

MALAHAT NATION
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2025

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MALAHAT NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2025

The accompanying consolidated financial statements of Malahat Nation and all the information in this annual report for the year ended March 31, 2025 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

Date



Councilor



Date



Councilor

Date



Councilor

Date



Director of Finance



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, 2025, 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, 2025, 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 24, 2024 for the March 31, 2024 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.

REID HURST NAGY INC.
CHARTERED PROFESSIONAL ACCOUNTANTS
VANCOUVER, B.C.
July 31, 2025

MALAHAT NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31	2025	2024
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 14,126,423	\$ 3,756,333
Portfolio investments (Note 3)	115,067	112,156
Restricted cash (Note 5)	169,174	164,643
Accounts receivable (Note 6)	4,479,452	3,351,296
Note receivable (Note 4)	39,946,849	37,904,445
Due from related entities (Note 7)	853,765	915,959
Investment in Government Business Enterprises (Note 8)	8,877,043	805,715
Investment in Government Business Partnerships (Note 9)	41,976	41,976
Federal trust funds (Note 10)	778	1
Funds held in trust (Note 11)	5,772,374	4,696,971
	74,382,901	51,749,495
LIABILITIES		
Accounts payable and accrued liabilities (Note 12)	8,107,197	1,542,128
Replacement Reserve (Note 13)	110,979	112,986
Deferred revenue (Note 14)	11,386,921	7,237,707
Due to related entities (Note 15)	1,637,732	1,869,759
Liability in Government Business Partnerships (Note 9)	83,994	83,994
Liability in Government Business Enterprises (Note 8 & 26)	7,686,890	7,686,890
Long-term debt (Note 16)	3,331,061	3,501,821
Promissory notes (Note 18)	44,817,154	43,453,476
Assets under capital lease (Note 17)	85,109	101,531
	77,247,037	65,590,292
NET DEBT	(2,864,136)	(13,840,797)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 19)	23,559,624	23,957,614
Prepaid expenses	226,732	163,693
	23,786,356	24,121,307
ACCUMULATED SURPLUS (Note 26)	\$ 20,922,220	\$ 10,280,510

APPROVED ON BEHALF OF THE MALAHAT NATION


_____, Chief


_____, Councilor


_____, Director of Finance


_____, Councilor


_____, Councilor

MALAHAT NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the year ended March 31	2025 Budget	2025 Actual	2024
ANNUAL SURPLUS	\$ 5,140,991	\$ 10,641,710	\$ 2,732,954
Acquisition of tangible capital assets	-	(5,950,832)	(4,395,111)
Amortization of tangible capital assets	-	1,832,402	1,416,220
Uses of construction in progress	-	4,516,420	869,216
	-	397,990	(2,109,675)
Acquisition of prepaid asset	(63,039)	(226,732)	(163,693)
Use of prepaid asset	-	163,693	288,911
	(63,039)	(63,039)	125,218
INCREASE IN NET FINANCIAL ASSETS	5,077,952	10,976,661	748,497
NET DEBT AT BEGINNING OF YEAR	-	(13,840,797)	(14,589,294)
NET DEBT AT END OF YEAR	\$ -	\$ (2,864,136)	\$ (13,840,797)

MALAHAT NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31

	2025 Budget	2025 Actual	2024 Actual
REVENUE			
Indigenous Services Canada	\$ 11,347,622	\$ 12,110,264	\$ 3,597,624
ISC - Reimbursement (Recovery)	-	(1,719)	(58,591)
First Nation Health Authority	2,259,516	2,320,320	2,278,214
Fisheries and Oceans Canada	2,982,640	3,095,964	2,250,978
Government of Canada	1,763,751	730,596	423,094
Transport Canada	440,738	513,835	461,872
Province of BC	399,360	580,933	1,682,422
Canada Mortgage and Housing Corporation	218,899	215,750	299,785
Gaming revenue	400,000	337,452	417,467
Funding from First Nation Organizations	603,367	822,845	1,408,107
Natural Resources Canada	-	-	49,999
Net income from Government Business Enterprises	-	81,328	109,378
Ottawa Trust Fund	-	777	773
Deferred revenue - prior year	6,586,521	7,237,707	5,518,076
Deferred revenue - current year	(13,209,458)	(11,386,921)	(7,237,707)
Own source revenue	2,811,381	4,205,448	586,582
Interest income	1,439,471	1,754,096	1,367,567
Rental income	272,702	267,110	262,799
Other	4,058,320	3,997,523	2,564,864
	22,374,830	26,883,308	15,983,303
EXPENSES			
First Nation Governance Services	4,595,951	4,548,797	3,337,863
Health	2,469,328	1,604,603	1,132,284
Housing	697,454	609,015	397,987
Education, Employment and Training	1,189,272	1,560,559	1,281,987
Social Development	1,733,391	1,422,350	1,444,107
Economic Development	872,237	2,402,157	1,672,264
Community Infrastructure	1,202,055	991,097	717,247
Housing Reserves	6,000	-	-
Lands and Environment Stewardship	4,468,151	3,103,019	3,266,610
	17,233,839	16,241,597	13,250,349
ANNUAL SURPLUS	5,140,991	10,641,710	2,732,954
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	-	10,280,510	7,547,556
ACCUMULATED SURPLUS AT END OF YEAR	\$ -	\$ 20,922,220	\$ 10,280,510

MALAHAT NATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2025	2025	2024
OPERATING ACTIVITIES		
ANNUAL SURPLUS	\$ 10,641,710	\$ 2,732,954
Items not affecting cash		
Amortization	1,832,402	1,416,220
	12,474,112	4,149,174
Change in non-cash operating working capital		
Accounts receivable	(1,128,156)	(319,413)
Prepaid expenses	(63,039)	125,218
Accounts payable and accrued liabilities	6,565,079	250,735
Deferred revenue	4,149,214	1,719,631
Replacement Reserve	(2,007)	(18,022)
Federal trust fund	(777)	796
	21,994,426	5,908,119
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,434,421)	(3,440,403)
FINANCING ACTIVITIES		
Due from/(to) related entities	(169,833)	(1,241,137)
Principal repayment on long-term debt	(170,761)	(170,656)
Proceed from promissory notes	3,400,238	6,443,580
Principal repayment on promissory notes	(2,036,560)	(1,242,934)
Funds held in trust	(1,075,402)	666,480
Principal repayment on capital lease	(16,422)	(12,102)
	(68,740)	4,443,231
INVESTING ACTIVITIES		
Investment and liability in Government Business Enterprises	(8,071,328)	(79,378)
Note receivable	(2,042,404)	(5,189,126)
Portfolio investments	(2,912)	(1,123)
Changes in restricted cash	(4,531)	46,342
	(10,121,175)	(5,223,285)
INCREASE IN CASH AND CASH EQUIVALENTS	10,370,090	1,687,662
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,756,333	2,068,671
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 14,126,423	\$ 3,756,333

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025

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. Malahat Nation Community Development Society

Entities accounted for on a modified equity basis include:

2. Malahat Construction Ltd. - 100% interest
3. Malahat Nation Land Corporation - 100% interest
4. Yos Economic Development Ltd. - 100% interest
5. Yos Economic Development LP - 99.99% interest
6. Malahat Nelson GP Ltd. - 51% interest
7. Malahat Hazelwood Construction Joint Venture - 51%
8. Taurus Malahat Development Ltd.
9. Salish Strait Seafoods Ltd. - 20% interest
10. Malahat Indigenous Bloom LP - 49.50% interest
11. Malahat Fuels Limited Liability Partnership - 50%
12. Malahat Nation Business Trust
13. Malahat Nation Bamberton Trust
14. Malahat Utility Holdings Inc. - 100% interest

Entities indirectly own through trusts and other entities :

15. Malahat Investment Corporation - 100% interest
16. Malahat Construction Limited Partnership - 99.99% interest
17. Malahat Forestry (2012) Limited Partnership - 99.99% interest
18. Malahat Nation Land Development LP - 99.99% interest
19. Malahat Tenure Holding Limited Partnership - 99.99% interest
20. Malahat Utility Inc. - 100% interest

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Entities indirectly owned through Yos Economic Development Ltd.:

- 21. Malahat Forestry (2012) Ltd. - 100% interest
- 22. Malahat Tenure Holding Ltd. - 100% interest
- 23. Malahat Indigenous Bloom GP Ltd. - 50.1% interest
- 24. Malahat Hazelwood Construction Ltd. - 51% interest
- 25. Malahat Film Studios Corp. - 96.23% interest
- 26. Malahat Copcan JV - 51% interest
- 27. Andion (Taurus) Malahat RNG DevCo LP - 50% interest

Entities indirectly owned through Limited Partnerships:

- 28. Malahat Business Park Limited Partnership - 99.99% interest
- 29. Malahat Nelson Limited Partnership - 99.99% interest
- 30. Malahat Arkon Chemical LP - 54.9% interest
- 31. Malahat Arkon Chemical Inc. - 55% interest
- 32. Malahat Business Park GP Ltd. - 50% interest
- 33. Malahat Fuels GP Inc. - 50% interest
- 34. Malahat Solutions Inc. - 51% interest
- 35. Malahat Mill Bay Development Partners Ltd. - 50% interest
- 36. Malahat Battery Technologies Corp. - 51% interest
- 37. Ergo Eco Solutions Inc. - 11.63% interest
- 38. Malahat Battery Technologies LP - 51% interest
- 39. Malahat Plumbing Ltd. - 55% interest
- 40. Malahat Plumbing LP - 54.90% interest

(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.

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

(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, 2025

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025

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, 2025

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, 2024 and 2025, no liability for contaminated sites has been recorded.

(n) Asset Retirement Obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the First Nation to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. As at March 31, 2025, the First Nation has not identified any asset retirement obligations, therefore no liability has been recorded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

(o) 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, 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, 2025

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.

	2025	2024
GICs with maturity less than a year and earning interest at 4.01% per annum.	\$ 64,222	\$ 63,112
GICs held as collateral for long-term debt with maturity less than a year and earning interest at 3.55% per annum.	21,509	20,680
GICs held as collateral for long-term debt with maturity over than a year and earning interest at 3.43% per annum.	29,226	28,254
BC FN Gaming revenue Sharing Limited Partnership. Measured at cost.	110	110
	\$ 115,067	\$ 112,156

4. NOTE RECEIVABLE

The notes to Malahat Investment Corporation and Yos Economic Development Ltd., indirect wholly owned government business enterprises, are 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 \$1,015,771 (2024: \$1,029,550).

	2025	2024
Note receivable	\$ 39,001,345	\$ 36,931,499
Interest receivable	945,504	972,946
	\$ 39,946,849	\$ 37,904,445

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025

5. RESTRICTED CASH

	2025	2024
Operating reserve	\$ 5,194	\$ 5,068
Replacement reserve	163,980	159,575
	<hr/>	<hr/>
	\$ 169,174	\$ 164,643

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 underfunded by \$10,565 (2024: overfunded by \$10,903).

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 \$35,700 (2024: \$35,700) 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 overfunded by \$55,001 (2024: overfunded by \$46,589).

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2025

6. ACCOUNTS RECEIVABLE

	2025	2024
Due from members		
Rent	\$ 163,613	\$ 142,348
Due from Government and other Government Organizations:		
Indigenous Services Canada	218,609	67,737
Natural Resources Canada	-	5,000
Government of Canada - Other	4,487	36,157
GST Public Service Bodies' Rebate	30,870	11,404
Canada Mortgage and Housing Corporation	24,799	21,623
Fisheries and Oceans Canada	47,057	19,612
Transport Canada	462,720	135,883
Parks Canada Agency	170,003	-
First Nations Education Steering Committee	14,062	71,299
First Nation Health Authority	38,632	556,233
Ministry of Environment and Climate Change	41,100	341,100
Ministry of Finance	75,000	25,000
Ministry of Jobs, Economic Development and Innovation	-	100,000
Ministry of Transportation and Infrastructure	-	638,250
Ministry of Emergency Management & Climate Readiness	15,000	45,500
Ministry of Water, Land and Resource Stewardship	-	37,500
Ministry of Indigenous Relations and Reconciliation	-	47,430
Union of BC Municipalities	1,177,474	-
	2,319,813	1,451,506
Due from others:		
Others	1,461,945	1,524,716
Malahat Nelson LP	7,109	9,874
Malahat Investment Corporation	356,929	168,959
Malahat Fuels LLP	274,891	276,051
Malahat Solutions Inc.	-	737
Malahat Utility Inc.	41,629	-
	2,142,503	1,879,010
	4,625,929	3,472,864
Allowance for doubtful accounts	(146,477)	(121,568)
	\$ 4,479,452	\$ 3,351,296

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2025

7. DUE FROM RELATED ENTITIES

	2025	2024
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	3,823
Yos Economic Development Ltd.	-	334,278
Malahat Forestry Ltd.	6,541	6,541
Malahat Land Development Limited Partnership	725	725
Malahat Nation Land Corporation	92,833	80,796
Malahat Tenure Holding Ltd.	187,002	168,975
Malahat Investment Corporation	485,752	243,732
	\$ 853,765	\$ 915,959

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

8. INVESTMENT (LIABILITY) IN GOVERNMENT BUSINESS ENTERPRISES

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

	2025	2024
Investment in government business enterprises		
Malahat Construction Ltd.	\$ 1,019	\$ 1,019
Malahat Forestry (2012)) Ltd.	2	2
Malahat Fuels LP	80,000	80,000
Malahat Land Corporation	1	1
Malahat Utility Holdings Inc.	8,000,000	-
Salish Strait Seafoods Ltd.	796,021	724,693
	\$ 8,877,043	\$ 805,715

As of the date of this audit report, only the 2025 (unaudited) financial information for Salish Strait Seafoods Ltd. is available for the investments listed above.

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2025

	Salish Strait Seafoods Ltd.
Cash	\$ 178,943
Accounts receivable	333,167
Property plant and equipment	792,444
Intangible Assets	3,300,774
Other assets	106,499
Total assets	\$ 4,711,827
Accounts payable	\$ 207,432
Promissory note	125,828
Current portion on long-term debt	46,215
Long-term debt	101,405
Deferred government capital grant	43,500
Advances from related parties	75,477
Corporate income taxes payable	104,546
Other liabilities	27,306
Total liabilities	731,709
Equity	3,980,118
Total liabilities and equity	\$ 4,711,827
	Salish Strait Seafoods Ltd.
Revenue	
Operating	\$ 1,727,806
Government capital grant	74,300
	1,802,106
Expenses	
Operating	1,106,347
Depreciation	221,771
Taxes - Current/Deferred	67,346
	1,395,464
	\$ 406,642

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2025

	2024	2023
Liability in government business enterprises		
Malahat Investment Corporation	\$ (7,663,643)	\$ (7,663,643)
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)
	\$ (7,686,890)	\$ (7,686,890)

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

9. INVESTMENT AND LIABILITY IN GOVERNMENT BUSINESS PARTNERSHIP

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

	2025	2024
Malahat Forestry (2012) Limited Partnership (MFLP)	\$ 41,976	\$ 41,976

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

	2025	2024
Malahat Construction Limited Partnership (MCLP)	\$ 83,994	\$ 83,994

10. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

	2025	2024
Capital funds held in trust	\$ 1	\$ 1
Revenue funds held in trust	777	-
	\$ 778	\$ 1

	2025 Revenue	2025 Capital	2025 Total	2024 Total
Surplus, beginning of year	\$ -	\$ 1	\$ 1	\$ 797
Withdrawals	-	-	-	(1,569)
Contributions	765	-	765	761
Interest earnings	12	-	12	12
Surplus, end of year	\$ 777	\$ 1	\$ 778	\$ 1

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025

11. FUNDS HELD IN TRUST

	2025	2024
FNFA Secured Revenues Trust Account	\$ 3,005,673	\$ 1,725,126
FNFA Debt Reserve Fund	2,766,701	2,971,845
	\$ 5,772,374	\$ 4,696,971

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 14). Interest accrued on deposit for 2025 is \$103,157 (2024: \$128,508).

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 2025 is \$102,806 (2024: \$93,862).

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025	2024
Accounts payable and accrued liabilities	\$ 7,894,323	\$ 1,359,813
Government remittances	66,070	57,183
Vacation payable	115,501	118,266
Wages and benefits payable	31,303	6,866
	\$ 8,107,197	\$ 1,542,128

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 \$237,314 (2024: \$186,473) for retirement benefits. The First Nation does not have any other obligations with regards to the pension plan as at March 31, 2025.

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025

13. REPLACEMENT RESERVE

The Replacement Reserve is established in accordance with the Operating Agreements with CMHC for on-reserve housing. Funds are required to be set aside annually and held for future replacements of capital items related to the housing units.

	2025	2024
Balance, beginning of year	\$ 112,986	\$ 131,008
Current year appropriations	35,700	35,700
Interest income	4,404	3,899
Current year expenditures	(42,111)	(57,621)
	\$ 110,979	\$ 112,986

14. 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.

	March 31, 2024	Funding Received 2025	Revenue recognized 2025	March 31, 2025
Indigenous Services Canada	\$ 1,875,170	\$ 12,110,264	\$ (11,910,779)	\$ 2,074,655
First Nation Health Authority	1,612,038	2,320,320	(1,854,706)	2,077,651
Government of Canada	715,896	3,826,560	(1,827,698)	2,714,758
Province of British Columbia	1,110,329	580,933	(899,936)	802,867
Other	1,924,274	4,203,932	(2,399,676)	3,716,990
	\$ 7,237,707	\$ 23,042,009	\$ (18,892,795)	\$ 11,386,921

15. DUE TO RELATED ENTITIES

	2025	2024
	\$ 485,753	\$ 243,733
Malahat Forestry (2012) Ltd.	17,872	17,872
Malahat Forestry (2012) Limited Partnership	595,890	595,890
Malahat Investment Corporation	(485,753)	(243,733)
Malahat Eco. Dev. Ltd.	1,023,772	1,255,799
Malahat Land Corporation	198	198
	\$ 1,637,732	\$ 1,869,759

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

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025

16. LONG-TERM DEBT

	2025	2024
All Nations Trust Company - repayable at \$2,087 per month including interest at 1.13% per annum. The loan will be renewed and matured on February 2, 2026. It is secured by a first mortgage on housing units and a Ministerial Guarantee.	\$ 22,825	\$ 47,458
All Nations Trust Company - repayable at \$4,192 per month including interest at 3.78% per annum. The loan will be renewed on February 1, 2029 and will mature in February 2044. It is secured by a first mortgage on housing units and a Ministerial Guarantee.	680,634	704,971
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.	360,824	382,875
All Nations Trust Company - repayable at \$3,805 per month including interest at 3.51% per annum. The loan will be renewed on December 1, 2029 and will mature in December 2044. It is secured by a first mortgage on housing units and a Ministerial Guarantee.	651,192	677,248
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.	625,390	651,037
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.	913,692	940,735
Loan advance from Peace Hill Trust has a 15 year term, maturing May 1, 2028. 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 \$29,226.	76,504	97,497
	\$ 3,331,061	\$ 3,501,821
Principal portion of long-term debt due within the next five years:		
2026	\$ 178,029	
2027	154,807	
2028	165,873	
2029	160,986	
2030 and thereafter	2,671,366	
	\$ 3,331,061	
	2025	2024
Interest expense for the year on long-term debt	\$ 101,326	\$ 93,581

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2025

17. CAPITAL LEASE OBLIGATION

	2025	2024
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.	\$ 762	\$ 5,720
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.	-	-
Ford Explorer Lease - repayable at \$842 monthly payments bearing interest at 6.99%. The loan will mature in February 2028. It is secured by the underlining vehicle.	50,711	57,028
Ford Edge Lease - repayable at \$611 monthly payments bearing interest at 5.99%. The loan will mature in September 2027. It is secured by the underlining vehicle.	33,636	38,783
	\$ 85,109	\$ 101,531

Interest paid in the current year was \$5,970 (2024: \$1,659).

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

2026	\$ 12,999
2027	13,062
2028	28,822
2029 and thereafter	\$ 30,225

18. PROMISSORY NOTES

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

	2025	2024
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.	\$ 19,375,455	\$ 19,949,423
The note has a 25 year term. The note is repayable at \$38,185 per month including interest at 2.985% per annum.* The note matured on June 2024.	-	5,840,348
The note has a 25 year term. The note is repayable at \$39,500 per month including interest at 2.900% per annum.* The note matured on June 2024.	-	6,422,098

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025

The note has a 30 year term, maturing on June 16, 2030. The note is repayable at \$19,423 per month including interest at 2.15% per annum.

4,666,360	4,798,027
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The note is due on demand without principal repayment and interest was payable monthly between 4% per annum.

9,260,120	6,443,580
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The note has a 30 year term, maturing on June 1, 2034. The note is repayable at \$61,123 per month including interest at 4.74% per annum.*

11,515,219	-
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\$ 44,817,154	\$ 43,453,476
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Principal portion of promissory notes due within the next five years:

2026	844,002
2027	844,002
2028	844,002
2029	844,002
2030 and thereafter	41,441,146

Interest paid in the current year was \$1,886,298 (2024: \$1,481,870).

*The promissory notes matured during the year and were renewed as a single promissory note.

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025

19. TANGIBLE CAPITAL ASSETS

The construction projects completed and amortized in the current fiscal year includes the Business Park, 108 Maple Leaf, 2SLGBTQIA+ Building, and other small projects. The construction in progress for current fiscal year represents construction of the Boat Launch, 5KKL Solar Project, Oliphant Dam Reconstruction, and other smaller projects.

	Cost			Accumulated amortization					
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	2025 net book value
Buildings	\$ 13,178,736	\$ 1,482,815	\$ -	\$ 14,661,551	\$ 2,888,341	\$ 688,793	\$ -	\$ 3,577,134	\$ 11,084,417
Automotive equipment	421,801	-	-	421,801	150,716	84,360	-	235,076	186,725
Equipment	2,004,534	388,534	-	2,393,068	863,327	439,760	-	1,303,087	1,089,981
Canoes	67,519	-	-	67,519	26,539	10,128	-	36,667	30,852
Infrastructure	2,886,484	3,246,707	-	6,133,191	811,291	223,461	-	1,034,752	5,098,439
Social housing	5,873,864	-	-	5,873,864	1,599,606	294,371	-	1,893,977	3,979,887
Construction in progress	5,266,853	820,030	(4,516,420)	1,570,463	-	-	-	-	1,570,463
Marineside development	70,678	-	-	70,678	33,572	3,534	-	37,106	33,572
Culture Centre	604,081	4,053	-	608,134	286,319	30,306	-	316,625	291,509
Boat	129,320	8,693	-	138,013	84,079	26,733	-	110,812	27,201
Assets under capital lease	127,690	-	-	127,690	30,377	25,539	-	55,916	71,774
Pavillion	108,339	-	-	108,339	8,118	5,417	-	13,535	94,804
	\$ 30,739,899	\$ 5,950,832	\$ (4,516,420)	\$ 32,174,311	\$ 6,782,285	\$ 1,832,402	\$ -	\$ 8,614,687	\$ 23,559,624

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025

	Cost				Accumulated amortization				
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	2024 Net book value
Buildings	\$ 12,818,882	\$ 584,920	\$ (225,066)	\$ 13,178,736	\$ 2,517,456	\$ 629,711	\$ (258,826)	\$ 2,888,341	\$ 10,290,395
Automotive equipment	529,484	66,655	(174,338)	421,801	236,695	88,358	(174,338)	150,716	271,085
Equipment	1,350,289	654,245	-	2,004,534	593,129	270,198	-	863,327	1,141,207
Canoes	47,762	19,757	-	67,519	18,993	7,546	-	26,539	40,980
Infrastructure	2,528,633	357,851	-	2,886,484	684,859	126,432	-	811,291	2,075,193
Social housing	5,738,905	134,959	-	5,873,864	1,305,913	293,693	-	1,599,606	4,274,258
Construction in progress	3,649,837	2,486,232	(869,216)	5,266,853	-	-	-	-	5,266,853
Marineside development	70,678	-	-	70,678	30,038	3,534	-	33,572	37,106
Culture Centre	604,081	-	-	604,081	256,115	30,204	-	286,319	317,762
Boat	358,274	5,000	(233,954)	129,320	332,946	25,223	(274,090)	84,079	45,241
Assets under capital lease	61,072	100,231	(33,613)	127,690	39,452	9,804	(18,879)	30,377	97,313
Pavillion	108,339	-	-	108,339	2,701	5,417	-	8,118	100,221
	<u>\$ 27,866,236</u>	<u>\$ 4,409,850</u>	<u>\$ (1,536,187)</u>	<u>\$ 30,739,899</u>	<u>\$ 6,018,297</u>	<u>\$ 1,490,120</u>	<u>\$ (726,133)</u>	<u>\$ 6,782,285</u>	<u>\$ 23,957,614</u>

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2025

20. 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.

21. EXPENSES BY OBJECT

For the year ended March 31	2025 Budget	2025 Actual	2024 Actual
Amortization	\$ 1,416,220	\$ 1,832,402	\$ 1,416,220
Communications and utilities	30,120	50,240	44,011
Construction cost	710,484	167,000	197,947
Education related expenses	587,900	1,109,537	781,408
Honorariums	78,800	42,700	56,127
Insurance	207,399	210,616	176,363
Interest and bank charges	91,800	2,012,811	1,587,934
Materials and supplies	382,367	245,420	259,473
Membership support	137,124	74,705	21,238
Other expense	1,991,742	579,873	459,231
Per capita distribution	75,000	75,200	73,800
Professional development	195,484	129,803	92,397
Professional fees	3,084,060	2,067,126	1,644,673
Programs delivery	126,139	162,516	272,074
Rent	64,663	10	-
Repairs and maintenance	392,829	482,884	360,175
Social assistance programs delivery	714,174	582,702	754,328
Travel	188,127	120,297	140,703
Wages and benefits	6,759,407	6,295,755	4,912,247
	\$ 17,233,839	\$ 16,241,597	\$ 13,250,349

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025

22. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2025 the First Nation entered into transactions with related parties as follows:

- a) The First Nation charged Malahat Investment Corporation \$174,510 (2024: \$196,842) for accounting services.
- b) The First Nation paid \$95,019 (2024: \$91,643) for construction and other project costs to Malahat Nelson GP Ltd. in relation to the 108 Maple Leaf, Business Park, Mini Pitch and other projects.
- c) The First Nation charged Malahat Fuels LLP \$32,310 (2024: \$24,798) for cardlock construction and management services.
- d) The First nation charged Malahat Utility Inc. \$41,629.48 for administrative fees.

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.

23. 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.

24. CONTINGENCIES

The following contingencies existed as at March 31, 2025:

- a) ISC provides Ministerial Guarantees for loans to the Malahat Nation in the amount of \$4,386,264 with an outstanding balance of \$3,254,556.
- 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 \$156,647.
- 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025

25. 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 \$44,426,301 (2024 - \$41,255,741). 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 \$56,340,522 (2024 - \$48,598,957). 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

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26. RESTATEMENT OF COMPARATIVE FIGURES

The comparative figures had been restated to reflect the inclusion of the 2022 financial statements received from Malahat Investment Corporation previously not provided.

The comparatives also reflect the correction of principal repayment and interest accrual for the Note receivable between Malahat Investment Corporation and the Nation from 2020-2024.

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

	2024 Originally Stated	Changes	2024 Restated Amounts
Note receivable	\$ 39,925,445	\$ (2,021,000)	\$ 37,904,445
Due from related party	672,227	243,732	915,959
Liability in Government Business Enterprises	7,332,043	354,847	7,686,890
Due to related party	3,544,492	(1,674,733)	1,869,759
Annual surplus	2,789,558	(56,604)	2,732,954
Accumulated surplus, end of year	\$ 10,737,892	\$ (457,382)	\$ 10,280,510

Other certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

MALAHAT NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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27. SEGMENTED INFORMATION

	First Nation Governance Services			Treaty Negotiation			Health		
	2025 Budget	2025 Actual	2024 Actual	2025 Budget	2025 Actual	2024 Actual	2025 Budget	2025 Actual	2024 Actual
Revenues									
Indigenous Services Canada	\$ 446,976	\$ 429,311	\$ 387,184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
First Nation Health Authority	20,000	20,000	20,000	-	-	-	2,139,618	2,200,422	2,258,214
Province of BC	-	-	84,532	-	-	-	-	-	-
Other revenue	1,827,365	1,376,139	963,770	-	-	-	619,022	(439,893)	(871,400)
Total revenue	2,294,341	1,825,450	1,455,486	-	-	-	2,758,640	1,760,529	1,386,814
Expenses									
Wages and benefits	1,554,074	1,710,397	1,439,172	-	-	-	1,449,003	1,129,929	718,975
Professional fees	909,575	456,782	204,993	-	-	-	195,484	108,302	67,229
Social assistance programs delivery	-	-	22,920	-	-	-	100,965	35,741	27,181
Travel	33,000	34,277	37,756	-	-	-	35,163	33,859	33,231
Repairs and maintenance	-	6,042	-	-	-	-	56,215	52,354	52,306
Education related expenses	-	-	-	-	-	-	-	200	-
Interest and bank charges	12,550	12,788	10,549	-	-	-	30	11,969	1,570
Other expenses	2,086,752	2,328,511	1,622,473	-	-	-	632,468	232,249	231,792
Total expenses	4,595,951	4,548,797	3,337,863	-	-	-	2,469,328	1,604,603	1,132,284
Annual surplus (deficit)	\$ (2,301,610)	\$ (2,723,347)	\$ (1,882,377)	-	\$ -	\$ -	\$ 289,312	\$ 155,926	\$ 254,530

MALAHAT NATION

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	2025 Budget	Housing 2025 Actual	2024 Actual	Education, Employment and Training			2025 Budget	Social Development 2025 Actual	2024 Actual
				2025 Budget	2025 Actual	2024 Actual			
Revenues									
Indigenous Services Canada	\$ 129,381	\$ 309,990	\$ 260,980	\$ 721,665	\$ 1,209,119	\$ 884,687	\$ 1,075,480	\$ 1,154,275	\$ 1,051,613
Canada Mortgage and Housing Corporation	194,029	202,750	287,285	24,870	13,000	12,500	-	-	-
Government of Canada	-	-	-	-	-	-	-	72,000	89,775
Province of BC	-	-	-	211,860	211,860	99,000	-	30,000	110,800
Rental income	246,902	254,747	236,999	-	-	-	-	-	-
Other revenue	50,186	(31,901)	186,673	(36,863)	202,799	341,248	574,653	169,717	232,471
Total revenue	620,498	735,586	971,937	921,532	1,636,778	1,337,435	1,650,133	1,425,992	1,484,659
Expenses									
Wages and benefits	79,381	129,745	79,672	415,165	306,053	315,431	583,486	478,549	346,483
Professional fees	8,010	12,530	8,010	55,664	68,416	37,667	201,099	160,796	120,475
Social assistance programs delivery	-	-	-	9,444	4,473	4,437	603,765	542,488	699,790
Travel	-	2,265	-	3,700	3,380	1,070	22,350	2,144	12,700
Repairs and maintenance	143,779	141,517	69,301	-	750	2,900	1,500	34	77
Education related expenses	-	-	-	587,900	1,109,337	781,408	-	-	-
Interest and bank charges	78,790	101,326	93,581	-	-	-	-	-	30
Per capita distribution	-	-	-	-	-	-	75,000	75,200	73,800
Other expenses	387,494	221,632	147,423	117,399	68,150	139,074	246,191	163,139	190,752
Total expenses	697,454	609,015	397,987	1,189,272	1,560,559	1,281,987	1,733,391	1,422,350	1,444,107
Annual surplus (deficit)	\$ (76,956)	\$ 126,571	\$ 573,950	\$ (267,740)	\$ 76,219	\$ 55,448	\$ (83,258)	\$ 3,642	\$ 40,552

MALAHAT NATION

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	Economic Development			Community Infrastructure			Ottawa Trust Fund		
	2025 Budget	2025 Actual	2024 Actual	2025 Budget	2025 Actual	2024 Actual	2025 Budget	2025 Actual	2024 Actual
Revenues									
Indigenous Services Canada	\$ 8,015,593	\$ 8,015,000	\$ 15,000	\$ 279,783	\$ 313,825	\$ 458,255	-	\$ -	\$ -
Government of Canada - Other	75,000	75,000	25,000	1,617,439	329,859	42,948	-	-	-
Province of BC	-	99,523	99,300	-	-	151,440	-	-	-
Rental income	-	-	-	25,800	12,363	25,800	-	-	-
Other revenue	4,612,205	6,014,234	2,405,653	(5,474,074)	525,537	912,771	-	777	773
Total revenue	12,702,798	14,203,757	2,544,953	(3,551,052)	1,181,584	1,591,214	-	777	773
Expenses									
Wages and benefits	392,441	375,181	183,324	389,402	503,601	317,515	-	-	-
Professional fees	145,000	49,683	4,145	76,500	84,272	56,835	-	-	-
Travel	9,000	4,579	75	1,200	3,893	1,196	-	-	-
Repairs and maintenance	26,650	36,262	-	152,767	215,102	205,088	-	-	-
Interest and bank charges	-	1,886,373	1,481,870	-	153	77	-	-	-
Other expenses	299,146	50,080	2,850	582,186	184,076	136,536	-	-	-
Total expenses	872,237	2,402,158	1,672,264	1,202,055	991,097	717,247	-	-	-
Annual surplus (deficit)	\$ 11,830,561	\$ 11,801,599	\$ 872,689	\$(4,753,107)	\$ 190,487	\$ 873,967	-	\$ 777	\$ 773

MALAHAT NATION

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	Housing Reserves			Lands and Environment Stewardship			Consolidated totals		
	2025 Budget	2025 Actual	2024 Actual	2025 Budget	2025 Actual	2024 Actual	2025 Budget	2025 Actual	2024 Actual
Revenues									
Indigenous Services Canada	\$ -	\$ -	\$ -	\$ 678,744	\$ 678,744	\$ 539,905	\$ 11,347,622	\$ 12,110,264	\$ 3,597,624
Canada Mortgage and Housing Corporation	-	-	-	-	-	-	218,899	215,750	299,785
Fisheries and Oceans Canada	-	-	-	2,982,640	3,095,964	2,250,978	2,982,640	3,095,964	2,250,978
Transport Canada	-	-	-	440,738	513,835	461,872	440,738	513,835	461,872
Government of Canada - Other	-	-	-	71,312	253,737	265,371	1,763,751	730,596	423,094
First Nation Health Authority	-	-	-	99,898	99,898	-	2,259,516	2,320,320	2,278,214
Province of BC	-	-	-	187,500	239,550	1,137,350	399,360	580,933	1,682,422
Rental income	-	-	-	-	-	-	272,702	267,110	262,799
Other revenue	104,600	126	153	412,508	(768,999)	554,403	2,689,602	7,048,536	4,726,515
Total revenue	104,600	126	153	4,873,340	4,112,729	5,209,879	22,374,830	26,883,308	15,983,303
Expenses									
Wages and benefits	-	-	-	1,896,455	1,662,301	1,511,676	6,759,407	6,295,756	4,912,248
Professional fees	-	-	-	1,492,728	1,126,346	1,145,318	3,084,060	2,067,127	1,644,672
Social assistance programs delivery	-	-	-	-	-	-	714,174	582,702	754,328
Travel	-	-	-	83,714	35,899	54,676	188,127	120,296	140,704
Repairs and maintenance	-	-	-	11,918	30,824	30,503	392,829	482,885	360,175
Education related expenses	-	-	-	-	-	-	587,900	1,109,537	781,408
Interest and bank charges	-	-	-	430	202	258	91,800	2,012,811	1,587,935
Per capita distribution	-	-	-	-	-	-	75,000	75,200	73,800
Other expenses	6,000	-	-	982,906	247,447	524,179	5,340,542	3,495,284	2,995,079
Total expenses	6,000	-	-	4,468,151	3,103,019	3,266,610	17,233,839	16,241,598	13,250,349
Annual surplus (deficit)	\$ 98,600	\$ 126	\$ 153	\$ 405,189	\$ 1,009,710	\$ 1,943,269	\$ 5,140,991	\$ 10,641,710	\$ 2,732,954