

Kwadacha Nation
Consolidated Financial Statements
March 31, 2022

	Page
Management's Responsibility	
Independent Auditor's Report	
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Remeasurement Gains and Losses.....	3
Consolidated Statement of Changes in Net Financial Assets.....	4
Consolidated Statement of Cash Flows.....	5
Notes to the Consolidated Financial Statements	6
Schedules	
Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	22
Schedule 2 - Consolidated Schedule of Expenses by Object.....	24
Schedule 3 - Schedule of Revenue and Expenses and Accumulated Surplus - Administration.....	25
Schedule 4 - Schedule of Revenue and Expenses and Accumulated Surplus - Education and Training.....	26
Schedule 5 - Schedule of Revenue and Expenses and Accumulated Surplus - Income Assistance.....	27
Schedule 6 - Schedule of Revenue and Expenses and Accumulated Surplus (Deficit) - Operations and Maintenance.....	28
Schedule 7 - Schedule of Revenue and Expenses and Accumulated Surplus - Capital.....	29
Schedule 8 - Schedule of Revenue and Expenses and Accumulated Surplus - Own Source.....	30
Schedule 9 - Schedule of Revenue and Expenses and Accumulated Surplus - Health and Wellness.....	31
Schedule 10 - Schedule of Revenue and Expenses and Accumulated Surplus - Settlement Negotiations.....	32
Schedule 11 - Schedule of Revenue and Expenses and Accumulated Surplus - Nation Member Trust.....	33



Management's Responsibility

To the Members of Kwadacha Nation:

The accompanying consolidated financial statements of Kwadacha 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 Kwadacha 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 Nation's external auditors.

MNP LLP is appointed by the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

July 27, 2022

Executive Director

To the Members of Kwadacha Nation:

Qualified Opinion

We have audited the consolidated financial statements of Kwadacha Nation (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, changes in net financial assets, cash flows and the related schedules 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 possible effects of the matters 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 Nation as at March 31, 2022, and the results of its consolidated operations, its consolidated remeasurement gains and losses, changes in its net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The Nation did not prepare and approve a budget for the year ended March 31, 2022. Canadian Public Sector Accounting Standards requires the approved budget to be presented in the consolidated statements of operations and accumulated surplus, and changes in net financial assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under Statements section of our report. We are independent of the Nation in accordance with the ethical requirements that are those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial 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 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 Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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 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.

Prince George, British Columbia

July 27, 2022

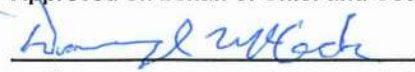

MNP LLP

Chartered Professional Accountants

Kwadacha Nation
Consolidated Statement of Financial Position
As at March 31, 2022

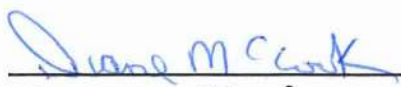

	2022	2021
Financial assets		
Cash and cash equivalents (Note 3)	3,058,003	1,747,245
Trade and other receivables (Note 4)	980,231	1,153,955
Portfolio investments (Note 5)	135	92,592
Restricted cash and reserves (Note 6)	10,048,045	7,589,041
Advances to related Nation entities (Note 7)	527,795	299,727
Inventories (Note 8)	364,406	364,406
Investment in Nation partnerships and business entities (Note 9)	4,815,762	3,661,869
Funds held in trust (Note 10)	137,505	135,006
Total financial assets	19,931,882	15,043,841
Liabilities		
Accounts payable and accruals (Note 11)	3,491,827	3,693,095
Deferred revenue (Note 12)	1,571,614	243,281
Debt (Note 13)	3,387,080	3,800,647
Promissory note payable (Note 14)	2,156,451	2,261,047
Advances from related Nation entities (Note 15)	3,983,260	4,684,908
Total financial liabilities	14,590,232	14,682,978
Net financial assets	5,341,650	360,863
Contingent liabilities (Note 16)		
Non-financial assets		
Tangible capital assets (Schedule 1)	48,688,001	49,694,434
Prepaid expenses	46,052	36,801
Total non-financial assets	48,734,053	49,731,235
Accumulated surplus (Note 17)	54,075,703	50,092,098
Accumulated surplus is comprised of:		
Accumulated surplus	52,031,003	47,756,423
Accumulated remeasurement gains and losses	2,044,700	2,335,675
	54,075,703	50,092,098

Approved on behalf of Chief and Council:

Chief

Councilor

Councilor

Kwadacha Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2022

	<i>Schedules</i>	<i>2022 Budget (Note 20)</i>	<i>2022</i>	<i>2021</i>
Revenue				
Indigenous Services Canada (Note 19)		-	9,103,376	9,235,613
BC Hydro Trust Funds Contribution		-	3,841,681	155,175
Kwadacha Community Store		-	3,373,097	3,575,236
Earnings from investment in Nation partnerships and business entities (Note 9)		-	3,149,812	524,958
Other revenue		-	2,498,278	2,284,523
First Nations Health Authority		-	2,124,094	2,582,397
Interest		-	1,539,909	1,033,357
Rental income		-	714,026	961,775
Province of British Columbia		-	623,209	929,827
Forgiveness of related party loans		-	117,852	-
Government of Canada		-	82,175	577,358
Gain (loss) on disposal of tangible capital assets		-	78,250	(76,639)
Nation members trust		-	9,011	25,806
Loss on portfolio investments		-	(96,157)	-
		-	27,158,613	21,809,386
Program expenses (Schedule 2)				
Administration	3	-	2,525,477	2,250,166
Education and Training	4	-	3,437,263	3,770,413
Income Assistance	5	-	944,896	977,912
Operations and Maintenance	6	-	1,731,802	1,341,226
Capital	7	-	2,926,372	2,326,078
Own Source	8	-	7,333,824	6,121,066
Health and Wellness	9	-	2,553,627	1,895,955
Settlement Negotiations	10	-	1,421,735	1,045,641
Nation Member Trust	11	-	9,037	13,727
		-	22,884,033	19,742,184
Annual surplus		-	4,274,580	2,067,202
Accumulated surplus, beginning of year		47,756,423	47,756,423	45,689,221
Accumulated surplus, end of year		47,756,423	52,031,003	47,756,423

The accompanying notes are an integral part of these financial statements

Kwadacha Nation
Consolidated Statement of Remeasurement Gains and Losses
For the year ended March 31, 2022

	2022	2021
Accumulated remeasurement gains and losses, beginning of year	2,335,675	(514,939)
Unrealized gains (losses) attributable to:		
Fair value of financial instruments in restricted cash and reserves	(290,975)	2,850,614
Accumulated remeasurement gains and losses, end of year	2,044,700	2,335,675

Kwadacha Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2022

	2022 Budget (Note 20)	2022	2021
Annual surplus	-	4,274,580	2,067,202
Purchases of tangible capital assets	-	(1,725,737)	(5,286,852)
Amortization of tangible capital assets	-	2,685,420	2,198,041
(Gain) loss on disposal of tangible capital assets	-	(78,250)	76,639
Proceeds on disposal of tangible capital assets	-	125,000	150,190
Use (acquisition) of prepaid expenses	-	(9,251)	35,559
Change in remeasurement gains and losses for the year	-	(290,975)	2,850,614
Increase in net financial assets	-	4,980,787	2,091,393
Net financial assets (debt), beginning of year	-	360,863	(1,730,530)
Net financial assets, end of year	-	5,341,650	360,863

The accompanying notes are an integral part of these financial statements

Kwadacha Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	4,274,580	2,067,202
Non-cash items		
Amortization	2,685,420	2,198,041
(Gain) loss on disposal of tangible capital assets	(78,250)	76,639
Change in remeasurement gains and losses for the year	(290,975)	2,850,614
Bad debt	46,767	60,014
	6,637,542	7,252,510
Changes in working capital accounts		
Trade and other receivables	126,957	(144,125)
Inventories	-	(44,382)
Restricted cash and reserves	(2,459,004)	(2,826,117)
Funds held in trust	(2,499)	(2,819)
Accounts payable and accruals	(201,268)	873,156
Deferred revenue	1,328,333	(690,581)
Prepaid expenses	(9,251)	35,559
	5,420,810	4,453,201
Financing activities		
Repayment of debt	(413,567)	(432,525)
Net repayment of advances from related Nation entities	(929,716)	(13,883)
Repayment of promissory note	(104,596)	(101,679)
	(1,447,879)	(548,087)
Capital activities		
Purchases of tangible capital assets	(1,725,737)	(5,286,852)
Proceeds on disposal of tangible capital assets	125,000	150,190
Disposal of portfolio investments	92,457	-
	(1,508,280)	(5,136,662)
Investing activities		
Net investment in Nation partnerships and business entities	(1,153,893)	(1,500,920)
Increase (decrease) in cash	1,310,758	(2,732,468)
Cash, beginning of year	1,747,245	4,479,713
Cash, end of year	3,058,003	1,747,245

The accompanying notes are an integral part of these financial statements

Kwadacha Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

1. Operations

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

COVID-19 Outbreak

In early 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The Nation's operations were not impacted by COVID-19. At this time, it is unknown the full extent of the impact the COVID-19 outbreak may have on the Nation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

For the year ended March 31, 2022, the Nation received a total of \$567,706 of COVID-19 related funding. \$458,303 of this was received from Indigenous Services Canada and \$109,403 was received from First Nations Health Authority.

2. Significant accounting policies

The consolidated financial statements of Kwadacha Nation (the "Nation") are the representations of management, and are prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada and are consistent with accounting policies set out by Indigenous Services Canada ("ISC"). Significant aspects of the accounting policies adopted by the Nation are as follows:

Reporting entities consolidated

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

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

- 0936269 B.C. Ltd.
- Kwadacha Settlement Negotiations Agreement
- Kwadacha Community Store
- Kwadacha Land Corp.
- Kwadacha Community Restaurant

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.

Kwadacha Nation business entities, owned or controlled by the Nation's Chief and Council but not dependent on the Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. Nation business partnerships, jointly owned and controlled by the Nation's Chief and Council that are not dependent on the Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method.

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

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 Nation. Thus, the 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.

Government business entities accounted for by the modified equity basis include:

- Kwadacha Master GP Ltd. (100%)

Government business partnerships accounted for by the modified equity basis include:

- Kwadacha Master Limited Partnership (99.99%)
- Tse Keh Nay Limited Liability Partnership (33.33%)
- Claw Mountain Outfitters Limited Liability Partnership (50%)
- Three Feathers Limited Partnership (33.33%)
- KNGV Freight Services Joint Venture (50%)

Entities which are not controlled or jointly controlled are accounted for at cost. These include:

- Chee Ventures Ltd. (30.76%)
- Three Feathers GP Ltd. (33.33%)
- British Columbia First Nations Gaming Revenue Sharing Limited Partnership
- British Columbia First Nations Gaming Revenue Sharing General Partnership Ltd.

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.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of 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 surplus. Trust monies consist of:

- Capital trust monies derived from non-renewable resource transactions on land or other Nation tangible capital assets; and
- Revenue trust monies generated primarily through land leasing transactions or interest earned on deposits held in trust.

Net financial assets

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

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.

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

Cash and cash equivalents

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

Inventories

Inventories are recorded at the lower of cost or net realizable value. Cost for retail inventory is valued using the first in first out method; cost for gravel is valued using the weighted average cost method.

Tangible capital assets

Capital expenditures are any significant expenditure incurred to acquire or improve land, buildings, engineering structures, machinery or equipment. The benefits last beyond one year and result in the acquisition of an asset or are an extension of the life of an asset. Tangible capital assets are initially recorded at cost less accumulated amortization. Contributed tangible assets are recorded at their fair value at the date of contribution.

Assets under construction are not amortized until the asset is available for productive use.

All intangible assets and items inherited by the right of the Nation, such as reserve lands, forests, water resources and mineral resources, are not recognized in the Nation's consolidated financial statements.

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.

The Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using quoted market prices.

Amortization

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

	<i>Method</i>	<i>Rate</i>
Buildings	declining balance	4 %
Buildings - renovations	straight-line	10 years
Automotive	declining balance	30 %
Equipment	declining balance	20-30 %
Infrastructure	declining balance	4 %

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

Revenue recognition

i) Government Transfers

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

ii) Nation Capital and Revenue Trust Funds

The Nation recognizes revenue of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

iii) Investment Income

Investment income is recognized by the Nation when the investment income is earned.

iv) Other Revenue

Revenue earned from the sale of fuel, tobacco and confectionary items is recognized when the goods are delivered to the customer, persuasive evidence of an arrangement exists, and collection is reasonably assured.

Interest income, rental income, and other revenue are recognized when earned and/or when the service is provided and collection is reasonably assured.

Measurement uncertainty (use of estimates)

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 are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are based on the best information available regarding potentially contaminated sites that the Nation is responsible for.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

Segments

The Nation conducts its business through a number of reportable segments as described in Note 21. These operating segments are established by senior management to facilitate the achievement of the 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.

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

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2022.

At each financial reporting date, the 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 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. As at March 31, 2022, no liability for contaminated sites exists.

Financial instruments

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

The Nation has designated endowment and trustee funds to be subsequently measured at their fair value. Fair value is determined by quoted prices in active markets.

The 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 consolidated 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 surplus. 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 consolidated 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 consolidated statement of remeasurement gains and losses.

3. Cash and cash equivalents

Included in the cash and cash equivalents is restricted funds of \$855,226 (2021 - \$503,158) provided by BC First Nations Gaming Revenue Sharing Limited Partnership. Under the terms of agreement, the funds must be expended on or held for the purpose of the following areas:

- Health and wellness;
- Infrastructure, safety, transportation and housing;
- Economic and business development;
- Education, language, culture and training;
- Community development and environmental protection;
- Capacity building, fiscal management and governance.

Kwadacha Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

4. Trade and other receivables

	2022	2021
Accounts receivable	427,648	671,769
Government receivable	382,026	402,599
Member rent receivable	258,577	244,472
Allowance for member rent receivable	(258,577)	(244,472)
Other receivable	-	400
Employee advances and member loan receivable	61,859	44,310
GST receivable	108,698	34,877
	980,231	1,153,955

5. Portfolio investments

	2022	2021
Measured at cost:		
Chee Ventures Ltd.	-	67,457
Kaska Energy Corp.	-	25,000
Three Feathers GP Ltd.	25	25
BC First Nations Gaming Revenue Sharing LP	100	100
BC First Nations Gaming Revenue Sharing GP Ltd.	10	10
	135	92,592

6. Restricted cash and reserves

	2022	2021
Reserves		
Capital Reserve	204,325	693,253
Debt Reserve - First Nations Finance Authority	141,766	139,622
Secured Revenue Trust Account - First Nations Finance Authority	119,922	282,402
Minister of Finance Security Deposit	2,500	2,500
	468,513	1,117,777
Victoria Foundation		
Endowment Fund	7,158,007	6,420,704
Trustee Payments	2,421,525	50,560
	9,579,532	6,471,264
	10,048,045	7,589,041

Kwadacha Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

6. Restricted cash and reserves *(Continued from previous page)*

Capital Asset Reserve

The Capital Asset Reserve consists of internally restricted funds designated for the future acquisition of tangible capital assets in accordance with the Nation's capital plan.

Debt Reserve

Under the terms of a Borrowing Agreement with First Nation Finance Authority, five percent of the loan amount is withheld in the event that FNFA lacks sufficient funds to meet its obligations due to default in payment by the Nation. Upon extinguishment of the loan, the Debt Reserve, \$141,766 (2021-\$139,622) plus daily interest at 0.85%, will be repaid to the Nation.

Secured Revenue Trust Account

Under the terms of a Secured Revenue Trust Account Management Agreement with First Nations Finance Authority, a minimum debt service coverage ratio must be maintained with interest calculated monthly at 0.7%. Scheduled principal and interest payments are withdrawn in accordance with the Borrowing Agreement.

Victoria Foundation

Trust funds are held on behalf of the Nation in an Endowment Fund with the Victoria Foundation, created under the Endowment Fund Public Deed of Trust and a Payment Trustee Agreement between Kwadacha Nation, the Victoria Foundation and British Columbia Power Authority dated November 28, 2009. The initial capital contribution earning interest in this fund is \$13,500,000. As the amount is an endowment held in perpetuity, it has not been recorded in these consolidated financial statements.

7. Advances to related Nation entities

Amounts due from Nation entities are unsecured, non-interest bearing with no specific terms of repayment. The decision was made to move historical amounts owing or payable as Partner contributions and withdrawals to the Nation in the year ended March 31, 2022.

	2022	2021
Due from KNGV Freight Services Joint Venture	460,214	298,761
Due from Kwadacha Land Corp.	1,197	966
Due from Kwadacha Natural Resources Limited Partnership	57,633	-
Due from Kwadacha Green Energy Limited Partnership	8,751	-
	527,795	299,727

8. Inventories

	2022	2021
Retail	313,470	313,470
Jet fuel, seacan and materials	42,700	42,700
Gravel	8,236	8,236
	364,406	364,406

Kwadacha Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

9. Investments in Nation partnerships and business entities

The Nation has investments in the following entities:

					2022
	<i>Balance, beginning of year</i>	<i>Loans / advances</i>	<i>Share of earnings (loss)</i>	<i>Change in ownership</i>	<i>Total investment</i>
Wholly-owned Businesses:					
Kwadacha Natural Resources GP Ltd.	(16,538)	-	-	16,538	-
Obo Forest Management GP Ltd.	(11,213)	-	-	11,213	-
Kwadacha Master GP Ltd.	-	-	-	(27,751)	(27,751)
	(27,751)	-	-	-	(27,751)
First Nation Business Partnerships – Modified Equity:					
Kwadacha Natural Resources LP - 99.99%	3,181,329	-	-	(3,181,329)	-
Three Feathers LP - 33.33%	39,082	-	2,834	-	41,916
Claw Mountain LP - 50%	502,117	-	(57,707)	-	444,410
Tse Keh Nay LLP - 33.33%	74,094	(33,000)	220,627	-	261,721
KNGV Freight Services - 50%	(107,002)	-	(779)	-	(107,781)
Kwadacha Master LP - 99.99%	-	1,218,410	2,984,837	-	4,203,247
	3,689,620	1,185,410	3,149,812	(3,181,329)	4,843,513
	3,661,869	1,185,410	3,149,812	(3,181,329)	4,815,762
					2021
	<i>Balance, beginning of year</i>	<i>Loans / advances</i>	<i>Share of earnings (loss)</i>	<i>Change in ownership</i>	<i>Total investment</i>
Wholly-owned Businesses:					
Kwadacha Natural Resources GP Ltd.	(13,401)	(100)	(3,037)	-	(16,538)
Obo Forest Management GP Ltd.	(10,097)	(100)	(1,016)	-	(11,213)
	(23,498)	(200)	(4,053)	-	(27,751)
First Nation Business Partnerships – Modified Equity:					
Kwadacha Natural Resources LP - 99.99%	1,571,210	1,231,296	378,823	-	3,181,329
Three Feathers LP - 33.33%	287,199	(300,000)	51,883	-	39,082
Claw Mountain LP - 50%	349,718	124,287	28,112	-	502,117
Tse Keh Nay LLP - 33.33%	88,354	(79,421)	65,161	-	74,094
KNGV Freight Services - 50%	(112,034)	-	5,032	-	(107,002)
	2,184,447	976,162	529,011	-	3,689,620
	2,160,949	975,962	524,958	-	3,661,869

Kwadacha Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

9. Investments in Nation partnerships and business entities *(Continued from previous page)*

Summary financial information for each Nation business entity, accounted for using the modified equity method, for their respective year-ends is provided below.

The Nation's investees have a different year-end than March 31, 2022, as described below. The Nation uses the investees' year-end financial statements to account for its investment in these investees. For most investments, there have been no significant events or transactions in the interim period.

All entities listed are unaudited.

As at the audit report date, financial statements were unavailable for Kwadacha Master GP Ltd and as such financial information for this entity has not been included in the summary below.

	<i>Three Feathers LP As at April 30, 2022 (unaudited)</i>	<i>Tse Keh Nay LLP As at March 31, 2022 (unaudited)</i>	<i>Claw Mountain Outfitters LLP As at December 31, 2021 (unaudited)</i>	<i>Kwadacha Master LP As at December 31, 2021 (unaudited)</i>
Assets				
Cash	1,491,797	480,683	143,815	-
Accounts receivable	12,210	340,340	37,450	-
Prepays	13,200	-	-	-
Due from related parties	4,538	-	-	-
Investments	-	-	-	4,206,546
Property, plant, equipment	-	-	225,436	-
Intangibles	-	-	547,660	-
Inventory	-	-	48,600	-
GICs	-	-	10,000	-
Total assets	1,521,745	821,023	1,012,961	4,206,546
Liabilities				
Accounts payable and accruals	44,321	35,865	112,429	3,000
Deferred revenue	-	-	11,000	-
Accrued silviculture liability	1,351,470	-	-	-
Total liabilities	1,395,791	35,865	123,429	3,000
Shareholders' Equity/Partners' Capital	125,954	785,158	889,532	4,203,546
Total revenue	514,764	687,705	951,957	2,988,136
Total expenses	506,260	25,826	1,067,369	3,000
Net income (loss)	8,504	661,879	(115,412)	2,985,136

Kwadacha Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

9. Investments in Nation partnerships and business entities *(Continued from previous page)*

*KNGV Freight
Services (A
Partnership)
As at April 30,
2022
(unaudited)*

Assets	
Cash	241,003
Accounts receivable	46,330
Prepays	-
Due from related parties	-
Investments	-
Property, plant, equipment	-
Intangibles	-
Inventory	-
GICs	-
Total assets	287,333
Liabilities	
Accounts payable and accruals	6,762
Deferred revenue	-
Accrued silviculture liability	-
Total liabilities	6,762
Shareholders' Equity/Partners' Capital	
	280,571
Total revenue	294,600
Total expenses	296,157
Net income (loss)	(1,557)

Kwadacha Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

10. Funds held in trust

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

	2022	2021
Capital Trust		
Balance, beginning and end of year	1	1
Revenue Trust		
Balance, beginning of year	135,005	132,186
BC special	1,280	1,268
Interest	1,219	1,551
Balance, end of year	137,504	135,005
	137,505	135,006

Ottawa Trust Funds

The Ottawa Trust accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the *Indian Act*.

11. Accounts payable and accruals

Included in accounts payable and accruals are government remittances of \$38,320 (2021 - \$nil).

12. Deferred revenue

		2022	2021
ICMS #9-00129808 Two Triplexes	Indigenous Services Canada	900,000	-
ICMS #9-00123010 Flood and Erosion Mitigation	Indigenous Services Canada	222,277	242,824
ICMS #9-00129751 Housing Renovations	Indigenous Services Canada	249,337	-
ICMS #9-00129872 Housing Covid Top-Up	Indigenous Services Canada	200,000	-
ICMS #9-00128367 Housing Renovations	Indigenous Services Canada	-	457
		1,571,614	243,281

13. Debt

	2022	2021
Royal Bank of Canada demand loan, repayable in monthly instalments of \$4,894 including interest at 3.00% per annum, secured by a Government of Canada ministerial guarantee, matures November 2024	806,646	840,610
Royal Bank of Canada demand loan, repayable in monthly instalments of \$5,184 including interest at 3.59% per annum, secured by a Government of Canada ministerial guarantee, matures August 2023	771,641	805,481
Royal Bank of Canada term loan, repayable in monthly instalments of \$10,433 including interest at RBC prime plus 1.75%, secured by a Government of Canada ministerial guarantee, matures July 2022	641,804	737,763

Kwadacha Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

12. Debt *(Continued from previous page)*

	2022	2021
Royal Bank of Canada demand loan, repayable in monthly instalments of \$2,971 including interest at 2.47% per annum, secured by a Government of Canada ministerial guarantee, matures April 2025	396,177	421,694
Royal Bank of Canada demand loan, repayable in monthly instalments of \$5,400 including interest at 1.77% per annum, secured by a Government of Canada ministerial guarantee, matures January 2026	240,047	309,986
Royal Bank of Canada demand loan, repayable in monthly instalments of \$2,342 including interest at 3.61% per annum, secured by a Government of Canada ministerial guarantee, matures December 2023	268,629	286,673
Conditional Sales Contract repayable in monthly instalments of \$1,783 including interest at 2.81% per annum, secured by a Government of Canada ministerial guarantee, matures July 2022	105,841	123,978
Royal Bank of Canada demand loan, repayable in monthly instalments of \$1,121 including interest at 1.87% per annum, secured by a Government of Canada ministerial guarantee, matures February 2026	110,333	122,553
Royal Bank of Canada demand loan, repayable in monthly instalments of \$772 including interest at 3.18% per annum, secured by a Government of Canada ministerial guarantee, matures April 2024	45,962	53,633
Royal Bank of Canada - fully repaid during the year	-	51,412
Conditional Sales Contract - fully repaid during the year	-	46,864
	3,387,080	3,800,647

Principle repayments on debt in each of the next five years, assuming debt subject to refinancing is renewed, are estimated as follows:

2023	314,737
2024	323,043
2025	333,676
2026	333,933
2027	290,588
<u>Thereafter</u>	<u>1,791,103</u>
	<u>3,387,080</u>

Prime rate at March 31, 2022 was 2.70% (2021 - 2.45%).

Kwadacha Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

14. Promissory note payable

	2022	2021
First Nation Finance Authority		
Note payable for interim financing obtained for the construction of a biomass plant, due the earlier of (a) five years from the first principal amount drawdown (May 11, 2021), (b) the date of completion of the plant (April 21, 2017), or (c) the date upon which the Authority issues debt securities to replace the interim financing, secured by reserves established in accordance with an agreement with First Nation Finance Authority	2,156,451	2,261,047

15. Advances from related Nation entities

Amounts due to Nation entities are unsecured, non-interest bearing with no specific terms of repayment.

	2022	2021
Due to Kwadacha Education Society	3,983,260	3,805,052
Due to Obo Forest Management Limited Partnership	-	762,004
Due to Kaska Oil & Gas Limited Partnership	-	69,632
Due to Kaska Drilling Limited Partnership	-	48,220
	3,983,260	4,684,908

16. Contingent liabilities

Kwadacha Nation has entered into contribution agreements with various government agencies. Funding received under these contribution agreements is subject to repayment if the Nation fails to comply with the terms and conditions of the agreements. The amount of the liability related to current year funding, if any, of the Nation is not determinable at this time.

The Nation may have future silviculture commitments for government business enterprise owned forest licenses if future costs exceed current estimates. The amount of the liability, if any, is not determinable at this time.

17. Accumulated surplus

Accumulated surplus consists of the following:

	2022	2021
Operations Fund	(6,667,995)	(9,520,781)
Investment in tangible capital assets	43,144,469	43,632,741
Capital Asset Fund - internally restricted	204,325	693,253
Investment in Nation partnerships and business entities	4,815,762	3,661,869
Ottawa Trust Fund	137,505	135,006
Settlement Negotiations Fund	10,396,937	9,154,335
Accumulated remeasurement gains and losses	2,044,700	2,335,675
	54,075,703	50,092,098

Kwadacha Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

18. Economic dependence

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

19. Indigenous Services Canada reconciliation

	2022	2021
Direct Nation Funding		
ISC revenue per confirmation	10,431,709	8,583,024
ISC reimbursements	-	1,081
ISC recoveries	-	(39,073)
Deferred for future capital projects	(1,349,337)	(188,323)
Deferred revenue recognized during the year	21,004	878,904
Recipient total per consolidated financial statements	9,103,376	9,235,613

20. Budget information

Budgets were not prepared for all segments and all departments for the year ending March 31, 2022. As such, the budget figures are not presented in the consolidated statements of operations and accumulated surplus, and change in net financial assets.

21. Segments

During the year, the Nation had 9 reportable segments. These segments are differentiated by factors such as major activities, services lines, accountability, and control relationships. For management and reporting purposes, the revenue, expenses, surpluses or deficits are organized by the following segments:

Administration:

This segment provides governance initiatives and training through the activities of Chief and Council and administration of other activities relating to program delivery, membership and finance.

Education and Training:

This segment provides elementary and secondary education instructional services and provides financial support to Post Secondary students.

Income Assistance:

This segment provides programs and services for the social benefit and welfare of Nation members.

Operations and Maintenance:

The segment manages community and facilities operations and maintenance including capital projects, municipal services, water and wastewater operations, roads, fire protection, and maintenance of community buildings.

Capital:

This segment provides for capital infrastructure development.

Own Source:

This segment provides for a variety of non-funded local services.

Health and Wellness:

This segment provides a variety of health care programs, services and support to Nation members.

Settlement Negotiations:

This segment provides programs and services not otherwise funded for the social, economic and capital needs of Nation members.

Nation Member Trust:

This segment provides administration services for funds held in trust for Nation members.

22. Financial Instruments

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

Credit Risk

Credit risk is the risk assumed by the creditor that the borrower will fail to fully honour its financial obligations. Financial instruments that potentially subject the Nation to concentrations of credit risk consists principally of cash, accounts receivable and advances to related parties. The maximum credit risk exposure is \$4,566,029 (2021 - \$1,153,955). Management believes that the credit risk is low in regards to cash as balances are held with a chartered financial institution and low for accounts receivable and advances to related parties as management provides allowances for potentially uncollectible amounts.

Risk management

The Nation does not have formal risk management policies in place.

Liquidity Risk

Liquidity risk is the risk that the Nation will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Nation enters into transactions to purchase goods and services on credit for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Nation's future net cash flows for the possibility of negative net cash flow. The Nation and its entities manage liquidity risk by maintaining liquid assets. The current liabilities of the Nation and its entities are expected to be settled and mature within one year of the year-end date.

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 Nation is exposed to interest rate risk primarily due to the debt as it is subject to floating rates.

23. Comparative figures

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