

**MALAHAT NATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2023**

# **MALAHAT NATION**

---

**CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2023**

**Page**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

## **INDEPENDENT AUDITORS' REPORT**

## **FINANCIAL STATEMENTS**

Consolidated Statement of Financial Position	1
Consolidated Statement of Change in Net Debt	2
Consolidated Statement of Operations and Accumulated Surplus	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5

# MALAHAT NATION

---

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2023

The accompanying consolidated financial statements of Malahat Nation and all the information in this annual report for the year ended March 31, 2023 are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgment. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Malahat Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Nation's assets are appropriately accounted for and adequately safeguarded.

The Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council review the Nation's financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy themselves that each party is properly discharging their responsibilities, and to review the financial statements and the external auditor's report. (The Chief and Council take this information into consideration when approving the financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.)

The consolidated financial statements have been audited by Reid Hurst Nagy Inc. in accordance with Canadian generally accepted auditing standards on behalf of their members. Reid Hurst Nagy Inc. has full access to Chief and Council. Reid Hurst Nagy Inc. have full and free access to the council for information purposes.

Chief

Councilor

Councilor

Councilor

Director of Finance

JULY 27/23

Date

## Independent Auditors' Report

To the Members of  
**Malahat Nation**

---

*Qualified Opinion*

We have audited the consolidated financial statements of Malahat Nation, which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations and accumulated surplus, change in net debt 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, its changes in its consolidated net debt, and its consolidated cash flows for the year then ended in accordance with Public Sector Accounting Standards (PSAS).

*Basis for Qualified Opinion*

Not all financial information for related government business enterprises and partnerships are available and have not been accounted for in the consolidated financial statements for the current year and prior years. In this respect, the financial statements are not in accordance with Canadian public sector accounting standards. We were not able to determine the adjustments that might have been necessary to investment in government business enterprises, liability in government enterprises, investment in government business partnerships, liability in government business partnerships, income (loss) from the government business enterprises, income (loss) from the government business partnerships, due to and from government business enterprises, due to and from government business partnerships, and the enterprises fund balance. Our basis for qualification is consistent with the qualified opinion issued on the Independent Auditor's Report dated July 28, 2022 for the March 31, 2022 consolidated financial statements.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with 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.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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.



REID HURST NAGY INC.  
CHARTERED PROFESSIONAL ACCOUNTANTS  
VANCOUVER, B.C.  
JULY 27, 2023

# MALAHAT NATION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31	2023	2022
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 1,950,845	\$ 294,140
Portfolio investments (Note 3)	111,033	109,878
Restricted cash (Note 4)	328,811	141,913
Accounts receivable (Note 5)	3,031,883	2,355,985
Note receivable (Note 6)	34,267,605	39,205,253
Due from related entities (Note 7)	208,273	163,595
Investment in Government Business Enterprises (Note 8)	726,337	603,826
Investment in Government Business Partnerships (Note 9 & 25)	41,976	41,976
Federal trust funds (Note 10)	797	779
Funds held in trust (Note 11)	5,363,450	5,172,978
	<b>46,031,010</b>	<b>48,090,323</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 12)	1,291,396	1,088,865
Deferred revenue (Note 13)	5,649,084	3,985,458
Due to related entities (Note 14)	3,909,565	8,294,795
Liability in Government Business Partnerships (Note 9)	83,994	83,994
Liability in Government Business Enterprises (Note 8)	7,332,043	7,332,043
Long-term debt (Note 15)	3,672,476	2,848,071
Promissory notes (Note 16)	38,252,830	39,460,171
Capital lease obligation (Note 17)	28,138	38,346
	<b>60,219,526</b>	<b>63,131,743</b>
<b>NET DEBT (Note 25)</b>	<b>(14,188,516)</b>	<b>(15,041,420)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 18)	21,847,939	21,606,470
Prepaid expenses	288,911	188,303
	<b>22,136,850</b>	<b>21,794,773</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 7,948,334</b>	<b>\$ 6,753,353</b>
<b>APPROVED ON BEHALF OF THE MALAHAT NATION</b>		
 , Chief		
 , Councillor		
 , Councillor		
 , Director of Finance		

# MALAHAT NATION

---

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the year ended March 31	2023 Budget	2023 Actual	2022
<b>ANNUAL SURPLUS</b>	\$ 133,233	\$ 1,194,981	\$ 1,318,911
Acquisition of tangible capital assets	-	(2,238,495)	(5,366,496)
Amortization of tangible capital assets	-	1,419,827	1,245,825
Uses of construction in progress	-	577,199	1,940,688
	-	(241,469)	(2,179,983)
Acquisition of prepaid asset	(100,608)	(288,911)	(188,303)
Use of prepaid asset	-	188,303	41,360
	(100,608)	(100,608)	(146,943)
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	32,625	852,904	(1,008,015)
<b>NET DEBT AT BEGINNING OF YEAR</b>	-	(15,041,420)	(14,033,405)
<b>NET DEBT AT END OF YEAR</b>	\$ -	\$ (14,188,516)	\$ (15,041,420)

# MALAHAT NATION

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

	2023 Budget	2023 Actual	2022 Actual
<b>REVENUE</b>			
Indigenous Services Canada	\$ 2,466,125	\$ 4,689,506	\$ 3,004,741
Canada Mortgage and Housing Corporation	186,252	190,578	247,254
Fisheries and Oceans Canada	1,344,660	1,560,081	1,680,926
Transport Canada	591,597	566,273	-
Government of Canada - Other	175,000	225,000	170,000
Parks Canada	-	113,155	-
First Nation Health Authority	713,049	798,037	1,632,121
Deferred revenue - current year	(410,453)	(5,649,084)	(3,985,458)
Deferred revenue - prior year	2,328,967	3,985,458	3,127,880
Gaming revenue	200,000	454,744	193,520
Funding from First Nation Organizations	95,334	230,538	938,608
Net income from Government Business Enterprises (Note 25)	-	145,011	63,423
Other Revenue	2,766,828	3,818,584	3,204,390
Rental income	271,574	252,626	232,040
Province of BC	209,600	1,126,289	327,847
Ottawa Trust Fund	-	796	778
Natural Resources Canada	-	75,309	448,127
Employment and Social Development Canada	-	25,000	25,000
Other	-	(51,336)	-
	10,938,533	<b>12,556,565</b>	11,311,197
<b>EXPENSES</b>			
Indian Government Services	1,886,367	3,082,355	2,787,786
Treaty Negotiation	-	-	3,000
Health	1,291,908	1,146,410	952,172
Housing	490,918	355,193	416,374
Education, Employment and Training	1,552,454	1,629,684	902,293
Social Development	705,184	958,271	668,045
Economic Development	2,068,799	2,016,549	2,303,459
Community Infrastructure	814,509	895,849	591,444
Housing Reserves	5,000	(30,139)	32,328
Environment and Sustainable Development	1,990,161	1,307,412	1,335,385
	10,805,300	<b>11,361,584</b>	9,992,286
<b>ANNUAL SURPLUS</b>	133,233	<b>1,194,981</b>	1,318,911
<b>ACCUMULATED SURPLUS AT BEGINNING OF YEAR (Note 25)</b>	-	<b>6,753,353</b>	5,434,442
<b>ACCUMULATED SURPLUS AT END OF YEAR</b>	\$ 133,233	<b>\$ 7,948,334</b>	\$ 6,753,353

# MALAHAT NATION

---

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2023	2023	2022
<b>OPERATING ACTIVITIES</b>		
ANNUAL SURPLUS	\$ 1,194,981	\$ 1,318,911
Items not affecting cash		
Amortization	1,419,827	1,245,825
	<hr/>	<hr/>
	2,614,808	2,564,736
Change in non-cash operating working capital		
Accounts receivable	(675,898)	(649,247)
Prepaid expenses	(100,608)	(146,943)
Accounts payable and accrued liabilities	202,531	16,247
Deferred revenue	1,663,626	857,578
Federal trust fund	(18)	-
	<hr/>	<hr/>
	3,704,441	2,642,371
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(1,661,297)	(3,425,805)
<b>FINANCING ACTIVITIES</b>		
Due from related entities	(44,678)	(11,337)
Due to related entities	(4,385,230)	801,641
Principal repayment on long-term debt	(148,718)	(136,892)
Proceed from long-term debt	973,125	86,152
Principal repayment on promissory notes	(1,207,341)	(1,172,769)
Funds held in trust	(190,473)	318,715
Principal repayment on capital lease	(10,208)	(9,988)
	<hr/>	<hr/>
	(5,013,523)	(124,478)
<b>INVESTING ACTIVITIES</b>		
Liability in Government Business Enterprises	(122,511)	(750,691)
Note receivable	4,937,648	-
Portfolio investments	(1,155)	(2,387)
Changes in restricted cash	(186,898)	75,741
	<hr/>	<hr/>
	4,627,084	(677,337)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,656,705	(1,585,249)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	294,140	1,879,389
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 1,950,845	\$ 294,140

# **MALAHAT NATION**

---

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2023**

### **1. NATURE OF OPERATIONS**

Malahat Nation (the “First Nation”) is an Indian Band as defined by the Indian Act. The First Nation manages various programs offered by Indigenous Services Canada (ISC) (formerly Indigenous and Northern Affairs Canada) and other funding agents to benefit its members. The First Nation also represents its members in the negotiation of treaty settlements and specific land claims.

### **2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of CPA Canada.

#### **(a) Principles of Consolidation**

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of entities which are controlled by the First Nation. Controlled entities are consolidated, except for government business enterprises and government business partnerships, which are accounted for by the modified equity method. All inter-fund and inter-organization transactions and balances have been eliminated on consolidation.

The First Nation records its investments in government business enterprises (GBE) and government business partnerships (GBP) on a modified equity basis. Under the modified equity basis, the GBE's and GBP's accounting policies are not adjusted to conform with those of the First Nation and inter-entity transactions and balances are not eliminated. The First Nation recognizes its equity interest in the annual earnings or loss of the GBE's and GBP's in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends or other cash distributions that the First Nation may receive from the GBE's and GBP's will be reflected as deductions in the investment asset account.

Entities consolidated in Malahat Nation's financial statements include:

1. Kwunew Kwasun Cultural Society

Entities accounted for on a modified equity basis include:

2. Malahat Aquaculture Ltd. - 100% interest
3. Malahat Construction Ltd. - 100% interest
4. MNQM Contracting Ltd. - 51% interest
5. Yos Economic Development Ltd. - 100% interest
6. Malahat Forestry (2012) Ltd. - 100% interest
7. Malahat Investment Corporation - 100% interest
8. Malahat Nation Land Corporation - 100% interest
9. Malahat Tenure Holding Ltd. - 100% interest
10. Malahat Hazelwood Construction Ltd. - 51% interest
11. Malahat Business Park GP Ltd. - 51% interest
12. Malahat Nelson GP Ltd. - 51% interest
13. Malahat Fuels GP Ltd. - 50% interest
14. Malahat Solutions Inc. - 50% interest
15. Salish Strait Seafoods Ltd. - 20% interest
16. Malahat Aquaculture Limited Partnership - 99.99% interest
17. Malahat Construction Limited Partnership - 99.99% interest
18. Malahat Forestry (2012) Limited Partnership - 99.99% interest
19. Malahat Land Development Limited Partnership - 99.99% interest
20. Malahat Tenure Holding Limited Partnership - 99.99% interest
21. Malahat Business Park Limited Partnership - 99.99% interest
22. Malahat Nelson Limited Partnership - 99.99% interest
23. Yos Economic Development LP - 100% interest

# **MALAHAT NATION**

---

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2023**

### **2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued**

#### **(b) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

#### **(c) Portfolio Investments**

Portfolio investments mainly consisting of GIC held for debt servicing requirements. Portfolio investment also consist of a equity instrument. None of these items are traded in an active market, and therefore recorded at cost.

#### **(d) Note Receivable**

Note receivable is recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectable.

#### **(e) Trust Funds**

Trust funds are included as revenue in these statements only to the extent they have been received from the First Nation's trust funds. The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act.

Federal trust 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.

Other trust fund consist of debt reserves and prepaid loan payments held by the First Nation Finance Authority in relations to repayment of promissory notes outstanding in the year.

#### **(f) Deferred Revenue**

Under the terms of the contribution agreement between the First Nation, ISC and certain other agencies, the First Nation may be liable to repay any contributed funds either not expended or not expended in accordance with the agreement. On the other hand, any deficit, supported by claims eligible for reimbursement under the terms and conditions of the funding agreements, may be reimbursed by the contributor subject to the program's terms and conditions. The First Nation has recorded all known unexpended contribution funds as deferred revenue and/or accounts payable.

#### **(g) Long-term Debt**

Loan proceeds related to the financing of tangible capital assets are recorded as revenue in the appropriate fund. The loan amount is also recorded as a liability on the Statement of Financial Position and as a reduction in the Tangible Capital Asset Fund.

Debt payments, including principal and interest, are charged to the fund to which they relate. Principal reductions are reflected as a reduction in the liability with an offsetting increase in the Tangible Capital Assets Fund.

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023

### 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

#### (h) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Malahat Nation's incremental cost of borrowing.

Amortization is recorded as a reduction to the Tangible Capital Assets Fund and is provided for using the following methods at rates designed to amortize over the estimated useful life of the assets as follows:

Buildings	20 years Straight line
Automotive equipment	5 years Straight line
Equipment	5 years Straight line
Canoes	15 % Declining balance
Infrastructure	20 years Straight line
Marineside development	20 years Straight line
Culture Centre	20 years Straight line
Boat	5 years Straight line
Assets under capital lease	5 years Straight line
Pavillion	20 years Straight line

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Contributed tangible capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

No amortization will be taken for construction in progress until the project is completed and the tangible capital asset is in service.

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023

### 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

#### (i) Revenue Recognition

##### Government Funding

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.

##### First Nation Capital Revenue Trust Funds

The First Nation recognizes revenues 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.

##### Other Trust Funds

The First Nation recognized interest revenue when earned from debt reserves associated with outstanding promissory notes.

##### Housing Rental Income

Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

##### Own Source Revenue

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

#### (j) Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or to finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible assets and prepaid expenses.

#### (k) Measurement Uncertainty

In preparing the consolidated financial statements for the First Nation, management is required 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 period. Items requiring the use of significant estimates include allowance for doubtful accounts and useful life of tangible capital assets. Actual results could differ from these estimates.

# **MALAHAT NATION**

---

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2023**

### **2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued**

#### **(l) Segments**

The First Nation conducts its business through a number of operating segments. 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.

#### **(m) Liability for contaminated sites**

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

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) Malahat Nation is directly responsible or accepts responsibility
- (iv) it is expected that future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

As at March 31, 2022 and 2023, no liability for contaminated sites has been recorded.

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023

### 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

#### (n) Financial Instruments

##### i) Measurement of financial instruments

The First Nation initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The First Nation subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the Statement of Remeasurement gains and losses until the financial instrument is derecognized.

Financial assets measured at amortized cost on a straight line basis include cash, portfolio investments, accounts receivable, note receivable and due from related entities.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities, deferred revenue, long-term debt, promissory note payable, capital lease obligation and due to related entities.

##### ii) Impairment

For financial assets measured at cost or amortized cost, the First Nation determines whether there are indications of possible impairment. When there is an indication of impairment, and the First Nation determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in the Statement of Operation. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

##### iii) Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in the Statement of Operation in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the carrying value of the item upon initial recognition.

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2023

### 3. PORTFOLIO INVESTMENTS

The portfolio investments consist of guarantee investment certificates (GIC) and investment in BC FN Gaming Revenue Sharing Limited Partnership , of which the Nation is a limited partner.

	<b>2023</b>	<b>2022</b>
GICs with maturity less than a year and earning interest at 0.75% per annum.	\$ <b>62,639</b>	\$ 62,482
GICs held as collateral for long-term debt with maturity less than a year and earning interest at 0.75% per annum.	<b>20,526</b>	20,465
GICs held as collateral for long-term debt with maturity less than a year and earning interest at 3.43% per annum.	<b>27,758</b>	26,821
BC FN Gaming revenue Sharing Limited Partnership. Measured at cost.	<b>110</b>	110
	<b>\$ 111,033</b>	<b>\$ 109,878</b>

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2023

### 4. RESTRICTED CASH

	2023	2022
Operating reserve	\$ 100,639	\$ 59,443
Replacement reserve	110,346	82,464
Endowment fund	117,826	6
	<hr/> \$ 328,811	<hr/> \$ 141,913

#### Externally restricted - Operating Reserve

Under the terms of the agreements with CMHC, excess revenues over expenditures for the Post 1996 phases may be retained in an Operating 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 may otherwise be approved by CMHC from time to time. The funds may be used to offset future deficits. Withdrawals are credited to interest first and then principal. At the year end, the reserve was over funded by \$6,922 (2022: over funded by \$28,472).

#### Externally restricted - Replacement Reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the replacement reserve account is to be credited in the amount of \$31,967 (2022: \$130,100) annually. 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 may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. At year end, the reserve was under funded by \$20,662 (2022: under funded by \$76,930).

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2023

### 5. ACCOUNTS RECEIVABLE

	2023	2022
<b>Due from members</b>		
Rent	\$ 71,572	\$ 54,658
<b>Due from Government and other Government Organizations:</b>		
Indigenous Services Canada	232,095	121,464
Natural Resources Canada	-	41,932
Government of Canada - Other	2,500	49,264
Canada Mortgage and Housing Corporation	20,939	109,192
Ministry of Children and Family Development	-	32,757
Fisheries and Oceans Canada	40,041	184,464
Province of BC	46,100	209,535
Transport Canada	137,330	146,780
First Nations Education Steering Committee	71,299	100,863
First Nation Health Authority	175,743	335,286
Ministry of Environment and Climate Change	70,553	169,990
Ministry of Finance	-	49,272
Ministry of Jobs, Economic Development and Innovation	100,000	-
Ministry of Transportation and Infrastructure	638,250	-
	<hr/> 1,534,850	<hr/> 1,550,799
<b>Due from others:</b>		
Others	810,702	698,779
Malahat Business Park LP	221,302	199,022
Malahat Nelson GP	13,752	13,802
Malahat Investment Corporation	199,132	45,930
Mill Bay Malahat Development Group	15,000	15,000
Malahat Fuels LLP	252,940	-
	<hr/> 1,512,828	<hr/> 972,533
Allowance for doubtful accounts	<hr/> 3,119,250	<hr/> 2,577,990
	<hr/> (87,367)	<hr/> (222,005)
	<hr/> <hr/> \$ 3,031,883	<hr/> <hr/> \$ 2,355,985

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2023

### 6. NOTE RECEIVABLE

The note to Malahat Investment Corporation, an indirect wholly owned government business enterprise, is due on demand. The note is payable 30 days after demand and bears interest at 3.1% per annum calculated monthly. There are no fixed terms of principal repayment. Interest shall become due and be paid on the first day of each and every month after the date hereof until the whole of the principal balance of advances made hereunder is paid.

Total interest income recorded for the year is \$1,043,294 (2022: \$1,057,085).

	2023	2022
Note receivable	\$ 33,224,311	\$ 33,674,129
Interest receivable	1,043,294	5,531,124
	<hr/> <b>\$ 34,267,605</b>	<hr/> <b>\$ 39,205,253</b>

### 7. DUE FROM RELATED ENTITIES

	2023	2022
Malahat Aquaculture Limited Partnership	\$ 725	\$ 725
Malahat Business Trust	1,450	1,450
Malahat Construction Limited Partnership	74,914	74,914
Malahat Construction Ltd.	3,823	2,254
Malahat Economic Development Ltd.	27,036	-
Malahat Forestry Ltd.	6,260	5,981
Malahat Land Development Limited Partnership	725	725
Malahat Nation Land Corporation	69,460	56,310
Malahat Tenure Holding Ltd.	23,880	21,236
	<hr/> <b>\$ 208,273</b>	<hr/> <b>\$ 163,595</b>

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2023

### 8. INVESTMENT (LIABILITY) IN GOVERNMENT BUSINESS ENTERPRISES

The Malahat Nation's investment (liability) in government business enterprises consist of the following:

	2023	2022
<b>Investment in government business enterprises</b>		
Malahat Construction Ltd.	\$ 1,018	\$ 1,018
Malahat Forestry (2012) Ltd.	2	2
Malahat Land Corporation	1	1
Salish Strait Seafoods Ltd.	645,316	522,805
Malahat Fuels LP	80,000	80,000
	<hr/>	<hr/>
	\$ 726,337	\$ 603,826

As of the date of this audit report, only the financial information for Salish Strait Seafoods Ltd. is available for the investments listed above.

### Liability in government business enterprises

Malahat Investment Corporation	\$ (7,308,796)	\$ (7,308,796)
Malahat Economic Development Ltd.	(8,557)	(8,557)
Malahat Forestry (2012) Ltd.	(1,327)	(1,327)
Malahat Nation Land Corporation	(7,659)	(7,659)
Malahat Tenure Holding Ltd.	(5,704)	(5,704)
	<hr/>	<hr/>
	\$ (7,332,043)	\$ (7,332,043)

As of the date of the Independent Auditor's Report, the financial information for investments above, is not available.

### 9. INVESTMENT AND LIABILITY IN GOVERNMENT BUSINESS PARTNERSHIP

The First Nation's investment in government business partnerships consist of the following:

	2023	2022
Malahat Forestry (2012) Limited Partnership (MFLP)	<hr/>	<hr/>

The First Nation's liability in government business partnerships consist of the following:

	2023	2022
Malahat Construction Limited Partnership (MCLP)	<hr/>	<hr/>

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023

### 10. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

	2023	2022
Capital funds held in trust	\$ 1	\$ 1
Revenue funds held in trust	<u>796</u>	<u>778</u>
	<u><u>797</u></u>	<u><u>779</u></u>
	2023	2022
	Revenue	Capital
	2023	2022
Surplus, beginning of year	\$ 778	\$ 779
Withdrawals	(778)	(778)
Contributions	782	782
Interest earnings	14	11
Surplus, end of year	<u>796</u>	<u>779</u>

### 11. FUNDS HELD IN TRUST

	2023	2022
FNFA Secured Revenues Trust Account	\$ 2,807,646	\$ 2,750,880
FNFA Debt Reserve Fund	2,555,804	2,422,098
	<u><u>5,363,450</u></u>	<u><u>5,172,978</u></u>

Funds held in trust are established by the First Nations Finance Authority (FNFA) in the First Nation. Secured Revenues Trust Account, as prescribed in the First Nations Fiscal Management Act and regulations as adapted by the Financing Secured by Other Revenues Regulations, are deposited and used to finance the FNFA Promissory note outstanding in the year (note 15). Interest accrued on deposit for 2023 is \$80,275 (2022: \$10,744).

FNFA holds on to 5% of the promissory note in the Debt Reserve Fund. This amount is invested to the credit of the First Nation and will be returned on the maturity of the promissory note. Interest accrued on the deposit for 2023 is \$133,707 (2022: \$36,627).

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2023

### 12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Accounts payable and accrued liabilities	\$ 1,143,483	\$ 821,219
GST payable	4,698	14,974
Government remittances	44,625	47,082
Vacation payable	92,009	76,591
Wages and benefits payable	6,581	3,648
Malahat Hazelwood Construction Ltd.	-	125,351
	<hr/> <b>\$ 1,291,396</b>	<hr/> <b>\$ 1,088,865</b>

The vacation payable is comprised of vacation days that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

The First Nation provides a defined contribution plan for eligible members of its staff. Members are required to contribute 5% of their salary and the First Nation is required to match their contribution of 5%. The amount of the retirement benefit to be received by the employees will be the amount of the retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. The First Nation contributed during the year \$139,579 (2022: \$128,882) for retirement benefits. The First Nation does not have any other obligations with regards to the pension plan as at March 31, 2023.

### 13. DEFERRED REVENUE

Deferred revenue represents monies received of which the funds are restricted for specific projects or programs and of which the expenses have not yet been incurred.

	2023	2022
Indigenous Services Canada	\$ 1,899,630	\$ 605,462
First Nation Health Authority	508,924	955,533
Government of Canada	744,352	769,401
Province of British Columbia	1,039,451	192,844
Canadian Mortgage Housing Corporation - Replacement Reserve	231,562	163,640
Other	1,225,165	1,298,578
	<hr/> <b>\$ 5,649,084</b>	<hr/> <b>\$ 3,985,458</b>

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2023

### 14. DUE TO RELATED ENTITIES

	2023	2022
Malahat Forestry (2012) Ltd.	\$ 17,872	\$ 17,872
Malahat Forestry (2012) Limited Partnership	595,890	595,890
Malahat Investment Corporation	1,974,195	6,390,012
Malahat Eco. Dev. Ltd.	1,321,410	1,291,021
Malahat Land Corporation	198	-
	<hr/> <b>\$ 3,909,565</b>	<hr/> <b>\$ 8,294,795</b>

Advances due to related entities are unsecured and without interest or any fixed terms of repayment.

### 15. LONG-TERM DEBT

	2023	2022
All Nations Trust Company - repayable at \$2,087 per month including interest at 1.13% per annum. The loan will be renewed on February 2, 2026 and will mature in February 2026. It is secured by a first mortgage on housing units and a Ministerial Guarantee.	\$ 71,812	\$ 95,895
All Nations Trust Company - repayable at \$3,644 per month including interest at 2.21% per annum. The loan will be renewed on February 1, 2024 and will mature in February 2044. It is secured by a first mortgage on housing units and a Ministerial Guarantee.	732,510	759,799
All Nations Trust Company - repayable at \$2,799 per month including interest at 3.12% per annum. The loan will be renewed on April 1, 2028 and will mature in April 2038. It is secured by a first mortgage on housing units and a Ministerial Guarantee.	404,305	426,265
All Nations Trust Company - repayable at \$3,269 per month including interest at 1.83% per annum. The loan will be renewed on December 1, 2024 and will mature in December 2044. It is secured by a first mortgage on housing units and a Ministerial Guarantee.	703,833	729,967
All Nations Trust Company - repayable at \$2,826 per month including interest at 1.30% per annum. The loan will be renewed on April 1, 2026 and will mature in April 2046. It is secured by a first mortgage on housing units and a Ministerial Guarantee.	676,316	701,288
All Nations Trust Company - repayable at \$5,088 per month including interest at 3.70% per annum. The loan will be renewed on December 1, 2027 and will mature in December 2046. It is secured by a first mortgage on housing units and a Ministerial Guarantee.	966,652	-
Loan advance from Peace Hill Trust has a 15 year term, maturing June 1, 2028 and will be renewed on May 1, 2023. The loan is repayable at \$2,065 per month including interest at 6.50% per annum. The loan is guaranteed by the First Nation Market Housing Fund with a collateral of a GIC for the amount of \$27,758.	<hr/> <b>117,048</b>	<hr/> <b>134,857</b>

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2023

	\$ 3,672,476	\$ 2,848,071
<hr/>		
Principal portion of long-term debt due within the next five years:		
2024	\$ 170,810	
2025	175,240	
2026	177,763	
2027	160,173	
2028 and thereafter	2,988,490	
	<hr/>	<hr/>
	\$ 3,672,476	
<hr/>		
	2023	2022
Interest expense for the year on long-term debt	\$ 68,006	\$ 50,101

## 16. PROMISSORY NOTES

The promissory notes are provided by First Nation Finance Authority as follow:

	2023	2022
<hr/>		
First Nation Finance Authority:		
The note has a 25 year term, maturing June 1, 2028. The note is repayable at \$109,621 per month including interest at 3.65% per annum.	\$ 20,506,674	\$ 21,047,695
The note has a 25 year term, maturing on June 26, 2024. The note is repayable at \$38,185 per month including interest at 2.985% per annum.	6,116,283	6,384,180
The note has a 25 year term, maturing on June 26, 2024. The note is repayable at \$39,500 per month including interest at 2.900% per annum.	6,703,389	6,976,489
The note has a 25 year term, maturing on July 15, 2045. The note is repayable at \$19,423 per month including interest at 2.150% per annum.	4,926,484	5,051,807
	<hr/>	<hr/>
	\$ 38,252,830	\$ 39,460,171

Principal portion of promissory notes due within the next five years:

2023	1,082,170
2024	1,082,170
2025	1,082,170
2026	1,082,170
2027 and thereafter	33,924,150

Interest paid in the current year was \$1,398,576 (2022: \$1,398,576).

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2023

### 17. CAPITAL LEASE OBLIGATION

	2023	2022
Kubota Tractor Lease - repayable at \$381 monthly payments bearing no interest. The loan will mature in May 2025. It is secured by the underlining tractor.	\$ 9,916	\$ 14,492
Ford Escape Lease - repayable at \$540 monthly payments bearing interest at 3.99%. The loan will mature in March 2026. It is secured by the underlining vehicle.	<u>18,222</u>	<u>23,854</u>
	<u><u>\$ 28,138</u></u>	<u><u>\$ 38,346</u></u>

Interest paid in the current year was \$850 (2022: \$1,069).

Principal portion of capital lease obligation due within the next three years:

2024	\$ 10,437
2025	10,675
2026	\$ 7,026

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023

### 18. TANGIBLE CAPITAL ASSETS

The construction projects completed and amortized in the current fiscal year includes the AHSOR Pavillion, Sweat Lodge and 1117 Jesken Road. The construction in progress for current fiscal year represents construction of the Business Park, Boat Launch, and other smaller projects.

	Cost				Accumulated amortization				2023 net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	2023 net book value	
Buildings	\$ 11,993,992	\$ 824,890	\$ -	\$ 12,818,882	\$ 1,917,573	\$ 599,883	\$ 2,517,456	\$ 10,301,426	
Automotive equipment	320,281	209,203	-	529,484	170,311	66,384	236,695	292,789	
Equipment	926,428	423,861	-	1,350,289	373,079	220,050	593,129	757,160	
Canoes	14,826	32,936	-	47,762	16,769	2,224	18,993	28,769	
Infrastructure	2,528,633	-	-	2,528,633	558,427	126,432	684,859	1,843,774	
Social housing	5,701,183	37,722	-	5,738,905	1,018,968	286,945	1,305,913	4,432,992	
Construction in progress	3,649,492	577,544	(577,199)	3,649,837	-	-	-	3,649,837	
Marineside development	70,678	-	-	70,678	26,504	3,534	30,038	40,640	
Culture Centre	604,081	-	-	604,081	225,911	30,204	256,115	347,966	
Boat	334,274	24,000	-	358,274	263,691	69,255	332,946	25,328	
Assets under capital lease	61,072	-	-	61,072	27,237	12,214	39,452	21,620	
Pavillion	-	108,339	-	108,339	-	2,701	2,701	105,638	
	\$ 26,204,940	\$ 2,238,495	\$ (577,199)	\$ 27,866,236	\$ 4,598,470	\$ 1,419,826	\$ 6,018,297	\$ 21,847,939	

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023

	Cost			Accumulated amortization				2022 Net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
Buildings	\$ 9,805,204	\$ 2,188,788	-	\$ 11,993,992	\$ 1,418,387	\$ 499,186	\$ 1,917,573	\$ 10,076,419
Automotive equipment	320,281	-	-	320,281	106,255	64,056	170,311	149,970
Equipment	654,720	271,708	-	926,428	217,017	156,062	373,079	553,349
Canoes	14,826	-	-	14,826	14,545	2,223	16,769	(1,943)
Infrastructure	2,528,633	-	-	2,528,633	431,996	126,431	558,427	1,970,206
Social housing	5,696,715	4,468	-	5,701,183	733,909	285,059	1,018,968	4,682,215
Construction in progress	2,688,650	960,842	-	3,649,492	-	-	-	3,649,492
Marineside development	70,678	-	-	70,678	22,970	3,534	26,504	44,174
Culture Centre	604,081	-	-	604,081	195,707	30,204	225,911	378,170
Boat	334,274	-	-	334,274	196,837	66,854	263,691	70,583
Assets under capital lease	61,072	-	-	61,072	15,024	12,214	27,237	33,835
	\$ 22,779,134	\$ 3,425,806	-	\$ 26,204,940	\$ 3,352,647	\$ 1,245,823	\$ 4,598,470	\$ 21,606,470

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2023

### 19. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the estimates prepared by management and approved by Chief and Council.

### 20. EXPENSES BY OBJECT

	2023 Budget	2023 Actual	2022 Actual
Amortization	\$ -	\$ 1,419,827	\$ 1,245,825
Communications and utilities	36,907	72,230	40,628
Education related expenses	782,048	928,121	548,780
Honorariums	120,800	48,702	23,765
Insurance	156,469	161,109	132,076
Interest and bank charges	1,404,676	1,476,920	1,464,814
Materials and supplies	285,148	252,145	217,943
Membership support	97,448	96,853	152,836
Other expense	1,424,421	473,123	379,563
Per capita distribution	70,000	34,200	63,600
Professional development	142,965	75,764	65,485
Professional fees	1,018,926	1,069,619	893,354
Programs delivery	315,606	294,306	384,007
Repairs and maintenance	257,170	256,835	271,608
Social assistance programs delivery	516,237	759,026	447,727
Subcontractors	-	22,873	107,045
Travel	50,307	76,418	26,103
Wages and benefits	4,126,172	3,843,513	3,527,127
	\$ 10,805,300	\$ 11,361,584	\$ 9,992,286

# **MALAHAT NATION**

---

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** **March 31, 2023**

### **21. RELATED PARTY TRANSACTIONS**

During the year ended March 31, 2023, the First Nation entered into transactions with related parties as follows:

- a) The First Nation charged Malahat Investment Corporation \$194,220 (2022: \$183,820) for accounting services.
- b) The First Nation paid \$Nil (2022: \$1,099,399) for construction and other project costs to Malahat Hazelwood Construction Ltd. in relation to the Malahat Business Park, Boat Launch and other projects.
- c) The First Nation paid \$120,077 (2022: \$Nil) for construction and other project costs to Malahat Nelson GP Ltd. in relation to the Sweat Lodge, 102 Thunder Road and other projects.
- d) The First Nation charged Malahat Fuels LLP \$252,940 (2022: \$Nil) for cardlock construction and management services.

These transactions are in the normal course of operations and are measured at the exchange value which approximates the arm's length equivalent value for services rendered.

### **22. ECONOMIC DEPENDENCE**

The Malahat Nation receives a significant portion of its revenue pursuant to a funding agreement with ISC. The nature and extent of this revenue is of such significance that the Malahat Nation is economically dependent on this source of revenue.

### **23. CONTINGENCIES**

The following contingencies existed as at March 31, 2023:

- a) ISC provides Ministerial Guarantees for loans to the Malahat Nation in the amount of \$4,386,264 with an outstanding balance of \$3,562,538.
- b) Royal Bank of Canada credit facilities to qualified members of the Malahat First Nation with total advances not to exceed \$750,000. Funding under this program is restricted to the purchase, construction or improvement of housing on the Reserve or to refinance loans advanced by another financial institution for that purpose. The Malahat First Nation is required to provide a separate guarantee for each qualified borrower. As at the date of the Independent Auditor's Report, the Malahat Nation had provided a guarantee for one loan with a balance of \$170,480.
- c) The Nation is the named Defendant in two cases of litigation regarding employment matters. As the outcome of both cases cannot be reasonably estimated at the date of these financial statements, no adjustment has been reflected in these statements.

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2023

### 24. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments. It is the opinion of management that the Nation is not exposed to currency risk, other price risk, and concentrations of risk.

#### Credit risk

The First Nation does have credit risk in notes and accounts receivable of \$3,031,883 (2022 - \$2,355,985). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The First Nation reduces its exposure to credit risk by maintaining a list of outstanding contracts and performing regular reviews to ensure collection status. In the opinion of management the credit risk exposure to the First Nation is low and is not material.

#### Liquidity risk

The Nation does have a liquidity risk in long-term debt, promissory notes capital lease obligations and accounts payable and accrued liabilities of \$1,291,396 (2022 - \$1,088,865). Liquidity risk is the risk that the First Nation cannot repay its obligations when they become due to its creditors. The First Nation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and monitors cashflow on a monthly basis. In the opinion of management the liquidity risk exposure to the First Nation is low and is not material.

#### Interest rate risk

The First Nation is exposed to interest rate risk. Interest rate risk is the risk that the First Nation has interest rate exposure on its long-term debt and promissory note, which consist of both fixed and variable interest rates. Variable rates are based on the authority's prime lending rates. This exposure may have an effect on its earnings in future periods. The First Nation reduces its exposure to interest rate risk by regularly monitoring prime lending rates which have been relatively stable over the period presented. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the First Nation is low and is not material.

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2023

### 25. PRIOR PERIOD RESTATEMENT

The comparatives had been restated to reflect the recognition of Net income from Government Business Enterprises as financial informations from Salish Strait Seafoods Ltd. became available for the prior year and the years before that.

As a result of the restatement, the following balances have been adjusted to reflect the restatement of the comparative figures

			Adjustments	
	As previously stated in 2022		Increase (Decrease)	Restated 2022
Consolidated Statement of Financial Position				
Financial assets				
Investment in Government Business Enterprise	\$ 217,427	\$ 386,398	\$ 603,825	
Net debt	15,427,819	(386,399)		15,041,420
Consolidated Statement of Operations				
Revenue				
Net income from Government Business Enterprise	-	63,423		63,423
Annual surplus	1,255,488		63,423	1,318,911
Consolidated Statement of Accumulated surplus				
Accumulated surplus	\$ 5,111,466	\$ 322,976	\$ 5,434,442	

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023

### 26. SEGMENTED INFORMATION

	Indian Government Services			2023 Budget	Treaty Negotiation			2023 Budget	Health	
	2023 Budget	2023 Actual	2022 Actual		2023 Actual	2022 Actual	2023 Actual		2023 Actual	2022 Actual
<b>Revenues</b>										
Indigenous Services Canada	\$ 586,272	\$ 728,538	\$ 638,165	-	\$ -	\$ -	\$ -	\$ 713,049	\$ 798,037	\$ -
First Nation Health Authority	-	-	-	-	-	-	-	713,049	798,037	1,523,555
Province of BC	-	70,402	52,750	-	-	-	-	-	-	-
Other revenue	647,081	216,490	174,363	-	3,125	3,000	640,157	435,146	(416,273)	
<b>Total revenue</b>	<b>1,233,353</b>	<b>1,015,430</b>	<b>865,278</b>	<b>-</b>	<b>3,125</b>	<b>3,000</b>	<b>1,353,206</b>	<b>1,233,183</b>	<b>1,107,282</b>	
<b>Expenses</b>										
Wages and benefits	1,302,088	1,158,853	959,656	-	-	-	556,627	534,666	578,265	
Professional fees	219,350	202,993	230,993	-	-	-	176,832	181,547	99,616	
Social assistance programs delivery	54,637	44,670	12,023	-	-	-	25,200	46,905	28,995	
Travel	2,645	5,308	863	-	-	-	8,750	40,124	7,720	
Repairs and maintenance	-	305	3,552	-	-	-	40,940	35,944	42,238	
Interest and bank charges	6,100	8,551	6,664	-	-	-	-	30	24	
Per capita distribution	70,000	34,200	63,600	-	-	-	-	-	-	
Other expenses	231,547	1,627,475	1,510,437	-	-	3,000	483,559	307,194	195,314	
<b>Total expenses</b>	<b>1,886,367</b>	<b>3,082,355</b>	<b>2,787,788</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>1,291,908</b>	<b>1,146,410</b>	<b>952,172</b>	
<b>Annual surplus (deficit)</b>	<b>\$ (653,014)</b>	<b>\$ (2,066,925)</b>	<b>\$ (1,922,510)</b>	<b>-</b>	<b>\$ 3,125</b>	<b>\$ -</b>	<b>\$ 61,298</b>	<b>\$ 86,773</b>	<b>\$ 155,110</b>	

# MALAHAT NATION

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023

	2023 Budget	Housing		Education, Employment and Training			Social Development		
		2023 Actual	2022 Actual	2023 Budget	2023 Actual	2022 Actual	2023 Budget	2023 Actual	2022 Actual
<b>Revenues</b>									
Indigenous Services Canada	\$ -	\$ 497,016	\$ 41,501	\$ 815,455	\$ 975,133	\$ 581,646	\$ 421,421	\$ 689,768	\$ 558,707
Canada Mortgage and Housing Corporation	162,252	157,138	234,104	24,000	33,440	13,150	-	-	-
First Nation Health Authority	-	-	-	-	-	1,000	-	-	17,926
Province of BC	-	-	-	20,000	35,252	30,689	-	30,000	64,480
Rental income	271,574	239,726	232,040	-	-	-	-	-	-
Other revenue	65,000	81,310	107,821	596,855	913,503	317,016	311,542	232,232	17,651
<b>Total revenue</b>	<b>498,826</b>	<b>975,190</b>	<b>615,466</b>	<b>1,456,310</b>	<b>1,957,328</b>	<b>943,501</b>	<b>732,963</b>	<b>952,000</b>	<b>658,764</b>
<b>Expenses</b>									
Wages and benefits	-	84,378	26,063	312,520	263,371	188,807	210,296	202,336	170,431
Professional fees	8,650	6,945	11,268	150,226	194,186	6,512	10,000	4,490	28,323
Social assistance programs delivery	-	-	-	4,900	10,660	457	431,500	656,790	406,251
Travel	-	-	-	26,212	5,292	9,832	1,100	161	113
Repairs and maintenance	69,093	57,866	68,455	-	5,949	2,450	1,000	5,575	10,626
Education related expenses	-	-	-	782,048	928,121	548,780	-	-	-
Interest and bank charges	-	68,006	59,341	-	1,510	-	-	-	-
Other expenses	413,175	137,998	251,247	276,548	220,595	145,455	51,288	88,919	52,301
<b>Total expenses</b>	<b>490,918</b>	<b>355,193</b>	<b>416,374</b>	<b>1,552,454</b>	<b>1,629,684</b>	<b>902,293</b>	<b>705,184</b>	<b>958,271</b>	<b>668,045</b>
<b>Annual surplus (deficit)</b>	<b>\$ 7,908</b>	<b>\$ 619,997</b>	<b>\$ 199,092</b>	<b>\$ (96,144)</b>	<b>\$ 327,644</b>	<b>\$ 41,208</b>	<b>\$ 27,779</b>	<b>\$ (6,271)</b>	<b>\$ (9,281)</b>

# MALAHAT NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023

	Economic Development			Community Infrastructure			Ottawa Trust Fund		
	2023 Budget	2023 Actual	2022 Actual	2023 Budget	2023 Actual	2022 Actual	2023 Budget	2023 Actual	2022 Actual
<b>Revenues</b>									
Indigenous Services Canada	\$ 323,101	\$ 548,906	\$ 861,966	\$ 319,876	\$ 1,250,145	\$ 322,756	-	\$ -	\$ -
Fisheries and Oceans Canada	44,800	205,517	204,593	-	-	-	-	-	-
Government of Canada - Other	-	-	170,000	-	-	-	-	-	-
First Nation Health Authority	-	-	-	-	-	89,640	-	-	-
Province of BC	70,000	170,000	70,500	69,600	770,635	99,428	-	-	-
Rental income	-	-	-	-	12,900	-	-	-	-
Other revenue	1,992,876	2,070,094	2,496,433	199,409	(1,129,961)	382,419	-	796	778
<b>Total revenue</b>	<b>2,430,777</b>	<b>2,994,517</b>	<b>3,803,492</b>	<b>588,885</b>	<b>903,719</b>	<b>894,243</b>	<b>-</b>	<b>796</b>	<b>778</b>
<b>Expenses</b>									
Wages and benefits	295,741	364,719	456,230	439,276	392,335	317,104	-	-	-
Professional fees	112,100	128,244	237,542	129,390	135,048	51,625	-	-	-
Travel	5,500	10,510	2,510	-	1,346	102	-	-	-
Repairs and maintenance	26,971	9,758	3,540	119,166	140,020	134,380	-	-	-
Interest and bank charges	1,398,576	1,398,636	1,398,675	-	128	98	-	-	-
Other expenses	229,911	104,682	204,962	126,677	226,972	88,135	-	-	-
<b>Total expenses</b>	<b>2,068,799</b>	<b>2,016,549</b>	<b>2,303,459</b>	<b>814,509</b>	<b>895,849</b>	<b>591,444</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Annual surplus (deficit)</b>	<b>\$ 361,978</b>	<b>\$ 977,968</b>	<b>\$ 1,500,033</b>	<b>\$ (225,624)</b>	<b>\$ 7,870</b>	<b>\$ 302,799</b>	<b>-</b>	<b>\$ 796</b>	<b>778</b>

# MALAHAT NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023

	Housing Reserves			Environment and Sustainable Development			Consolidated totals		
	2023 Budget	2023 Actual	2022 Actual	2023 Budget	2023 Actual	2022 Actual	2023 Budget	2023 Actual	2022 Actual
<b>Revenues</b>									
Indigenous Services Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,466,125	\$ 4,689,506	\$ 3,004,741
Canada Mortgage and Housing Corporation	-	-	-	-	-	-	186,252	190,578	247,254
Fisheries and Oceans Canada	-	-	-	1,299,860	1,354,564	1,476,333	1,344,660	1,560,081	1,680,926
Transport Canada	-	-	-	591,597	566,273	-	591,597	566,273	-
Government of Canada - Other	-	-	-	175,000	225,000	-	175,000	225,000	170,000
First Nation Health Authority	-	-	-	-	-	-	713,049	798,037	1,632,121
Province of BC	-	-	-	50,000	50,000	10,000	209,600	1,126,289	327,847
Rental income	-	-	-	-	-	-	271,574	252,626	232,040
Other revenue	35,660	(32,648)	52,064	492,096	358,088	880,996	4,980,676	3,148,175	4,016,268
<b>Total revenue</b>	<b>35,660</b>	<b>(32,648)</b>	<b>52,064</b>	<b>2,608,553</b>	<b>2,553,925</b>	<b>2,367,329</b>	<b>10,938,533</b>	<b>12,556,565</b>	<b>11,311,197</b>
<b>Expenses</b>									
Wages and benefits	-	-	5,606	1,009,624	842,855	824,964	4,126,172	3,843,513	3,527,126
Professional fees	-	-	-	212,378	216,166	227,477	1,018,926	1,069,619	893,356
Social assistance programs delivery	-	-	-	-	-	-	516,237	759,025	447,726
Travel	-	-	-	6,100	13,677	4,962	50,307	76,418	26,102
Repairs and maintenance	-	1,100	1,333	-	318	5,033	257,170	256,835	271,607
Education related expenses	-	-	-	-	-	-	782,048	928,121	548,780
Interest and bank charges	-	-	-	-	59	12	1,404,676	1,476,920	1,464,814
Per capita distribution	-	-	-	-	-	-	70,000	34,200	63,600
Other expenses	5,000	(31,239)	25,389	762,059	234,337	272,937	2,579,764	2,916,933	2,749,177
<b>Total expenses</b>	<b>5,000</b>	<b>(30,139)</b>	<b>32,328</b>	<b>1,990,161</b>	<b>1,307,412</b>	<b>1,335,385</b>	<b>10,805,300</b>	<b>11,361,584</b>	<b>9,992,288</b>
<b>Annual surplus (deficit)</b>	<b>\$ 30,660</b>	<b>\$ (2,509)</b>	<b>19,736</b>	<b>\$ 618,392</b>	<b>\$ 1,246,513</b>	<b>\$ 1,031,944</b>	<b>\$ 133,233</b>	<b>\$ 1,194,981</b>	<b>\$ 1,318,909</b>