
**SUMAS FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

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 31, 2023
Date


Neelum Buttar
Name

Finance Manager
Title

July 28, 2023
Date

Abbotsford, BC

INDEPENDENT AUDITORS' REPORT

To the Members of Sumas First Nation

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sumas First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of changes in annual surplus, operations, changes in net financial assets, remeasurement gains and losses 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 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 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 PSAS, 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.

Auditors' 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 auditors' 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:

INDEPENDENT AUDITORS' REPORT

- 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 auditors' 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 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 financial statements, including the disclosures, and whether the consolidated 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
Chartered Professional Accountants
Abbotsford, British Columbia
July 31, 2023

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash (Note 2)	\$ 2,976,876	\$ 2,870,798
Restricted cash (Note 2)	1,089,069	1,357,572
Investments (Notes 2, 3)	19,818,095	23,457,466
Accounts receivable (Note 4)	3,082,582	1,767,444
Investment in partnerships (Note 5)	133,534	170,919
Advances to related parties (Note 6)	2,190,010	2,190,633
Equity in commercial enterprises (Note 7)	3	3
	29,290,169	31,814,835
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	2,598,281	1,678,013
Deferred revenue (Note 8)	6,287,983	11,430,413
Long-term debt (Note 10)	4,013,738	3,896,069
	12,900,002	17,004,495
NET FINANCIAL ASSETS	16,390,167	14,810,340
NON-FINANCIAL ASSETS		
Inventory	11,569	34,681
Prepaid expenses and deposits	209,654	111,271
Property held for development	1,536,678	1,536,678
Tangible capital assets (Note 11)	21,290,034	16,209,420
	23,047,935	17,892,050
ACCUMULATED SURPLUS	\$ 39,438,102	\$ 32,702,390

LEASE COMMITMENTS (Note 17)

CONTINGENT LIABILITIES (Note 18)

ON BEHALF OF COUNCIL

Chief

Councillor

Councillor

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN ANNUAL SURPLUS
FOR THE YEAR ENDED MARCH 31, 2023

	2023	2022
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 30,955,857	\$ 29,994,694
ANNUAL OPERATING SURPLUS	6,870,923	961,163
	37,826,780	30,955,857
Capital contribution of Sumas First Nation Minors' Trust	467,128	-
ACCUMULATED REMEASUREMENT GAINS	1,144,194	1,746,533
ACCUMULATED SURPLUS - END OF YEAR	\$ 39,438,102	\$ 32,702,390

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2023

	Budget	2023	2022
REVENUE			
Indigenous Service Canada	\$ 5,876,486	\$ 8,844,638	\$ 3,984,158
Indigenous Service Canada - contracts for service	7,700,000	7,585,539	4,483,962
Province of British Columbia	2,462,275	2,922,273	368,904
Lease interest and other income	2,523,096	2,653,393	2,186,217
CMHC and housing charges	21,096	2,007,594	990,669
First Nations Health Authority	872,758	607,270	579,595
Property taxation	856,204	879,145	575,258
Trans Mountain funding	659,350	49,315	2,703,195
Gaming revenue	454,574	454,574	193,669
Department of Natural Resources	450,772	399,034	234,398
Sto:lo Service Agency Society	297,977	360,939	267,141
Commercial enterprises	535,750	291,639	263,744
City of Abbotsford (Note 21)	295,916	254,392	494,013
First Nations Education Steering Committee	174,606	226,579	148,621
First Nation Land Management Resource Center	390,000	67,695	12,500
Ottawa Trust income	895	895	959
New Relationship Trust	274	274	20,000
Loss on partnerships	-	(38,559)	(1,011,102)
Realized gain (loss) on sale of investments	-	(136,432)	375,940
	23,572,029	27,430,197	16,871,841
EXPENSES (Schedule 1)			
Administration and technical service	1,128,637	1,389,623	1,066,450
Amortization of tangible capital assets	-	785,469	636,255
Band government	251,000	210,002	160,769
Capital projects	7,727,885	7,742,071	3,962,359
Commercial enterprises	1,794,528	292,944	966,800
Community services and member benefits	1,627,923	937,304	2,236,863
Economic development	42,000	65,453	227,466
Education programs	1,842,585	1,331,120	1,282,240
Governance and natural resources	1,152,854	1,894,093	1,368,628
Health services	1,127,428	812,584	901,499
Indigenous Services Canada - contracts	5,909,974	5,947,737	5,034,157
Lands management	995,428	351,395	519,445
Public works and village operations	521,063	583,498	350,364
Social development	385,318	380,824	298,673
Housing	-	3,701,240	108,588
Expenses capitalized	-	(5,866,083)	(3,209,878)
	24,506,623	20,559,274	15,910,678
ANNUAL OPERATING SURPLUS	\$ (934,594)	\$ 6,870,923	\$ 961,163

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2023

	2023	2022
ANNUAL SURPLUS	\$ 6,870,923	\$ 961,163
Amortization of tangible capital assets	785,469	636,255
Purchase of tangible capital assets	(5,866,083)	(3,209,879)
Settlement property of Sumas First Nation Minors' Trust	50	-
Transfer of investments to Sumas First Nation Minors' Trust	467,078	-
Increase in prepaid expenses and deposits	(98,383)	(51,632)
Decrease (increase) in inventory	23,112	(19,347)
Net remeasurement gains (losses) for the year	(602,339)	1,036,149
	(5,291,096)	(1,608,454)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	1,579,827	(647,291)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	14,810,340	15,457,631
NET FINANCIAL ASSETS - END OF YEAR	\$ 16,390,167	\$ 14,810,340

SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2023

	<i>2023</i>	<i>2022</i>
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 1,746,533	\$ 710,384
Unrealized gains (losses) attributable to securities and investment trusts	(734,139)	1,347,560
Realized gains transferred to operations	131,800	(311,411)
Net remeasurement gains (losses) for the year	(602,339)	1,036,149
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	\$ 1,144,194	\$ 1,746,533

**SUMAS FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023**

	2023	2022
OPERATING ACTIVITIES		
Annual surplus	\$ 6,870,923	\$ 961,163
Items not affecting cash:		
Amortization of tangible capital assets	785,469	636,255
Settlement property of Sumas First Nation Minors' Trust	50	-
Capital contribution of Sumas First Nation Minors' Trust	467,128	-
Loss (income) on partnerships	38,559	1,011,102
	8,162,129	2,608,520
Changes in non-cash working capital:		
Accounts receivable	(1,315,138)	345,696
Inventory	23,112	(19,347)
Accounts payable and accrued liabilities	920,268	(418,740)
Deferred revenue	(5,142,430)	7,269,449
Prepaid expenses and deposits	(98,383)	(51,632)
	(5,612,571)	7,125,426
	2,549,558	9,733,946
INVESTING ACTIVITIES		
Purchase of tangible capital assets	-	(3,209,879)
Proceeds on disposal of tangible capital assets	(5,866,083)	-
Advances to related parties	623	(560,949)
Net remeasurement gains (losses) for the year	(602,339)	1,036,149
Investment in partnership	(1,224)	(873,574)
Proceeds from sale (purchase) of marketable securities	3,639,371	(6,080,974)
	(2,829,652)	(9,689,227)
FINANCING ACTIVITIES		
Receipt of long-term debt	270,751	949,297
Repayment of long-term debt	(153,082)	(140,609)
	117,669	808,688
INCREASE (DECREASE) IN CASH FLOW	(162,425)	853,407
CASH - BEGINNING OF YEAR	4,228,370	3,374,963
CASH - END OF YEAR	\$ 4,065,945	\$ 4,228,370
CASH CONSISTS OF:		
Cash	\$ 2,976,876	\$ 2,870,798
Restricted cash	1,089,069	1,357,572
	\$ 4,065,945	\$ 4,228,370

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

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, 2022 (Note 5). The loss from this investment as at December 31, 2022 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, 2022 (Note 15). The Trust is consolidated into these financial statements as at December 31, 2022, except for any trust funds held for distribution on behalf of minors. There has been no adjustment in the Trust's transactions.

The Sumas First Nation Minors' Trust (the "Minors' Trust") has a year-end of December 31, 2022 (Note 16). The Minors' Trust is consolidated into these financial statements as at December 31, 2022, except for any trust funds held for distribution on behalf of minors. There has been no adjustment in the Minors' Trust's transactions.

All inter-entity balances have been eliminated on consolidation.

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SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

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 \$8,985 (2022 - \$32,096) in tobacco products and \$2,585 (2022 - \$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
Leasehold improvements	5 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
FOR THE YEAR ENDED MARCH 31, 2023

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, 2023, 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, accounts payable and accrued liabilities, deferred revenue 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
FOR THE YEAR ENDED MARCH 31, 2023

2. RESTRICTED ASSETS

Included in cash and investments are the following restricted amounts:

	2023	2022
Non-restricted cash		
Operating Fund	\$ 2,754,645	\$ 987,274
Social Housing Fund	222,231	1,883,524
	2,976,876	2,870,798
Restricted cash		
Minors' Trust	467,079	-
Social Housing Fund (Note 13)	210,198	51,373
Settlement Trust	411,792	1,306,199
	1,089,069	1,357,572
Total cash	4,065,945	4,228,370
Investments (Note 3)	19,818,095	23,457,466
Less restricted for:		
Settlement Trust	(14,972,327)	(14,753,608)
Operating Reserves	(1,791,719)	(1,779,914)
Capital Replacement Reserves	(72,230)	(72,230)
Health Canada Surplus Funds	(480,336)	(375,755)
Total funds available for operations	\$ 6,567,428	\$ 10,704,329

3. INVESTMENTS

	2023	2022
Investments recorded at fair value:		
Securities, investment trusts	\$ 11,510,710	\$ 10,336,875
Investments recorded at amortized cost:		
Fixed income	4,622,202	5,340,248
Guaranteed Investment Certificates (GICs)	300,000	2,272,009
BMO High Interest Savings Accounts	3,385,183	5,508,334
	\$ 19,818,095	\$ 23,457,466

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2023	2022
Due from band members:		
Tenant rent receivable	\$ 439,794	\$ 423,779
Due from members	426,478	608,050
	866,272	1,031,829
Less allowance for doubtful accounts	(593,409)	(827,526)
	272,863	204,303
Due from others:		
Other federal government departments	1,541,391	782,811
Other funders	336,895	372,853
Canada Mortgage and Housing Corporation	244,085	6,110
Developers & economic rents	118,810	146,695
Trans Mountain Pipeline, LP	45,054	20,649
Sto:lo Service Agency Society	40,086	40,554
Lower Fraser Fisheries Alliance Society	128,618	15,692
Sumas Clay Products Ltd.	25,978	25,978
GST receivable	37,949	4,027
Property taxes	268,826	75,004
First Nations Education Steering Committee	72,221	57,509
Lower Fraser Enterprises Limited Partnership	-	4,500
Sema:th Xo:tsa Developments Ltd.	113,616	113,865
Stho'qi Aquaculture Limited Partnership	16,538	16,538
Semath Management Services LP	3,000	-
	2,993,067	1,682,785
Less allowance for doubtful accounts	(183,348)	(119,644)
	2,809,719	1,563,141
	\$ 3,082,582	\$ 1,767,444

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

5. INVESTMENTS 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% (2022 - 82.99%) of the units of SALP, 99% (2022 - 99%) of the units of Wochmel Security Limited Partnership ("WSLP"), 51% (2022 - 51%) of the units in Kilgard Business Park Limited Partnership ("KBPLP"), and 99% (2022 - 99%) 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 2023 year, the First Nation recorded their share of the equity loss in the partnerships of \$38,559 (2022 - \$1,011,102) based on the December 31, 2022 year end.

Condensed summary fiscal information for each of the partnerships at December 31, 2022 is noted below.

SUMAS FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2023

5. INVESTMENT IN PARTNERSHIPS (continued)

	SXDLP	SALP	KBPLP	WSLP	SMSLP	2022
Current assets	70,599	458,185	633,182	24,490	263,949	1,450,405
Lease receivable	250,748					250,748
Related party loans	1,157,704				166,550	1,324,254
Capital assets	2,270,812	1,459,855	13,034,728			16,765,395
Intangible asset	783,158					783,158
Investment in Kilgard Business Park Limited Partnership	4,621,049					4,621,049
Investment in Wochmel Security Limited Partnership	17,470					17,470
Investment in Sema:th Management Services Limited Partnership	407,125					407,125
Prepaid land lease			4,592,134			4,592,134
Due from partners			501,606			501,606
Total assets	9,578,665	1,918,040	18,761,650	24,490	430,499	30,713,344
Current liabilities	2,835,970	284,369	10,358,576	7,019	22,966	13,508,900
Lease payable		250,749				250,749
Deferred capital contributions		475,441				475,441
Investment in Sth'oqi Aquaculture Limited Partnership	558,697					558,697
Related party loans	7,902,864	1,307,795				9,210,659
Equity (deficiency)	(1,718,866)	(400,314)	8,403,074	17,471	407,533	6,708,898
Total Liabilities and Equity	9,578,665	1,918,040	18,761,650	24,490	430,499	30,713,344
Revenues	448,306	1,120,985	1,156,981	67,809	551,913	3,345,994
Expenses	(824,050)	(1,309,805)	(970,165)	(113,675)	(166,858)	(3,384,553)
Loss	(375,744)	(188,820)	186,816	(45,866)	385,055	(38,559)
Investment in Partnership						
Loan	1,852,228					1,852,228
Accumulated income (loss)	(1,617,620)	(558,697)	33,029	17,469	407,125	(1,718,694)
	234,608	(558,697)	33,029	17,469	407,125	133,534

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.

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

6. ADVANCES TO RELATED PARTIES

	2023	2022
Sema:th Xo:tsa Developments Ltd. (SXDL)	\$ 2,144,010	\$ 2,124,633
Sth'oqi Aquaculture Limited Partnership (SALP)	46,000	66,000
	\$ 2,190,010	\$ 2,190,633

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

7. EQUITY IN COMMERCIAL ENTERPRISES

	2023	2022
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, 2022 and 2021 is noted below.

	2022	2021
Current assets	\$ 229,620	\$ 149,680
Advances to related parties	1,534,884	1,249,132
Investment in Sema:th Xo:tsa Developments Limited Partnership	1	1
Property, plant and equipment	8,465,118	8,714,195
	\$ 10,229,623	\$ 10,113,008
Current liabilities	\$ 3,560	\$ 29,081
Long term debt	7,874,618	7,911,975
Equity loss in Sema:th Xo:tsa Developments Limited Partnership	172	168
Advances from related parties	2,361,532	2,171,904
Deficiency	(10,259)	(120)
	\$ 10,229,623	\$ 10,113,008
Revenue	\$ (4)	\$ 1,128,516
Expenses	(10,139)	(753,047)
Net income (loss)	\$ (10,143)	\$ 375,469

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

8. DEFERRED REVENUE

	2023	2022
Balance - beginning of the year	\$ 11,430,413	\$ 4,160,964
Add: restricted funding received	11,882,712	13,265,867
Less: recognized as revenue during the year	(17,025,142)	(5,996,418)
	\$ 6,287,983	\$ 11,430,413

9. BANK INDEBTEDNESS

The First Nation has access to a revolving facility provided by Bank of Montreal, to a maximum amount of \$150,000 (2022 - \$150,000) of which \$Nil (2022 - \$Nil) is utilized at year-end. The loan bears interest at prime plus 0.35% (2022 - prime plus 0.35%).

Additionally, the First Nation also has access to a Corporate Mastercard credit card to a maximum of \$50,000 (2022 - \$50,000). As at March 31, 2023, credit of \$Nil (2022 - \$Nil) has been used.

The terms of the credit facility require the First Nation to maintain a debt service coverage of no less than 1.25:1. As at March 31, 2023, the First Nation is in compliance with all of the covenants.

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

10. LONG-TERM DEBT

	2023	2022
Bank of Montreal non-revolving demand loan payable with monthly payments of \$10,890, including interest at 5.85% per annum, maturing August 2024; repayable on demand; secured by a general security agreement over the First Nation assets.	\$ 1,179,817	\$ 1,236,986
Bank of Montreal fixed rate term loan payable with monthly payments of \$8,043, including interest at 5.85% per annum, maturing August 2025; repayable on demand; secured by a general security agreement over the First Nation assets.	1,053,216	1,091,671
Bank of Montreal non-revolving demand loan payable with monthly payments of \$4,086, including interest 5.85% per annum, maturing August 2026; repayable on demand; secured by a general security agreement over the First Nation assets.	573,417	587,639
CMHC mortgage payable with monthly payments of \$1,939, 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.	7,712	30,476
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.	1,199,576	949,297
	\$ 4,013,738	\$ 3,896,069

Principal repayment terms are approximately:

2024	\$ 156,625
2025	1,206,503
2026	1,033,717
2027	560,390
2028	1,056,503
	<u>\$ 4,013,738</u>

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

11. TANGIBLE CAPITAL ASSETS

Cost	2022 Balance	Additions	Disposals	2023 Balance
Land	\$ 13,599	\$ -	\$ -	\$ 13,599
Water and waste water	8,221,367	897,247	-	9,118,614
Roads	883,752	-	-	883,752
Buildings	12,796,678	4,573,942	-	17,370,620
Machinery and equipment	1,050,839	153,773	-	1,204,612
Land improvements	994,056	30,019	-	1,024,075
Leasehold improvements	-	38,475	-	38,475
Vehicles	558,912	82,236	-	641,148
Computer equipment	194,660	26,386	-	221,046
Social housing	1,927,704	64,006	-	1,991,710
	\$ 26,641,567	\$ 5,866,084	\$ -	\$ 32,507,651

Accumulated Amortization	2022 Balance	Amortization	Accumulated Amortization on Disposals	2023 Balance
Land	\$ -	\$ -	\$ -	\$ -
Water and waste water	2,786,512	140,989	-	2,927,501
Roads	587,288	22,094	-	609,382
Buildings	4,771,833	370,066	-	5,141,899
Machinery and equipment	684,260	108,773	-	793,033
Land improvements	572,276	49,068	-	621,344
Leasehold improvements	-	1,335	-	1,335
Vehicles	505,199	25,626	-	530,825
Computer equipment	163,443	14,104	-	177,547
Social housing	361,334	53,417	-	414,751
	\$ 10,432,145	\$ 785,472	\$ -	\$ 11,217,617

Net book value	2023	2022
Land	\$ 13,599	\$ 13,599
Water and waste water	6,191,113	5,434,855
Roads	274,370	296,464
Buildings	12,228,721	8,024,845
Machinery and equipment	411,579	366,579
Land improvements	402,731	421,780
Leasehold improvements	37,140	-
Vehicles	110,323	53,713
Computer equipment	43,499	31,217
Social housing	1,576,959	1,566,370
	\$ 21,290,034	\$ 16,209,422

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

12. ACCUMULATED SURPLUS

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

	2023	2022
Surplus		
Unrestricted equity in funds	\$ 2,262,389	\$ 413,014
Restricted equity in portfolio investments	15,851,197	16,059,807
Surplus associated with tangible capital assets:		
Invested in tangible capital assets	21,290,034	16,209,420
Reserve funds set aside by statutory requirements:		
Replacement reserve fund (Note 13)	34,482	20,149
	\$ 39,438,102	\$ 32,702,390

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

13. 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:

	2023	2022
Replacement reserve fund:		
Opening balance	\$ 20,149	\$ 15,075
Prior year adjustment	-	18,668
Adjusted opening balance	20,149	33,743
Contributions - Pre-97	7,833	7,833
Contributions - Post-96	6,500	-
Replacement reserve expenditures	-	(21,427)
Closing balance	\$ 34,482	\$ 20,149

As at March 31, 2023, the Replacement Reserve Fund was fully funded (2022 - fully funded).

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

14. BUDGET DATA

The budget data presented in these consolidated financial statements is based upon the 2022-2023 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.

15. 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 \$48,847 (2022 - \$38,777) based on these criteria.

Not included in these financial statements are additional settlement proceeds including interest of \$560,276 (2022 - \$601,405) 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.

16. MINORS' TRUST

The Sumas First Nation Minors' Trust (the "Minors' Trust") was established on December 21, 2022 by the First Nation to hold payments in trust for Minor Members until they reach their majority birthday. The Minors' Trust has a year-end date of December 31.

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

\$11,320 of distributions were made to the members during the year.

17. LEASE COMMITMENTS

During the year, the First Nation entered into a lease agreement for office space commencing July 1, 2022 for 60 months.

Lease payments over the next five fiscal years are as follows:

2024	\$	128,820
2025		130,929
2026		133,038
2027		135,148
2028		33,919
	\$	<u>561,854</u>

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

18. 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 (2022 - \$4,000,000). As at March 31, 2023, \$3,552,268 (2022 - \$3,118,417) of the facility had been drawn. No additional draws have been made subsequent to year end (2022 - \$379,101).

The First Nation has also guaranteed the loans of certain Limited Partnerships and Corporations which it owns. As at March 31, 2023, the total loans being guaranteed have a current balance totaling \$9,317,415 (2022 - \$9,608,946). 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.

The First Nation is named in a claim for loss of blueberry crops. The First Nation intends to defend itself vigorously and does not believe there is valid claim. As at year-end no estimate of the amount of settlement, if any, can be made.

19. ECONOMIC DEPENDENCE

The First Nation receives 68% (2022 - 45%) of its revenue pursuant to funding arrangements with Indigenous Services Canada and the Province of BC.

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

20. 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, 2023.

Credit risk and concentration of risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The First Nation's main credit risks relate to its accounts receivable and investments. The First Nation manages credit risk by holding balances of investments with a reputable top rated financial institution. The First Nation periodically reviews its investments and is satisfied with the credit rating of the financial institution. Accounts receivable are primarily due from provincial and federal government ministries that are tied to approved contracts for services. The First Nation's accounts receivable includes accounts due from one (2022 - one) government agencies which accounts for 17% (2022 - 14%) of total trade accounts receivable.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The First Nation is exposed to this risk mainly of its accounts payable and long term debt. It is the First Nation's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from government agencies.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the First Nation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. Approximately 8% (2022 - Nil) of the First Nation's cash and 20% (2022 - 25%) of the investments are denominated in a foreign currency. As at March 31, 2023, cash of \$316,306 (2022 - \$18,000) and investments of \$4,008,536 (2022 - \$5,980,260) are denominated in U.S. dollars and are exposed to foreign exchange fluctuations. The First Nation mitigates this risk by monitoring foreign exchange rates.

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 long-term debt. The First Nation has mitigated this risk by entering into fixed rate loans with its financial institutions.

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.

SUMAS FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

21. CITY OF ABBOTSFORD FUNDING

The City of Abbotsford provided funding to the First Nation under the Reaching Home Funding Agreement effective July 2022 (the "Program"). The Program is subject to the terms and conditions of the agreement.

Revenue	\$ 104,767
Expenses	
Advertising and promotion	(139)
Community expenses and programs	(27,755)
Counselling and workshops	(32,099)
Office and miscellaneous	(1,584)
Supplies	(1,800)
Telephone	(811)
Travel	(4,276)
Utilities	(764)
Wages and benefits	(37,455)
	\$ (1,916)

22. LEQ'A:MEL MATHEXI SEMA:TH SOCIETY

The First Nation along with two other First Nations incorporated the Leq'a:mel Mathexi Sema:th Society ("LMS Society"), a society incorporated under the laws of British Columbia, to acquire, manage, develop, maintain and protect common lands for the education and benefit of their communities and the general public.

23. 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.

24. 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
CONSOLIDATED EXPENSE BY OBJECT
FOR THE YEAR ENDED MARCH 31, 2023**

(Schedule 1)

	2023	2022
Administration	\$ 212,402	\$ 78,284
Advertising and promotion	15,717	12,876
Amortization of tangible capital assets	785,469	636,255
Automotive	35,491	27,747
Bad debt (recovery)	(22,719)	-
Cigarettes	190,136	175,782
Community expenses and programs	1,084,022	786,153
Computer	156,077	116,435
Consulting fees	964,484	957,895
Counselling and workshops	32,099	37,084
Donations	127,500	112,000
Dues and memberships	5,615	13,045
Education	69,150	124,003
Honoraria	452,278	1,800,126
Insurance	1,834	3,774
Interest and bank charges	123,269	105,188
Interest on long-term debt	180,207	98,135
Meetings	52,137	46,021
Office and miscellaneous	294,038	211,209
Professional development	22,616	20,365
Professional fees	235,477	202,179
Repairs and maintenance	6,152,412	2,087,207
Subcontracts	5,947,737	5,034,157
Supplies	55,502	165,725
Telephone	31,256	23,008
Travel	29,506	33,912
Trustee expenses	71,160	70,459
Utilities	30,463	45,625
Wages and benefits	3,212,328	2,874,082
Withholding taxes	11,611	11,949
	\$ 20,559,274	\$ 15,910,680