575,258	403,098
Realized gain on sale of investments	-	375,940	336,724
Province of British Columbia	191,722	368,904	908,935
Sto:lo Service Agency Society	365,422	267,141	278,018
Commercial enterprises	272,100	263,744	236,029
Department of Natural Resources	450,000	234,398	-
Gaming revenue	193,699	193,669	339,604
First Nations Education Steering Committee	66,295	148,621	90,300
New Relationship Trust	-	20,000	15,303
First Nation Land Management Resource Center	-	12,500	-
Ottawa Trust income	-	959	856
Loss on partnerships	-	(1,011,102)	(351,679)
	7,379,549	16,773,622	14,421,847
EXPENSES			
Administration and technical service	1,192,652	968,231	1,055,931
Amortization of tangible capital assets	-	636,255	578,777
Band government	221,367	160,769	140,733
Capital projects	-	3,962,359	2,344,560
Commercial enterprises	890,554	966,800	797,207
Community services and member benefits	538,534	2,236,863	574,731
Economic development	101,828	227,466	146,500
Education programs	1,505,330	1,282,240	793,493
Governance and natural resources	1,907,810	1,368,628	1,151,605
Health services	777,504	901,499	1,001,383
Indigenous Services Canada - contracts	-	5,034,157	4,452,298
Lands management	577,053	519,445	616,699
Public works and village operations	2,479,052	350,364	305,225
Social development	391,627	298,673	324,206
Social housing	1,174,351	108,588	55,208
Expenses capitalized	-	(3,209,878)	(1,552,609)
	11,757,662	15,812,459	12,785,947
ANNUAL OPERATING SURPLUS	\$ (4,378,113)	\$ 961,163	\$ 1,635,900

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2022

	2022	2021
ANNUAL SURPLUS	\$ 961,163	\$ 1,635,900
Amortization of tangible capital assets	636,255	578,777
Purchase of tangible capital assets	(3,209,879)	(1,552,609)
Decrease (increase) in prepaid expenses and deposits	(51,632)	5,154
Increase in inventory	(19,347)	(2,261)
Net remeasurement gains (losses) for the year	1,036,149	(548,569)
	(1,608,454)	(1,519,508)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(647,291)	116,392
NET FINANCIAL ASSETS - BEGINNING OF YEAR	15,457,631	15,341,239
NET FINANCIAL ASSETS - END OF YEAR	\$ 14,810,340	\$ 15,457,631

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2022

	2022	2021
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 710,384	\$ 1,258,953
Unrealized gains (losses) attributable to securities and investment trusts	1,347,560	(211,845)
Realized gains transferred to operations	(311,411)	(336,724)
Net remeasurement gains (losses) for the year	1,036,149	(548,569)
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	\$ 1,746,533	\$ 710,384

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Annual surplus	\$ 961,163	\$ 1,635,900
Items not affecting cash:		
Amortization of tangible capital assets	636,255	578,777
Loss (income) on partnerships	1,011,102	351,679
	2,608,520	2,566,356
Changes in non-cash working capital:		
Accounts receivable	345,696	(254,611)
Inventory	(19,347)	(2,261)
Accounts payable and accrued liabilities	(418,741)	309,463
Deferred revenue	7,269,449	2,457,460
Prepaid expenses and deposits	(51,632)	5,154
	7,125,425	2,515,205
	9,733,945	5,081,561
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(3,209,878)	(1,552,609)
Advances to related parties	(560,949)	(1,329,884)
Net remeasurement gains (losses) for the year	1,036,149	(548,569)
Investment in partnership	(873,574)	(226,345)
Purchase of marketable securities	(6,080,974)	(2,359,815)
	(9,689,226)	(6,017,222)
FINANCING ACTIVITIES		
Receipt of long-term debt	949,297	-
Repayment of long-term debt	(140,609)	(146,298)
	808,688	(146,298)
INCREASE (DECREASE) IN CASH FLOW	853,407	(1,081,959)
CASH - BEGINNING OF YEAR	3,374,963	4,456,922
CASH - END OF YEAR	\$ 4,228,370	\$ 3,374,963
CASH CONSISTS OF:		
Cash	\$ 2,870,798	\$ 606,211
Restricted cash	1,357,572	2,768,752
	\$ 4,228,370	\$ 3,374,963

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

(a) Fund accounting

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

The Operating Fund which reports the general activities of the First Nation administration.

The Capital Fund which reports the tangible capital assets of the First Nation, together with their related financing, other than those included in the Social Housing Fund.

The Social Housing Fund which reports the social housing assets of the First Nation, together with related activities.

(b) Reporting entity and principles of financial reporting

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

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

Investment in partnership includes Sema:th Xot:sa Developments Limited Partnership (99.99% ownership) ("SXDLP"). SXDLP has 82.99% ownership in Sth'oqi Aquaculture Limited Partnership ("SALP") and 51% ownership in Kilgard Business Park Limited Partnership ("KBPLP"). SXDLP, SALP, and KBPLP are government business enterprises and are recorded using the modified equity method. The partnerships have year ends of December 31, 2021 (Note 5). The loss from this investment as at December 31, 2021 is included in annual income.

The Upper Sumas I.R. 6 Right-Of-Way Settlement Trust (the "Trust") has a year-end of December 31, 2021 (Note 13). The Trust is consolidated into these financial statements as at December 31, 2021, except for any trust funds held for distribution on behalf of minors. There has been no adjustment in the Trust's transactions.

All inter-entity balances have been eliminated on consolidation.

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SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(c) Government transfers

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

(d) Inventory

Inventory is valued at average cost and consists of \$32,096 (2021 - \$12,749) in tobacco products and \$2,585 (2021 - \$2,585) in fuel.

(e) Lands held for development

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

(f) Non-financial assets

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

i) Tangible capital assets

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

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

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

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

ii) Contributions of tangible capital assets

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

(*continues*)

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(g) Contaminated sites

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

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

The liability is recognized as management's estimate of the cost of post-remediation, including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site. As at March 31, 2022, there is no liability for contaminated sites.

(h) Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period. Management believes that the estimates used are reasonable and prudent, however, actual results could differ from those estimates. Significant estimates include assumptions used in estimating collectability of accounts receivable, advances to related parties, the estimated useful lives of tangible capital assets and the estimated liability for contaminated sites.

(i) Financial instruments

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

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

(j) Investments

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

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

2. RESTRICTED ASSETS

Included in cash and investments are the following restricted amounts:

	2022	2021
Non-restricted cash		
Operating Fund	\$ 987,274	\$ 364,027
Social Housing Fund	1,883,524	242,184
	2,870,798	606,211
Restricted cash		
Social Housing Fund (Note 11)	51,373	39,943
Settlement Trust	1,306,199	2,728,809
	1,357,572	2,768,752
Total cash	4,228,370	3,374,963
Investments (Note 3)	23,457,466	17,376,492
Less restricted for:		
Settlement Trust	(14,753,608)	(11,733,259)
Operating Reserves	(1,779,914)	(4,756,754)
Capital Replacement Reserves	(72,230)	(72,230)
Health Canada Surplus Funds	(375,755)	(419,010)
Total funds available for operations	\$ 10,704,329	\$ 3,770,202

3. INVESTMENTS

	2022	2021
Investments recorded at fair value:		
Securities, investment trusts	\$ 10,336,875	\$ 7,931,336
Investments recorded at amortized cost:		
Fixed income	5,340,248	4,736,764
Guaranteed Investment Certificates (GICs)	2,272,009	142,824
BMO High Interest Savings Accounts	5,508,334	4,565,568
	\$ 23,457,466	\$ 17,376,492

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2022	2021
Due from band members:		
Tenant rent receivable	\$ 423,779	\$ 434,485
Due from members	608,050	693,831
	1,031,829	1,128,316
Less allowance for doubtful accounts	(827,526)	(807,926)
	204,303	320,390
Due from others:		
Other federal government departments	782,811	1,020,264
Other funders	372,853	266,575
Canada Mortgage and Housing Corporation	6,110	15,000
Developers & economic rents	146,695	162,610
Trans Mountain Pipeline, LP	20,649	59,911
Sto:lo Service Agency Society	40,554	57,373
Lower Fraser Fisheries Alliance Society	15,692	13,626
Sumas Clay Products Ltd.	25,978	25,978
GST receivable	4,027	15,019
Property taxes	75,004	146,723
First Nations Education Steering Committee	57,509	11,402
Lower Fraser Enterprises Limited Partnership	4,500	6,750
Sema:th Xo:tsa Developments Ltd.	113,865	113,045
Stho'qi Aquaculture Limited Partnership	16,538	17,719
	1,682,785	1,931,995
Less allowance for doubtful accounts	(119,644)	(139,245)
	1,563,141	1,792,750
	\$ 1,767,444	\$ 2,113,140

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

5. INVESTMENT IN PARTNERSHIPS

The First Nation owns 99.99% of the units of Sema:th Xo:tsa Developments Limited Partnership ("SXDLP"), a partnership formed in fiscal 2018. SXDLP owns 82.99% (2021 - 82.99%) of the units of SALP, 99% (2021 - 99%) of the units of Wochmel Security Limited Partnership ("WSLP"), 51% of the units in Kilgard Business Park Limited Partnership ("KBPLP"), and 99% (2021 - Nil) of the units in Sema:th Management Services Limited Partnership ("SMSLP"). The First Nation's investment includes contributions net of distributions. SXDLP and SALP were set up on July 21, 2017 and KBPLP on October 18, 2019 by the First Nation. WSLP was set up on September 14, 2020. SMSLP was set up on May 1, 2021.

In the fiscal 2022 year, the First Nation recorded their share of the equity loss in the partnerships of \$1,011,102 (2021 - \$351,679) based on the December 31, 2021 year end.

Condensed summary fiscal information for each of the partnerships at December 31, 2021 is noted below. The operations of SMSLP are immaterial and therefore have not been disclosed in the accompanying financial statements.

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SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

5. INVESTMENT IN PARTNERSHIPS *(continued)*

	SXDLP	SALP	KBPLP	WSLP	2021
Current assets	\$ 61,148	\$ 398,498	\$ 607,286	\$ 72,027	\$ 1,138,959
Lease receivable	303,256	-	-	-	303,256
Related party loans	1,071,128	-	-	-	1,071,128
Capital assets	2,099,104	1,134,386	-	-	3,233,490
Intangible asset	783,158	-	-	-	783,158
Investment in Kilgard Business Park Limited Partnership	3,841,143	-	-	-	3,841,143
Investment in Wochmel Security Limited Partnership	63,331	-	-	-	63,331
Investment in Sema:th Management Services Limited Partnership	23,476	-	-	-	23,476
Development costs	-	-	11,615,116	-	11,615,116
Prepaid land lease	-	-	3,907,500	-	3,907,500
Due from partners	-	-	497,641	-	497,641
Total assets	\$ 8,245,744	\$ 1,532,884	\$ 16,627,543	\$ 72,027	\$ 26,478,198
Current liabilities	\$ 2,665,149	\$ 233,433	\$ 9,060,390	\$ 8,690	\$ 11,967,662
Lease payable	-	303,256	-	-	303,256
Investment in SALP	401,990	-	-	-	401,990
Related party loans	6,858,908	1,222,682	35,529	-	8,117,119
Equity (deficiency)	(1,680,303)	(226,487)	7,531,624	63,337	5,688,171
Total Liabilities and Equity	8,245,744	1,532,884	16,627,543	72,027	26,478,198

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SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

5. INVESTMENT IN PARTNERSHIPS *(continued)*

	SXDLP	SALP	KBPLP	WSLP	2021
Revenues	127,371	782,517	173,152	126,391	1,209,431
Expenses	(917,212)	(976,325)	(260,700)	(66,296)	(2,220,533)
Loss	(789,841)	(193,808)	(87,548)	60,095	(1,011,102)
Investment in the Partnership					
Loan	1,851,054	-	-	-	1,851,054
Accumulated income (loss)	(1,279,233)	(401,990)	(62,243)	63,331	(1,680,135)
	\$ 571,821	\$ (401,990)	\$ (62,243)	\$ 63,331	\$ 170,919

In 2020, the First Nation entered into a head lease with SXDLP in the amount of \$3,907,500. Under this agreement, the First Nation has agreed to lease its land to SXDLP to enable the property to be developed. This transaction was considered a capital contribution from the First Nation to SXDLP in exchange for 3,907,500 partnership units. The head lease has been recorded at the exchange value in SXDLP, however, as the First Nation is still the beneficial owner of the land, no disposal or gain has been recorded in the accompanying financial statements.

6. ADVANCES TO RELATED PARTIES

	2022	2021
Sema:th Xo:tsa Developments Ltd. (SXDL)	\$ 2,124,633	\$ 1,563,684
Sth'oqi Aquaculture Limited Partnership (SALP)	66,000	66,000
	\$ 2,190,633	\$ 1,629,684

The advances to related parties are non-interest bearing, unsecured and without fixed terms of repayment.

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

7. EQUITY IN COMMERCIAL ENTERPRISES

	2022	2021
Sumas Clay Products Ltd (100%)	\$ 1	\$ 1
SFN Renewable Energy Ltd. (100%)	1	1
Sema:th Xot:sa Development Ltd. (100%)	1	1
	\$ 3	\$ 3

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

Condensed summary of financial information for SXDL at December 31, 2021 and 2020 is noted below.

	2021	2020
Current assets	\$ 149,680	\$ 529,990
Advances to related parties	1,249,132	89,096
Investment in Sema:th Xo:tsa Developments Limited Partnership	1	1
Property, plant and equipment	8,714,195	236,725
	\$ 10,113,008	\$ 855,812
Current liabilities	\$ 29,081	\$ 43,260
Long term debt	7,911,975	-
Equity loss in Sema:th Xo:tsa Developments Limited Partnership	168	67
Advances from related parties	2,171,904	1,188,072
Deficiency	(120)	(375,587)
	\$ 10,113,008	\$ 855,812
Revenue	\$ 1,128,516	\$ 394,453
Expenses	(753,047)	(538,618)
Net income (loss)	\$ 375,469	\$ (144,165)

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

8. LONG-TERM DEBT

	2022	2021
Bank of Montreal non-revolving demand loan payable with monthly payments of \$8,486, including interest at prime plus 0.35% per annum, maturing March 30, 2022; repayable on demand; secured by a general security agreement over the First Nation assets.	\$ 1,236,986	\$ 1,298,046
Bank of Montreal fixed rate term loan payable with monthly payments of \$6,280, including interest at prime plus 0.35% of per annum, maturing June 30, 2022; repayable on demand; secured by a general security agreement over the First Nation assets.	1,091,671	1,131,836
Bank of Montreal non-revolving demand loan payable with monthly payments of \$3,029, including interest at prime plus 0.35% per annum, maturing March 29, 2024; repayable on demand; secured by a general security agreement over the First Nation assets.	587,639	604,824
CMHC mortgage payable with monthly payments of \$1,931, including interest at 2.52% per annum, maturing July 1, 2023; secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on six housing units.	30,476	52,676
CMHC mortgage payable with monthly payments of \$5,805, including interest at 3.04% per annum, maturing June 1, 2027; secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on six housing units.	949,297	-
	\$ 3,896,069	\$ 3,087,382

Subsequent to year end, additional loan in the amount of \$241,457 has been received from CMHC and this loan is accounted for in the principal payments below.

Principal repayment terms are approximately:

2023	\$ 2,398,347
2024	613,353
2025	35,213
2026	36,291
2027	1,054,322
	<u>\$ 4,137,526</u>

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

9. TANGIBLE CAPITAL ASSETS

Cost	2021 Balance	Additions	Disposals	2022 Balance
Land	\$ 7,000	\$ 6,599	\$ -	\$ 13,599
Water and waste water	8,119,602	101,765	-	8,221,367
Roads	883,752	-	-	883,752
Buildings	11,424,518	535,994	-	11,960,512
Machinery and equipment	743,133	307,706	-	1,050,839
Land improvements	989,278	4,778	-	994,056
Vehicles	497,526	61,386	-	558,912
Computer equipment	165,861	28,799	-	194,660
Social housing	601,020	2,162,851	-	2,763,871
	\$ 23,431,690	\$ 3,209,878	\$ -	\$ 26,641,568

Accumulated Amortization	2021 Balance	Amortization	Accumulated Amortization on Disposals	2022 Balance
Land	\$ -	\$ -	\$ -	\$ -
Water and waste water	2,656,628	129,884	-	2,786,512
Roads	565,195	25,329	-	590,524
Buildings	4,443,191	328,642	-	4,771,833
Machinery and equipment	614,254	70,006	-	684,260
Land improvements	523,728	45,315	-	569,043
Vehicles	497,526	7,673	-	505,199
Computer equipment	156,237	7,206	-	163,443
Social housing	339,134	22,200	-	361,334
	\$ 9,795,893	\$ 636,255	\$ -	\$ 10,432,148

Net book value	2022	2021
Land	\$ 13,599	\$ 7,000
Water and waste water	5,434,855	5,462,974
Roads	293,228	318,557
Buildings	7,188,679	6,981,327
Machinery and equipment	366,579	128,879
Land improvements	425,013	465,550
Vehicles	53,713	-
Computer equipment	31,217	9,624
Social housing	2,402,537	261,886
	\$ 16,209,420	\$ 13,635,797

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

10. ACCUMULATED SURPLUS

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

	2022	2021
Surplus		
Unrestricted equity in funds	\$ 413,014	\$ 2,596,789
Restricted equity in portfolio investments	16,059,807	14,457,417
Surplus associated with tangible capital assets:		
Invested in tangible capital assets	16,209,420	13,635,797
Reserve funds set aside by statutory requirements:		
Replacement reserve fund (Note 11)	20,149	15,075
	\$ 32,702,390	\$ 30,705,078

Included in restricted equity in portfolio investments is \$3,000,000 of unspent funds related to the Trans Mountain relationship agreement.

11. REPLACEMENT RESERVE FUND

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

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

A continuity of the required funds is as follows:

	2022	2021
Replacement reserve fund:		
Opening balance	\$ 15,075	\$ 11,297
Prior year adjustment	18,668	-
Adjusted opening balance	33,743	11,297
Contributions	7,833	7,833
Replacement reserve expenditures	(21,427)	(4,055)
Closing balance	\$ 20,149	\$ 15,075

As at March 31, 2022, the Replacement Reserve Fund was fully funded (2021 - fully funded).

12. BUDGET DATA

The budget data presented in these consolidated financial statements is based upon the 2021 operating and capital budgets. These budgets have been approved by Council. Amortization was not contemplated on development of the budget and, as such, has not been included.

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

13. SETTLEMENT TRUST

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

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

The terms of the trust also included a one time payment to members of the First Nation who were over age 18 at time of settlement of the trust or when they turn 19 if they were a minor at time of trust settlement. Distributions from the trust were \$38,777 (2021 - \$28,829) based on these criteria.

Not included in these financial statements are additional settlement proceeds including interest of \$601,405 (2021 - \$638,638) held for future distributions to members of the First Nation who are minors. These proceeds will be recognized as revenue and distributions in the year the minors become entitled to the funds.

14. CONTINGENT LIABILITIES

The First Nation is contingently liable for guarantees it has placed for certain loans made by financial institutions to its members. The maximum loan amount available to individual members is \$250,000 while the minimum amount is \$25,000. The maximum amount guaranteed by the First Nation is \$4,000,000 (2021 - \$3,000,000). As at March 31, 2022, \$3,118,417 (2021 - \$1,737,317) of the facility had been drawn. Subsequent to year end, an additional \$379,101 was drawn on the facility.

The First Nation has also guaranteed the loans of certain Limited Partnerships and Corporations which it owns. As at March 31, 2022, the total loans being guaranteed have a current balance totaling \$9,608,946 (2021 - \$2,238,246). No amount has been accrued as Management considers them to be in good standing and therefore does not consider payment of the contingent liability to be likely.

15. ECONOMIC DEPENDENCE

The First Nation receives 45% (2021 - 57%) of its revenue pursuant to a funding arrangement with Indigenous Services Canada.

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2022

16. FINANCIAL INSTRUMENTS

The First Nation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the First Nation's risk exposure and concentration as of March 31, 2022.

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. In seeking to minimize the risks from interest rate fluctuations, the First Nation manages exposure through its normal operating and financing activities. The First Nation is exposed to interest rate risk primarily through its floating interest rate on its credit facilities. There has been no change in the risk exposure from the prior year.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The First Nation is exposed to other price risk through its investment in quoted shares.

Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant credit, liquidity, market, currency and other price risks arising from these financial instruments.

17. COVID RISK

The COVID-19 pandemic is causing significant financial and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. The First Nation continues to monitor and assess the impact COVID-19 will have on its business activities. The extent of the effect of the COVID-19 pandemic on the First Nation is uncertain at this time.

18. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. This has no impact on previously stated total financial assets, total financial liabilities, total non-financial assets, accumulated surplus and annual operating surplus.

19. SEGMENTED INFORMATION

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

SUMAS FIRST NATION
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FOR THE YEAR ENDED MARCH 31, 2022

19. SEGMENTED INFORMATION (Continued)

	Education	Social Development	Health & Community Wellness	Community Services & Economic Activities	Governance & Natural Resources	Administration & General Government	Public Works & Village Maintenance	Lands Management	Housing	Economic Development	Federal Government Contracts	Other	2022 Total	2021 Total
REVENUE														
INAC	\$ 530,395	\$ 444,598	\$ 224,277	\$ 257,644	\$ -	\$ 335,049	\$ 218,878	\$ 280,508	\$ 211,098	\$ 263,850	\$ -	\$ 1,217,861	\$ 3,984,158	\$ 2,700,581
Federal government	-	-	-	-	-	-	-	-	-	-	-	-	-	(346,355)
	530,395	444,598	224,277	257,644	-	335,049	218,878	280,508	211,098	263,850	-	1,217,861	3,984,158	2,354,226
Other government sources	655,235	-	413,332	2,685,449	593,963	-	5,408	12,500	976,669	-	-	1,213,953	6,556,509	4,027,303
First Nation economic activities	186,839	-	362,334	851,850	73,500	17,719	93,004	327,687	-	(1,011,102)	-	471,222	1,373,053	2,954,311
Trust settlement proceeds	-	-	-	-	-	375,940	-	-	-	-	-	-	375,940	336,724
INAC - contracts for service	-	-	-	-	-	-	-	-	-	-	4,483,962	-	4,483,962	4,749,283
	1,372,469	444,598	999,943	3,794,943	667,463	728,708	317,290	620,695	1,187,767	(747,252)	4,483,962	2,903,036	16,773,622	14,421,847
EXPENSES														
Operating expenses	504,557	264,282	508,485	3,160,145	906,146	372,083	171,739	292,029	108,588	226,579	5,034,157	-	11,548,790	9,098,266
Salaries, wages & benefits	688,705	34,391	295,746	13,227	462,482	740,404	159,535	227,416	-	887	-	-	2,622,793	2,309,533
Capital projects	88,978	-	97,268	30,291	-	16,513	19,090	-	-	-	-	3,962,359	4,214,499	2,351,980
Amortization of tangible capital assets	-	-	-	-	-	636,255	-	-	-	-	-	-	636,255	578,777
Expenses capitalized	-	-	-	-	-	-	-	-	-	-	-	(3,209,878)	(3,209,878)	(1,552,609)
	1,282,240	298,673	901,499	3,203,663	1,368,628	1,765,255	350,364	519,445	108,588	227,466	5,034,157	752,481	15,812,459	12,785,947
ANNUAL SURPLUS (DEFICIT)	\$ 90,229	\$ 145,925	\$ 98,444	\$ 591,280	\$ (701,165)	\$ (1,036,547)	\$ (33,074)	\$ 101,250	\$ 1,079,179	\$ (974,718)	\$ (550,195)	\$ 2,150,555	\$ 961,163	\$ 1,635,900