

**Cheam First Nation
Consolidated Financial Statements**
March 31, 2023

Cheam First Nation Contents

For the year ended March 31, 2023

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Management's Responsibility

To the Members of Cheam First Nation:

The accompanying consolidated financial statements of Cheam First Nation 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 Cheam First Nation 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 First 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.

August 8, 2023

Original signed by: Wendy Rockafellow

Wendy Rockafellow, Executive Director

To the Members of Cheam First Nation:

Qualified Opinion

We have audited the consolidated financial statements of Cheam First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations and accumulated 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, 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, 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 Qualified Opinion

Canadian public sector accounting standards ("PSAS") Section PS 3280 Asset Retirement Obligations ("ARO") which was adopted by the First Nation as of April 1, 2022 requires the recognition of an ARO liability when there is a legal obligation that establishes a clear responsibility to incur retirement costs in relation to a tangible capital asset. While the First Nation has identified tangible capital assets with material ARO's as at March 31, 2023, we were unable to obtain reliable estimates of these ARO's. Consequently, we were not able to determine whether any adjustments would be necessary to the consolidated financial statements.

The financial statements also do not include completed budgeted information. The exclusion of such information is a departure from Canadian public sector accounting standards as the comparison of budgeted to actual results is a significant measurement of performance.

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 qualified 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.

ACCOUNTING › CONSULTING › TAX

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

August 8, 2023

MNP LLP
Chartered Professional Accountants

Cheam First Nation
Consolidated Statement of Financial Position
As at March 31, 2023

	2023	2022
Financial assets		
Cash and cash equivalents (Note 4)	15,388,567	8,009,728
Portfolio investments (Note 5)	1,364,994	4,373,550
Accounts receivable (Note 6)	1,694,321	1,264,529
Funds held in trust (Note 7)	1,242	4,026
Investment in Nation business entities (Note 8)	8,515,868	6,263,831
Total of assets	26,964,992	19,915,664
Liabilities		
Accounts payable and accruals	1,280,584	1,433,641
Deferred revenue (Note 10)	1,584,336	459,000
Advance from related party	-	34,844
Long-term debt (Note 11)	5,227,683	5,426,652
Total of financial liabilities	8,092,603	7,354,137
Net financial assets	18,872,389	12,561,527
Contingencies (Note 12)		
Non-financial assets		
Tangible capital assets (Schedule 1)	12,151,948	12,061,757
Accumulated surplus (Note 13)	31,024,337	24,623,284
Accumulated surplus is comprised of:		
Accumulated surplus	30,929,069	24,623,284
Accumulated remeasurement gains	95,268	-
	31,024,337	24,623,284

Approved on behalf of the Council

Original signed by: Andrew Victor

Chief Andrew Victor

Original signed by: Stephanie Fredette

Councillor Stephanie Fredette

Original signed by: Luke Pike

Councillor Luke Pike

Original signed by: Ray Douglas

Councillor Ray Douglas

Cheam First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2023

	<i>Schedules</i>	2023	2022
Revenue			
Indigenous Services Canada	3,428,186	3,506,924	
Contracts and own source revenue	1,194,266	1,357,496	
Canada Mortgage and Housing Corporation	1,096,003	64,460	
Property tax	740,997	702,815	
First Nation Health Authority	705,909	580,168	
BCFN Gaming Revenue Sharing LP	526,667	224,585	
Province of BC	114,616	377,856	
Other federal funding	94,353	163,657	
Lease income	4,185,920	88,688	
Earnings from investment in Nation business entities	2,725,784	1,436,169	
Interest income	234,859	79,837	
Rental income	207,335	180,615	
Investment income	32,484	42,001	
	15,287,379	8,805,271	
Expenditures			
Administration and Governance	1,920,971	2,550,822	
Education, Employment & Training	1,217,531	920,313	
Social Development	738,167	749,869	
Facilities Operations and Maintenance	696,975	536,527	
Health Services	1,620,811	1,107,259	
Language, Culture and Community	423,278	99,904	
Lands and Resource Management and Economic Development	635,004	1,452,847	
Housing	370,252	614,009	
Rights & Title, Territorial Stewardship	340,334	46,720	
Emergency Management and Climate Change Readiness	164,907	175,072	
Taxation, Own Source Revenue, IBAs and Investments	51,507	303,687	
Capital and Infrastructure Planning	-	26,080	
Tangible Capital Assets	801,857	850,559	
Total expenditures	8,981,594	9,433,668	
Annual surplus (deficit)	6,305,785	(628,397)	
Accumulated surplus, beginning of year	24,623,284	25,251,681	
Accumulated surplus, end of year	30,929,069	24,623,284	

Cheam First Nation
Consolidated Statement of Remeasurement Gains and Losses
For the year ended March 31, 2023

	2023	2022
Accumulated remeasurement gains, beginning of year	-	-
Unrealized gains attributable to:		
Portfolio investments	92,721	-
Amounts reclassified to the statement of operations:		
Portfolio investments	2,547	-
Accumulated remeasurement gains, end of year	95,268	-

Cheam First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2023

	2023	2022
Annual surplus (deficit)	6,305,785	(628,397)
Purchases of tangible capital assets	(825,187)	(1,215,144)
Amortization of tangible capital assets	734,996	718,627
Change in remeasurement gains	95,268	-
Increase (decrease) in net financial assets	6,310,862	(1,124,914)
Net financial assets, beginning of year	12,561,527	13,686,441
Net financial assets, end of year	18,872,389	12,561,527

Cheam First Nation
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 (deficit)	6,305,785	(628,397)
Non-cash items		
Amortization	734,996	718,627
Earnings from investment in Nation business entities	(2,725,784)	(1,436,169)
Change in remeasurement gains	95,268	-
	4,410,265	(1,345,939)
Changes in working capital accounts		
Accounts receivable	(429,791)	1,094,460
Accounts payable and accruals	(153,057)	575,452
Deferred revenue	1,125,336	252,909
Funds held in trust	2,784	883,015
Portfolio Investments	8,555	7,280
	4,964,092	1,467,177
Financing activities		
Advances of long-term debt	-	438,160
Repayment of advances of long-term debt	(198,969)	(259,160)
Repayment of Advances from related parties	(34,844)	-
	(233,813)	179,000
Capital activities		
Purchases of tangible capital assets	(825,187)	(1,215,144)
Investing activities		
Purchase of portfolio investments	(204,980)	(3,000,000)
Proceeds on portfolio investments	3,204,980	5,200,000
Advances to Nation business entities	(29,104)	(112,131)
Advances from Nation business entities	502,851	1,163,727
	3,473,747	3,251,596
Increase in cash resources	7,378,839	3,682,629
Cash resources, beginning of year	8,009,728	4,327,099
Cash resources, end of year	15,388,567	8,009,728
Supplementary cash flow information		
Interest paid	271,936	165,217

Cheam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

1. Operations

Cheam First Nation (the "First Nation") is located in the province of British Columbia, and provides various services to its members. Cheam First Nation includes the First 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 including the following significant accounting policies:

Reporting entity consolidated

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

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

- Pelólkw Historical Society
- CFN Housing Society
- Cheam First Nation Trust

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Cheam First Nation business entities, owned by the First Nation 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:

- CFN Holdings Limited Partnership
- Cheam Enterprises Inc.

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.

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 and prepaid expenses.

Net financial assets

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of 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 consolidated financial position, accumulated surplus.

Cheam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

Cash and cash equivalents

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less.

Portfolio investments

Portfolio investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of First Nation 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.

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

Amortization for tangible capital assets is provided using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	Rate
Automobile equipment	declining balance	20 %
Other equipment	declining balance	10-30 %
Infrastructure	straight-line	20-50 years
Buildings	straight-line	25 years
Housing	straight-line	25 years

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 the First Nation 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.

Cheam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

Revenue recognition

Government Transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

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.

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.

Rental revenue

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.

Investments

The First Nation uses the modified equity method to account for its' investment in Nation business entities as listed under reporting entity. Investment income earned from portfolio investments is recognized in the period the income is earned.

Measurement uncertainty

The preparation of 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 parties, are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

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.

Cheam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

Segments

The First Nation conducts its business through thirteen reportable segments as summarized in Note 15. These operating segments are established by senior management to facilitate the achievement of the First Nation's 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.

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.

Statement of Remeasurement Gains and Losses

By presenting remeasurement gains (losses) separately, changes in the carrying value of financial instruments arising from fair value measurement, unrealized foreign exchange gains (losses) and other comprehensive income arising from investments in government business entities are distinguished from revenues and expenses reported in the statement of operations. The statement of operations reports the extent to which revenues raised in the period were sufficient to meet the expenses incurred. Remeasurement gains (losses) do not affect this assessment as they are recognized in the statement of remeasurement gains and losses. Taken together, the two statements account for changes in a First Nation's net assets (liabilities) in the period.

Upon settlement, the cumulative gain (loss) is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to all financial instruments are reported in the statement of operations.

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.

Cheam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

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. 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 annual surplus (deficit)

. 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.

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 Obligations*

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.

Cheam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

4. Cash and cash equivalents

	2023	2022
Externally restricted		
CMHC operating reserve	424,996	245,286
CMHC replacement reserve	82,555	86,815
	507,551	332,101
Unrestricted		
Operating funds	14,881,016	7,677,627
	15,388,567	8,009,728

Replacement Reserve

Under agreements with CMHC, the First Nation established a replacement reserve, established by an annual allocation of \$91,560 (2022 - \$22,560) to ensure maintenance of buildings financed by CMHC. The current year contribution included a special contribution of \$69,000. At March 31, 2023 this reserve was under funded by \$162,055 (2022 - \$76,644).

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 CMHC, the First Nation established 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 the First Nation and CMHC. These funds may only be used for the ongoing operating costs of the housing projects committed under the agreement with CMHC. Accordingly, future years' deficits may be recovered from the Operating Reserve fund. At March 31, 2023, the reserve was fully funded (2022 - fully funded).

5. Portfolio investments

	2023	2022
Measured at cost:		
BMO Guaranteed Income Certificate	-	3,005,244
RBC Term Deposit, bearing interest at 1.90% per annum, maturing October 24, 2023	206,666	202,156
	206,666	3,207,400
Measured at fair value:		
CIBC Wood Gundy portfolio	1,158,328	1,166,150
	1,364,994	4,373,550

Cheam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

6. Accounts receivable

	2023	2022
Funding and trade receivable	2,435,930	2,003,639
Member loans receivable	227,614	230,113
	<hr/>	<hr/>
Less: Allowance for doubtful accounts	2,663,544	2,233,752
	969,223	969,223
	<hr/>	<hr/>
	1,694,321	1,264,529

7. 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 of year	-	875,560
Less: Transfers to Nation	-	875,560
	<hr/>	<hr/>
Balance, end of year	-	-
Revenue Trust		
Balance, beginning of year	4,026	11,481
Interest	1,252	11,982
	<hr/>	<hr/>
Less: Transfers to Nation	5,278	23,463
	4,036	19,437
	<hr/>	<hr/>
Balance, end of year	1,242	4,026

Cheam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

8. Investments in Nation business entities

The First Nation has investments in the following entities:

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	2023
First Nation Government Business Enterprises				
Cheam Enterprises Inc. - 100%	1	-	57,669	57,670
CFN Holdings LP - 99.99%	1	25,122	8,433,075	8,458,198
	2	25,122	8,490,744	8,515,868

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	2022
First Nation Government Business Enterprises				
Cheam Enterprises Inc. - 100%	1	-	49,751	49,752
CFN Holdings LP - 99.99%	1	33,131	6,180,947	6,214,079
	2	33,131	6,230,698	6,263,831

Summary financial information for the First Nation Government Business Enterprises, accounted for using the modified equity method, for the respective year-ends are as follows:

	CFN Holdings LP As at December 31, 2022	Cheam Enterprises Inc. As at December 31, 2022
Balance Sheet		
Current assets	2,764,672	-
Long-term assets	6,706,322	62,369
Total assets	9,470,994	62,369
Liabilities	1,036,999	4,698
Equity	8,433,995	57,671
Total Liabilities and Equity	9,470,994	62,369
Income Statement		
Revenue	3,780,862	10,955
Expenses	1,058,745	3,037
Net Income	2,722,117	7,918

9. Bank indebtedness

Under a line of credit arrangement with the Bank of Montreal (BMO), Cheam First Nation may borrow up to \$300,000. As at March 31, 2023, Cheam First Nation has drawn \$nil of this line of credit (2022 - \$nil). The line of credit bears interest at BMO's prime rate plus 0.50%. The prime rate at March 31, 2023 was 6.70% (2022 - 2.70%). The facility is secured by a band council resolution authorizing the facility, based on the terms outlined in the Letter of Agreement from BMO signed and accepted by Cheam First Nation on December 9, 2021.

Cheam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

10. Deferred revenue

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Contributions recognized</i>	<i>Balance, end of year</i>
Indigenous Services Canada	136,445	-	-	136,445
Province of BC	-	938,178	24,519	913,659
Other funding	71,000	192,500	71,063	192,437
Security Deposit	1,555	240	-	1,795
Natural Resources Canada	250,000	90,000	-	340,000
	459,000	1,220,918	95,582	1,584,336

11. Long-term debt

	2023	2022
BMO term loan, blended monthly payments of \$27,943 at 5.81% per annum, maturing March 31, 2025.	3,750,863	3,835,009
Project #10 - All Nations Trust Company mortgage, blended monthly payments of \$6,339 at 2.5% per annum, maturity date of April 1, 2033.	677,800	736,220
Project #11 - All Nations Trust Company mortgage, blended monthly payments of \$1,323 at 1.3% per annum, maturity date of April 1, 2046.	316,670	328,363
BMO demand loan, blended monthly payments of \$3,074 at 5.81% per annum, maturing March 31, 2025.	246,065	265,671
BMO term loan, blended monthly payments of \$1,009 at 5.81% per annum, maturing March 31, 2025.	154,622	156,409
Project #9 - All Nations Trust Company mortgage, blended monthly payments of \$2,031 at 1.12% per annum, maturity date of August 1, 2026.	81,663	104,980
	5,227,683	5,426,652

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	241,047
2025	251,682
2026	262,878
2027	260,414
2028	262,431

Bank of Montreal demand loan is secured by a band council resolution authorizing the facilities, based on the terms outlined in the Letter of Agreement from BMO signed and accepted by Cheam First Nation on December 9, 2021.

Cheam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

12. Contingencies

- The First Nation has been named as co-defendant in a lawsuit on behalf of itself, along with several other Cheam First Nation corporate entities and individuals, seeking to recover damage allegedly sustained by the plaintiff as a result of alleged fraud. The complaint with respect to this action generally alleges the First Nation was fraudulently and negligently inducing the company to enter into a five-year agreement for supply of construction and demolition material to landfills on the Nation's reserve, and then wrongfully preventing the company from availing itself of such landfills.

This lawsuit remains at an early stage of the proceeding and the plaintiff has not specified damages. Therefore, the likelihood and amount of potential loss cannot be reasonably estimated at this time. A reasonable estimate will be recorded once the lawsuit has progressed to a stage when sufficient information is available to support the estimate.

- The First Nation has provided guarantee in the amount of \$11,980,000 (2022 - \$nil) on a credit facility demand loan to Copper Raven Limited Partnership, a subsidiary of CFN Holdings LP. The First Nation is contingently liable up to \$11,980,000.

13. Accumulated operating surplus

Accumulated operating surplus consists of the following:

	2023	2022
Equity in Tangible Capital Assets	6,924,266	6,635,105
Operating Surplus	14,980,142	11,388,221
Equity in Ottawa Trust Funds	1,242	4,026
Equity in CMHC Reserves	507,551	332,101
Accumulated Remeasurement Gains	95,268	-
Investment in Nation Business Entities	8,515,868	6,263,831
	<hr/> 31,024,337	<hr/> 24,623,284

14. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation. During the year the First Nation completed a restructuring of its operating segments. This resulted in changes to expenditures reported by segment in Schedule 2, however did not have a net impact on total expenditures.

Cheam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

15. Segments

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

Administration

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.

Education, Employment & Training

Includes revenue and expenses related to primary, secondary and post secondary education and training of the members of the First 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.

Facilities, Operations & Maintenance

Includes activities related to the maintenance of facilities, including funding for expenses related to repair and maintenance of Cheam's lands, water systems, roads, equipment and buildings.

Health Services

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

Language, Culture & Community

Includes activities and programs related to cultural teachings, traditions and language.

Lands and Economic Development

Includes activities related to the management and planning of lands and resources, including community safety and enforcement measures.

Housing Program

Includes property management of homes owned by the First Nation, and the administration of social housing programs.

Rights & Title, Territorial Stewardship

Xwchíyò:m have never ceded or surrendered title to their lands, rights to their resources, or authority to make decisions within their territory by this group of initiatives and projects. Includes programs related to rights & title and advocacy.

Emergency Management & Climate Change Readiness

Includes activities to support community preparedness and response in the event of natural disasters, the COVID-19 response and atmospheric river impacts.

Taxation, Own Source Revenue, IBAs and Investments

Includes activities related to property taxation, own source revenue and other investments,

Capital & Infrastructure Planning

Includes revenues to support the planning, engineering and development of major infrastructure and comprehensive community planning.

Tangible Capital Assets

Includes the communities tangible capital assets and amortization expense.

Cheam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

16. 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.

Fair Value of Financial Instruments

Financial instruments measured at fair value on the statement of financial position include portfolio investments quoted in active markets.

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 foreign 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 enters into transactions to purchase and sell portfolio investments for which the market price fluctuates.

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 price risk with respect to its term deposits which are at fixed rates of interest.

The First Nation is exposed to interest rate price risk with respect to mortgages included in long term debt which have fixed rates of interest.

Cheam First Nation
Schedule 1 - Schedule of Tangible Capital Assets
For the year ended March 31, 2023

	<i>Automotive Equipment</i>	<i>Other Equipment</i>	<i>Land and Infrastructure</i>	<i>Buildings</i>	<i>Housing</i>	2023	2022
Cost							
Balance, beginning of year	164,444	678,473	4,369,935	9,031,986	6,494,698	20,739,536	19,524,393
Acquisition of tangible capital assets	-	-	29,813	795,374	-	825,187	1,215,144
Balance, end of year	164,444	678,473	4,399,748	9,827,360	6,494,698	21,564,723	20,739,537
Accumulated amortization							
Balance, beginning of year	61,994	365,896	855,165	2,601,724	4,793,000	8,677,779	7,959,153
Annual amortization	20,490	47,115	112,339	372,289	182,763	734,996	718,627
Balance, end of year	82,484	413,011	967,504	2,974,013	4,975,763	9,412,775	8,677,780
Net book value of tangible capital assets	81,960	265,462	3,432,244	6,853,347	1,518,935	12,151,948	12,061,757
Net book value of tangible capital assets (2022)	102,450	312,577	3,514,770	6,430,262	1,701,698	12,061,757	

Cheam First Nation
Schedule 2 - Segmented Information
For the year ended March 31, 2023

	Administration	Education, Employment & Training	Social Development	Facilities, Operation & Maintenance	Health Services	Language, Culture & Community	Lands and Economic Development	Housing Program	Rights & Title, Territorial Stewardship	2023 Subtotal
Revenue										
Indigenous Services Canada	\$ 403,212	\$ 753,820	\$ 1,141,509	\$ 188,698	\$ 263,778	\$ 97,007	\$ 306,548	\$ 143,624	\$ -	\$ 3,298,196
Other government	43,167	146,353	42,356	-	827,596	57,000	-	1,096,003	17,500	2,229,975
Economic activities and other	267,909	133,691	17,409	64,494	1,000	13,200	4,359,403	183,783	4,933	5,045,822
	714,288	1,033,864	1,201,274	253,192	1,092,374	167,207	4,665,951	1,423,410	22,433	10,573,993
Expenses										
Amortization	-	-	-	-	-	-	-	-	-	-
Operating expenses	789,958	35,956	128,273	324,614	559,392	21,784	358,537	117,033	340,334	2,675,881
Salaries, wages and benefits	1,110,498	162,148	43,790	202,187	816,329	3,426	273,433	74,608	-	2,686,419
Program and services delivery expenses	20,515	1,019,427	566,104	170,174	245,090	398,067	3,033	178,611	-	2,601,021
	1,920,971	1,217,531	738,167	696,975	1,620,811	423,278	635,004	370,252	340,334	7,963,323
Surplus (deficit) before transfers	(1,206,683)	(183,667)	463,107	(443,783)	(528,437)	(256,071)	4,030,947	1,053,158	(317,901)	2,610,670
Transfers between programs	(1,329,760)	49,679	(87,627)	576,368	487,175	(2,543,150)	(407,959)	(677,020)	282,255	(3,650,039)
Annual surplus (deficit)	\$ (2,536,443)	\$ (133,988)	\$ 375,480	\$ 132,585	\$ (41,262)	\$ (2,799,221)	\$ 3,622,988	\$ 376,138	\$ (35,646)	\$ (1,039,369)

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	Administration	Education, Employment & Training	Social Development	Facilities, Operation & Maintenance	Health Services	Language, Culture & Community	Lands and Economic Development	Housing Program	Rights & Title, Territorial Stewardship	2022 Subtotal
Revenue										
Indigenous Services Canada	\$ 317,611	\$ 817,211	\$ 1,112,161	\$ 245,780	\$ -	\$ 16,390	\$ 364,511	\$ 331,502	\$ -	\$ 3,205,166
Other government	119,820	358,624	50,277	-	894,151	30,000	-	64,460	-	1,517,332
Economic activities and other	127,747	2,452	6,173	65,729	13,600	3,000	708,753	158,871	-	1,086,325
	565,178	1,178,287	1,168,611	311,509	907,751	49,390	1,073,264	554,833	-	5,808,823
Expenses										
Amortization	-	-	-	-	-	-	-	-	-	-
Operating expenses	530,876	105,995	39,013	177,627	255,590	16,194	803,315	111,274	46,720	2,086,604
Salaries, wages and benefits	1,236,808	103,122	22,972	288,059	717,608	46	496,913	70,483	-	2,936,014
Program and services delivery expenses	783,136	711,196	687,883	70,841	134,061	83,663	152,620	432,252	-	3,055,652
	2,550,822	920,313	749,869	536,527	1,107,259	99,904	1,452,847	614,009	46,720	8,078,270
Surplus (deficit) before transfers	(1,985,644)	257,974	418,742	(225,018)	(199,508)	(50,514)	(379,583)	(59,176)	(46,720)	(2,269,447)
Transfers between programs	1,500,589	50,000	100,000	33,400	232,670	89,737	(261,344)	25,000	7,940	1,777,992
Annual surplus (deficit)	\$ (485,055)	\$ 307,974	\$ 518,742	\$ (191,618)	\$ 33,162	\$ 39,223	\$ (640,927)	\$ (34,176)	\$ (38,780)	\$ (491,455)

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Cheam First Nation
Schedule 2 - Segmented Information
For the year ended March 31, 2023

	2023 Subtotal	Emergency Management & Climate Change Readiness	Taxation, Own Source Revenue, IBAs and Investments	Capital & Infrastructure Planning	Tangible Capital Assets	2023 Total
Revenue						
ISC	\$ 3,298,196	\$ 93,250	\$ -	\$ -	\$ 36,740	\$ 3,428,186
Other government	2,229,975	21,597	3,257,448	-	24,582	5,533,602
Economic activities and other	5,045,822	-	1,279,769	-	-	6,325,591
	10,573,993	114,847	4,537,217	-	61,322	15,287,379
Expenses						
Amortization	-	-	-	-	734,996	734,996
Operating expenses	2,675,881	150,342	51,507	-	3,138	2,880,868
Salaries, wages and benefits	2,686,419	3,022	-	-	36,713	2,726,154
Program and services delivery expenses	2,601,021	11,543	-	-	27,010	2,639,574
	7,963,321	164,907	51,507	-	801,857	8,981,594
Surplus (deficit) before transfers	2,610,672	(50,060)	4,485,710	-	(740,535)	6,305,785
Transfers between programs	(3,650,039)	10,449	(2,002,736)	10,546	5,631,780	-
Annual surplus (deficit)	\$ (1,039,367)	\$ (39,611)	\$ 2,482,974	\$ 10,546	\$ 4,891,245	\$ 6,305,785

	2022 Subtotal	Emergency Management & Climate Change Readiness	Taxation, Own Source Revenue, IBAs and Investments	Capital & Infrastructure Planning	Tangible Capital Assets	2022 Total
Revenue						
ISC	\$ 3,205,166	\$ 265,576	\$ -	\$ 25,000	\$ 11,182	\$ 3,506,924
Other government	1,517,332	87,441	1,660,756	-	102,502	3,368,031
Economic activities and other	1,086,325	-	843,991	-	-	1,930,316
	5,808,823	353,017	2,504,747	25,000	113,684	8,805,271
Expenses						
Amortization	-	-	-	-	718,628	718,628
Operating expenses	2,086,604	76,283	190,875	26,080	119,567	2,499,409
Salaries, wages and benefits	2,936,014	75,320	3,297	-	8,942	3,023,573
Program and services delivery expenses	3,055,652	23,469	109,514	-	3,423	3,192,058
	8,078,272	175,072	303,687	26,080	850,560	9,433,669
Surplus (deficit) before transfers	(2,269,449)	177,945	2,201,060	(1,080)	(736,876)	(628,398)
Transfers between programs	1,777,992	(198,154)	(2,065,448)	-	485,610	-
Annual surplus (deficit)	\$ (491,457)	\$ (20,209)	\$ 135,612	\$ (1,080)	\$ (251,266)	\$ (628,398)