

Tk'emlüps te Secwépemc
Consolidated Financial Statements
For the year ended March 31, 2023

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Tk'emlúps te Secwépemc (the "Group") are the responsibility of management and have been approved by the Chief and another Band Councilor of the Band 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 judgments. 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 Tk'emlúps te Secwépemc 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 Group's assets are appropriately accounted for and adequately safeguarded.

The Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. Council carries out this responsibility principally through its Finance review meetings.

The Chief and Council review the Group's consolidated 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 issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report. The Chief and Council take this information into consideration when approving the consolidated financial statements for issuance to the Members. The Chief and Council also appoint the engagement of the external auditors.

The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP has full access to the Band Council.

Chief Councilor

Band Administrator

Independent Auditor's Report

To the Chief and Council of
Tk'emlúps te Secwépemc

Qualified Opinion

We have audited the consolidated financial statements of Tk'emlúps te Secwépemc and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of changes in net financial assets, operations 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 matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at March 31, 2023 and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Effective April 1, 2022, the Group was required to adopt PS 3280 Asset Retirement Obligations which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. Under the modified retroactive application method, the asset retirement obligation on transition is to be recorded using assumptions as of April 1, 2022. The corresponding asset retirement cost is added to the carrying value of the related tangible capital assets adjusted for amortization since the time the legal obligation was incurred. The net adjustment is charged to accumulated surplus. Comparative figures are to be restated to reflect this change in accounting policy. Management has not completed its assessment of the tangible capital assets for potential asset retirement obligations. As a result, it is not possible to quantify the impact of this departure from Canadian public sector accounting standards on expenses and annual surplus for the years ended March 31, 2023 and 2022, tangible capital assets and the asset retirement obligation as at March 31, 2023 and 2022, and accumulated surplus as at April 1 and March 31 for both the 2023 and 2022 years.

The financial statements for the certain Government Business Enterprises and Government Business Partnerships have been prepared using the Canadian accounting standards for private enterprises (ASPE) rather than international financial reporting standards (IFRS) as required by public sector accounting standards. We have not been engaged to audit the differences that may arise from using ASPE versus IFRS. Therefore, we are unable to determine the impact of this departure from public sector accounting standards on investments in government business enterprises as at March 31, 2023 and 2022, government business enterprises income and annual surplus (deficit) for the year ended March 31, 2023 and 2022, and accumulated surplus as at April 1 and March 31 for both the 2023 and 2022 years.

Our audit opinion on the consolidated financial statements for the year ended March 31, 2023 was modified for the above matters.



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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group 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's 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.


Chartered Professional Accountants

Kamloops, British Columbia
February 29, 2024


Tk'emlűps te Secwűpemc
Exhibit A - Consolidated Statement of Financial Position

As at March 31	2023	2022
Financial Assets		
Cash and cash equivalents (Note 3)	\$68,754,430	\$ 62,677,712
Funded reserves (Note 4)	400,671	419,945
Ottawa trust funds (Note 5)	81,523	76,001
Portfolio investments (Note 9)	1,072,028	1,036,187
Accounts receivable (Note 7)	8,475,926	9,115,451
Property taxes receivable	3,826,030	3,685,179
Marketable securities (Note 6)	3,038,814	2,983,005
Long-term investments	156,270	156,270
Investment in partnerships (Note 10)	9,925,581	6,324,612
Advances to related entities (Note 11)	2,023,401	992,221
Investment in government business (Note 12)	13,024,151	10,283,168
	<u>110,778,825</u>	<u>97,749,751</u>
Liabilities		
Accounts payable and accrued liabilities	6,181,767	5,326,628
Landfill remediation liability (Note 2)	1,162,356	-
Deferred revenue (Note 13)	25,829,005	18,562,271
Debt (Note 14)	2,781,412	3,083,731
	<u>35,954,540</u>	<u>26,972,630</u>
Net financial assets	<u>74,824,285</u>	<u>70,777,121</u>
Non-financial Assets		
Tangible capital assets (Note 15)	57,291,921	44,751,901
Prepaid expenses and deposits	152,230	640,594
Inventories	101,881	91,841
	<u>57,546,032</u>	<u>45,484,336</u>
Accumulated Surplus (Note 16)	<u>\$ 132,370,317</u>	<u>\$ 116,261,457</u>

Approved on behalf of the Band Council:



Chief Councilor



Band Administrator

Tk'emlűps te Secwűpemc

Exhibit B - Consolidated Statement of Changes in Net Financial Assets

For the year ended March 31	2023	2022
Surplus - Exhibit C	\$ 16,108,861	\$ 19,496,384
Purchases of tangible capital assets	14,556,168)	(8,396,523)
Amortization of tangible capital assets	2,016,147	1,953,767
Disposals of tangible capital assets	-	663,682
Change in prepaid expenses	488,364	(493,136)
Change in inventory	(10,039)	-
Change in reserves	-	(28,903)
Increase in net financial assets	4,047,165	13,195,271
Net financial assets, beginning of year	70,777,120	57,581,849
Net financial assets, end of year	\$74,824,285	\$ 70,777,120

Tk'emlűps te Secwűpemc
Exhibit C - Consolidated Statement of Operations

For the year ended March 31	Budget	2023	2022
Revenue			
Department of Indigenous Services Canada	\$ 13,958,766	\$17,922,027	\$ 10,990,726
Province of British Columbia	4,365,158	5,993,156	6,751,454
Kamloops Indian Band (K.I.B.) Sales Tax	1,800,000	1,581,330	1,926,937
Canada Mortgage and Housing Corporation	1,169,560	965,415	212,313
Contract revenue	559,750	420,069	665,248
Government business enterprises income (Note 12)	-	2,740,983	2,253,770
Health Canada	42,000	25,558	813,877
Interest and investment income	1,777,143	1,931,848	661,516
Lease and rental income	2,850,064	3,589,555	3,621,835
Management fees	862,801	909,386	2,763,810
Partnership income (Note 10)	-	3,600,969	985,113
Property taxation	8,912,867	10,304,667	9,343,808
User fees and other	17,634,673	13,235,305	17,962,644
	53,932,782	63,220,268	58,953,051
Expenses (Note 22)			
Administration	10,407,440	8,354,067	5,245,485
Land and Leases	1,181,786	1,034,363	1,099,554
Planning & Engineering	6,305,395	6,683,878	5,575,653
Education	4,188,457	3,584,892	3,934,813
Property Tax	4,844,700	3,966,168	3,382,404
Housing	3,475,745	3,249,074	2,550,603
Social Housing	144,816	1,010,860	263,039
Natural Resources	2,229,894	2,583,015	2,201,816
Band Council	1,207,769	1,071,565	1,046,609
Sk'elep School	2,406,775	1,786,414	1,780,795
Community Services	5,390,971	4,881,091	3,274,681
Amortization	-	2,016,147	1,953,767
Other	9,110,478	6,889,873	7,147,448
	50,894,226	47,111,407	39,456,667
Surplus for the year	\$ 3,038,556	\$16,108,861	\$ 19,496,384
Accumulated surplus, opening	\$ -	\$ 116,261,456	\$ 96,765,072
Accumulated surplus, ending	\$ -	\$ 132,370,317	\$ 116,261,456

Tk'emlŭps te Secwépemc
Exhibit D - Consolidated Statement of Cash Flows

For the year ended March 31	2023	2022
Operating activities		
Cash receipts from various sources	\$ 28,492,027	\$ 28,285,556
Cash receipts from Department of Indigenous Services Canada	17,922,027	10,990,726
Cash receipts from Province of British Columbia	5,993,156	6,751,454
Cash receipts from property taxation	10,304,667	9,343,808
Cash paid to employees and suppliers	(43,828,878)	(36,338,178)
Interest earned	1,931,848	661,516
Cash flows from operating activities	20,814,847	19,694,882
Capital activity		
Purchase of capital assets	(14,556,168)	(8,396,523)
Investing activities		
Disbursements from partnerships	1,229,432	1,451,386
Advances from (to) related entities	(1,031,176)	899,536
Purchase of marketable securities	(55,809)	-
Purchase of portfolio investments	(35,841)	-
Cash flows from capital & investing activities	(14,449,562)	(6,045,601)
Financing activity		
Repayment of long term debt	(302,319)	(328,118)
Net increase in cash and cash equivalents	6,062,966	13,321,163
Cash and cash equivalents, beginning of year	63,173,658	49,852,495
Cash and cash equivalents, end of year	\$ 69,236,624	\$ 63,173,658
Represented by:		
Cash and cash equivalents	\$ 68,754,430	\$ 62,677,712
Funded reserves and Ottawa trust funds	482,194	495,946
	\$ 69,236,624	\$ 63,173,658

Tk'emlups te Secwépemc Summary of Significant Accounting Policies

March 31, 2023

1. Basis of presentation and significant accounting policies

Description of Entity

Tk'emlups te Secwépemc ("TteS") is a First Nations government operating out of Kamloops, British Columbia. TteS is a progressive community committed to attaining self-sufficiency and independence through education and economic development. TteS was established in 1862 and is responsible for the well-being of its community and the enactment of legal policies and programs in areas of capital, education, membership, health, and social and economic development.

Basis of Accounting

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards for government entities, as defined in the CPA Public Sector Accounting and Auditing Handbook, which encompass the following.

Reporting Entity

The reporting entity includes TteS and all entities that are controlled by the organization. All controlled entities in are consolidated in the TteS' financial statements according to the TteS' percentage ownership except for entities that meet the definition of a government business enterprise or a business partnership, which are included in the financial statements on a modified equity basis. Accounting policies of consolidated and proportionately consolidated entities are conformed to those of the TteS and inter-organizational balances and transactions are eliminated upon consolidation.

The financial statements consolidate the assets, liabilities, and results of operations for the following entities:

- Tk'emlups te Secwépemc
- Tk'emlups te Secwépemc Social Housing Section 95 Phases 1-13
- Tk'emlups te Secwépemc Social Housing Section 95 Phases 14-20
- Spiyu7ullucw Ranch Corporation

Non-Coterminous Fiscal Periods

Spiyu7ullucw Ranch Corporation is included in the consolidated financial statements using financial information prepared as of January 31, 2023, covering the period February 1, 2022 to January 31, 2023.

Tk'emlűps te Secwűpemc Summary of Significant Accounting Policies

March 31, 2023

1. Basis of presentation and significant accounting policies (continued)

Investment in Government Business Enterprises

TteS' investment in the following government business enterprises are accounted for on a modified equity basis. Under the modified equity basis, these entities' accounting policies are not adjusted to conform with those of TteS and inter-organizational transactions and balances are not eliminated. TteS recognizes its equity interest in the annual income or loss of the entities in its consolidated statement of operations and accumulated surplus with a corresponding increase or decrease in its investment asset account. Any dividends that TteS may receive from these entities will be reflected as reductions in the investment asset account.

Organizations accounted for on a modified equity basis include:

- Kamloops Indian Band Development Corporation;
- Kamloops Indian Band Utility Corporation;
- Kukpi7 Clexlixqen te Eyksem Holdings;
- Secwepemcetekwe Enterprises Ltd., which includes its pro-rated portion of its investment in the Secwepemcetekwe Limited Partnership;
- Tk'emlűpsemc Forestry Development Corporation, which includes its pro-rated portion of its investment in the Tk'emlűpsemc Forestry Limited Partnership;
- Swelaps Market Ltd;
- 1303129 B.C. Ltd;
- 1303110 B.C. Ltd; and
- 1385608 B.C. Ltd.

Investment in Partnerships

TteS' investment in the Tk'emlűpsemc Forestry Limited Partnership, the Secwepemcetekwe Limited Partnership, and the Stk'emlűpsemc Limited Partnership (the "partnerships") are accounted for on a modified equity basis.

Under the modified equity basis, the partnerships' accounting policies are not adjusted to conform with those of TteS and inter-organizational transactions and balances are not eliminated. TteS recognizes equity interest in the annual income or loss of the partnerships in its consolidated statement of operations and accumulated surplus, less cash advances or cash disbursements, with a corresponding increase or decrease in its investment asset account.

Tk'emlűps te Secwűpemc Summary of Significant Accounting Policies

March 31, 2023

1. Basis of presentation and significant accounting policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term, highly liquid investments that are readily convertible to cash.

Designated Cash

Internally designated cash represents internally restricted amounts reserved by TTeS for a specific future purpose.

Externally restricted cash

Externally restricted cash represents amounts externally restricted in relation to external funding requirements or by statute.

Financial Instruments

Mutual funds are mandatorily measured at fair value. All other financial instruments are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the consolidated statement of financial position.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

Deferred Revenue

Deferred revenue represents grants and other fees which have been collected, but for which the related expenses or services have yet to be incurred or performed. These amounts will be recognized as revenues in the fiscal year in which the services are performed or related expenses are incurred.

Development cost charge levies are restricted by law in their use for providing funds to assist TteS in paying the capital cost of providing, constructing, altering or expanding sewer, water, stormwater, parks, and recreation land and transportation facilities and the revenue is deferred until the expenses are incurred. When development cost charge expenses are made, a corresponding amount is recorded in revenue.

Tk'emlűps te Secwűpemc Summary of Significant Accounting Policies

March 31, 2023

1. Basis of presentation and significant accounting policies (continued)

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Liability for
Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the Group is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible capital assets are recorded at fair value at the time of the donation with a corresponding amount recorded as revenue. Expenses for repairs and maintenance that do not materially add to the useful life or service potential of the asset are not capitalized, but expensed as incurred.

Tangible capital assets acquired on April 1, 1975 or later are recorded at cost. Tangible capital assets acquired prior to April 1, 1975 are recorded at net replacement values as appraised by Harker Appraisals Ltd. at August 15, 1977 and July 13, 1978, except land, which is recorded at a nominal value of \$1.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized over their estimated useful lives as follows:

Tk'emlűps te Secwűpemc Summary of Significant Accounting Policies

March 31, 2023

1. Basis of presentation and significant accounting policies (continued)

Tangible Capital Assets (continued)

Asset	Basis	Rate
Automotive	Declining balance	30%
Buildings	Declining balance	4%
Social housing buildings	Straight-line	40 years
Computer equipment	Declining balance	50%
Equipment	Declining balance	20%
Fencing and other land improvements	Declining balance	4%
Furniture and fixtures	Declining balance	20%
Social housing fixtures	Straight-line	10 years
Property and equipment, recorded at appraised values	Declining balance	2.5 - 10%
Roadways, sewer and water systems	Declining balance	4-8%

Assets under construction are not amortized until the asset is available for productive use. When a tangible capital asset no longer contributed to TteS' ability to provide services, its carrying amount is written down to its recoverable amount.

All intangibles and items inherited by right of TteS, such as land, forests, water, and mineral resources, that have not been purchased, are not recognized in these consolidated financial statements.

Contributed tangible capital assets are recognized at fair market value at the date of contribution. Where an estimate of fair value cannot be made, the tangible capital asset is recognized at a nominal value.

Works of Art and Cultural and Historic Assets

Works of art and cultural and historic assets, including artifacts, paintings and sculptures, are not recorded as assets in these consolidated financial statements.

Inventories

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

Inventories held for resale

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value.

Tk'emlŭps te Secwépemc **Summary of Significant Accounting Policies**

March 31, 2023

1. Basis of presentation and significant accounting policies (continued)

Revenue Recognition

Revenue is recognized on the accrual basis as it is earned, or as services are provided, and is measurable and becomes receivable under the terms of the applicable funding agreements.

Government transfers are recognized as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria is met, and reasonable estimates of the amounts can be made. If the transfer contains stipulations that create a liability, the transfer is recognized as revenue in the period in which the liability is extinguished.

Contract revenues are recorded on an accrual basis and are recognized when the service has been provided.

Grants and donations are recognized as revenue when received or receivable if amounts can be reasonably estimated and collection is reasonably assured.

Interest and investment income is recorded as revenue in the period earned.

Lease and rental income is recorded on a straight-line basis over the term of the lease or agreement and is recognized when the tenant commences occupancy, the amounts to be received can be reasonably estimated and collection is reasonably assured.

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

Sales tax, user fees, and other income are recognized when received or receivable if the amounts to be received can be reasonably estimated and collection is reasonably assured.

Tk'emlűps te Secwűpemc Summary of Significant Accounting Policies

March 31, 2023

1. Basis of presentation and significant accounting policies (continued)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period. The recoverable amounts of accounts receivable and property taxes receivable, and the recoverable amount and estimated useful lives of tangible capital assets are significant items subject to such estimates and assumptions. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are adjusted prospectively.

Budgets

Budget information for individual programs has been included in the consolidated financial statements when the information is available and represents the 2022/2023 operating and capital budgets approved by Chief and Council.

Funded Reserves

In order to provide for replacement of major tangible capital assets, the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC") provide that a Replacement Reserve Fund be established by annual charges to operations in an amount prescribed by the agreement. Interest is to accrue on the cumulative reserve balance. In addition, under the terms of the agreement for the 2% Subsidy Program, TteS may retain, in a Subsidy Surplus Reserve, excess federal assistance payments up to a maximum of \$500 per unit plus interest, and under the terms of the agreement for the Full Subsidy Program, TteS may retain in an Operating Reserve all excess federal assistance, plus interest.

Employee Future Benefits

TteS contributes to a private defined contribution pension plan. Contributions are expensed as incurred.

Segmented Disclosure

A segment is defined as a distinguishable activity or group of activities of a government for which is it appropriate to separately report financial information to achieve the objectives of TteS. TteS identifies its segments based on specific projects and funding arrangements. Revenue and expenses are allocated to these segments according to methods of identification.

Tk'emlűps te Secwűpemc Summary of Significant Accounting Policies

March 31, 2023

1. Basis of presentation and significant accounting policies (continued)

Ottawa Trust Funds

TteS uses the accrual method of accounting for Ottawa Trust Fund revenues earned in the Fund. Trust monies are recognized as revenue upon authorized withdrawal from the Ottawa Trust Fund.

Leased Assets

A lease that transfers substantially all of the benefits and risks of ownership to the lessee is recorded as a tangible capital asset and the incurrence of a lease obligation. At inception, a tangible capital asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments, excluding executory costs, and the leased property's fair value at the beginning of the lease. The discount rate used to determine the present value of the lease payments is the lower of the Group's rate for incremental borrowing or the interest rate implicit in the lease. Leased tangible capital assets are amortized in a manner consistent with the tangible capital assets owned by the Group, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

Asset Retirement Obligations

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

Tk'emlűps te Secwűpemc

Notes to Consolidated Financial Statements

March 31, 2023

2. Landfill remediation liability

During the year a former landfill was closed and required to be remediated. The estimated total cost to remediate the landfill was \$4,555,403 as at March 31, 2023. The cost of this remediation has been expensed. As at March 31, 2023, the remediation was not yet complete with estimated costs \$1,162,356 completed subsequent to year end. This outstanding work is recorded as the Landfill remediation liability.

3. Designated and restricted cash and cash equivalents

Certain funds have been internally designated by TteS for the following specific purposes determined by Chief and Council or externally designated by federal or provincial government authorities. These funds have been invested in separate investment funds and bank accounts.

	2023	2022
Internally restricted		
Tessie J. Jules Bursary Fund	\$ 122,966	\$ 119,271
First Nations Market Housing Fund	30,599	29,679
Stk'emlűpsemc te Secwűpemc Nation		
Economic and Community Development Agreement	2,248,254	2,298,251
Net Smelter Fund	4,129,014	4,004,950
Forestry Contribution Revenue Sharing Agreement	2,156,096	2,787,591
First Nations Land Acquisitions	1,790,524	1,736,708
Kinder Morgan Mutual Benefits Agreement	598,211	580,250
Development cost charges	5,895,261	2,750,302
Payment security	2,470,000	2,470,000
Heritage Park	2,313,847	2,438,332
	<u>21,754,772</u>	<u>19,215,334</u>
Internally designated		
Capital reserve	525,778	509,975
Long-term capital plan reserve	1,702,946	819,452
	<u>2,228,724</u>	<u>1,329,427</u>
Operating cash and cash equivalents	<u>44,770,934</u>	<u>42,132,951</u>
Total cash and cash equivalents	<u>\$68,754,430</u>	<u>\$ 62,677,712</u>

Tk'emlűps te Secwűpemc

Notes to Consolidated Financial Statements

March 31, 2023

4. Funded Reserves

Replacement Reserve:

Under the terms of the agreement with CMHC, the Replacement Reserve account was credited during the year ended March 31, 2023, in the amount of \$44,903 (2022 - \$49,961) including interest. The funds in the account may only be used as approved by CMHC. The Replacement Reserve, as included in the accumulated surplus (Note 16), consists of:

	2023	2022
Restricted cash - replacement reserve	\$ 400,671	\$ 419,945
Monies to be deposited (withdrawn) subsequent to year-end	604,555	(86,403)
Equity in replacement reserve	<u>\$ 1,005,226</u>	<u>\$ 333,542</u>

5. Ottawa Trust Funds

Indigenous Services Canada ("ISC") holds certain funds in trust for TteS. These funds are designated as revenue or capital funds as outlined in Section 62 of the Indian Act. As at March 31, 2023 there were no capital funds. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. Subject to approval by the Minister of Indigenous Services Canada, TteS is permitted to expend its revenue funds for any purpose that will promote the general progress and welfare of TteS and TteS members. The expense of capital funds requires the consent of the Minister of Indigenous Services and such expense generally must be for projects of a capital nature. At March 31, 2023, the balance in revenue funds was \$81,523 (2022 - \$76,001).

6. Marketable securities

TteS holds the following marketable securities at RBC Royal Trust:

	Cost	Unrealized Gain (loss)	Fair Market Value 2023	Fair Market Value 2022
Mutual funds	\$ 2,590,138	\$ 210,644	\$ 2,800,778	\$ 2,814,394
Cash & equivalents	238,036	-	238,036	168,611
	<u>\$ 2,828,174</u>	<u>\$ 210,644</u>	<u>\$ 3,038,814</u>	<u>\$ 2,983,005</u>

Tk'emlűps te Secwűpemc

Notes to Consolidated Financial Statements

March 31, 2023

7. Accounts Receivable

	2023	2022
Indigenous Services Canada	\$ 2,590,899	\$ 2,919,095
Social Housing	155,781	9,900
Band Members	432,055	663,223
Mt. Paul lease, sk'elep school, permits & miscellaneous	5,888,831	6,323,531
	9,067,566	9,915,749
Allowance for doubtful accounts	(591,640)	(800,298)
	<u>\$ 8,475,926</u>	<u>\$ 9,115,451</u>

8. Comparative Figures

Certain comparative amounts presented in the consolidated financial statements have been reclassified to conform to current year's presentation.

Tk'emlűps te Secwėpemc

Notes to Consolidated Financial Statements

March 31, 2023

9. Portfolio Investments

	2023	2022
First Nations Finance Authority	\$ 915,758	\$ 879,917
All Nations Trust Company ("ANTCO")	156,270	156,270
	<u>\$ 1,072,028</u>	<u>\$ 1,036,187</u>

Portfolio investments include a short term bond through Municipal Finance Authority BC with a maturity of 366 days or less. The annualized interest rate is 1.9% per annum. Temporary investments in ANTCO consist of 156,270 Class A common shares.

10. Investment in Partnerships

Tk'emlűpsemc Forestry Development Corporation ("TFDC") and TteS have an investment in Tk'emlűpsemc Forestry Limited Partnership ("TFLP"). TFLP operates forest licenses. TFDC, the general partner, owns 0.5% (1/200) of the units of TFLP and TteS, the limited partner, owns 99.5% (199/200) of the units of TFLP.

Stk'emlűpsemc Enterprises Inc. ("SEI"), the Skeetchestn Indian Band ("SIB") and TteS have an investment in Stk'emlűpsemc Limited Partnership ("SLP"). SLP shares in mining royalties. SEI is the general partner and owns 0.01% of SLP, while the limited partners, SIB and TteS, each own 49.995% of SLP.

Secwepemcetkwe Enterprises Ltd. and TteS have an investment in Secwepemcetkwe Limited Partnership. Secwepemcetkwe Limited Partnership is an employment contract service. Secwepemcetkwe Enterprises Ltd., the general partner, owns 0.5% (1/200) of the units of Secwepemcetkwe Limited Partnership and TteS, the limited partner, owns 99.5% (199/200) of the units of Secwepemcetkwe Limited Partnership.

Tk'emlűps te Secwėpemc

Notes to Consolidated Financial Statements

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10. Investment in Partnerships (continued)

As at March 31, 2023, the assets, liabilities, equity, and net income of TFLP, SLP and Secwepemcetekwe Limited Partnership are as follows:

	Tk'emlűpsemc Forestry Limited Partnership	Stk'emlűpsem c Limited Partnership	Secwepemcetekw e Limited Partnership	2023	2022
Current assets	\$ 7,801,816	\$ 805,395	\$ 478,099	\$ 9,085,310	\$ 10,305,455
Non-current assets	856,231	6,308,540	619,318	7,784,089	1,894,746
Total assets	8,658,047	7,113,935	1,097,417	16,869,399	12,200,201
Current liabilities	95,597	5,874,444	626	5,970,667	5,613,036
Non-current liabilities	346,693	-	-	346,693	172,125
Total liabilities	442,290	5,874,444	626	6,317,360	5,785,161
Partners' equity	8,215,757	1,239,491	1,096,791	10,552,039	6,415,040
Total liabilities and partners' equity	8,658,047	7,113,935	1,097,417	16,869,399	12,200,201
Net income:					
Revenue	16,879,148	1,646,068	73,840	18,599,056	14,485,198
Expenses	13,848,083	1,110,678	39,326	14,998,087	13,500,085
Net income	\$ 3,031,065	\$ 535,390	\$ 34,514	\$ 3,600,969	\$ 985,113

As at March 31, 2023, TteS' investment in partnerships is comprised of:

	2023	2022
Tk'emlűpsemc Forestry Limited Partnership	\$ 8,210,270	\$ 5,179,205
Stk'emlűpsemc Limited Partnership	618,630	83,240
Secwepemcetekwe Limited Partnership	1,096,681	1,062,167
Total investment	\$ 9,925,581	\$ 6,324,612

Tk'emlűps te Secwűpemc

Notes to Consolidated Financial Statements

March 31, 2023

11. Advances to (from) Related Entities

The amounts advanced to (from) related entities are non-interest bearing, unsecured and have no specified terms of repayment.

The advances eliminated upon consolidation are with respect to the entities that ceased to be government business enterprises.

	2023	2022
Kamloops Indian Band Utility Corporation	49,762	248,325
Kamloops Indian Band Development Corporation	1,987,777	1,585,747
Spiyu7ullucw Ranch Corporation	9,319,168	9,184,928
Tk'emlűpsemc Forestry Development Corporation	899,546	(152,143)
Big Horn Hops Inc.	557	557
Lot 164 Development	-	-
Other	(914,241)	(690,265)
	11,342,569	10,177,149
Less: allowance for uncollectible inter-entity advances	-	-
	11,342,569	10,177,149
Advances eliminated upon consolidation of related entities:		
Spiyu7ullucw Ranch Corporation	(9,319,168)	(9,184,928)
	\$ 2,023,401	\$ 992,221

Tk'emlŭps te Secwépemc

Notes to Consolidated Financial Statements

March 31, 2023

12. Investment in Government Business Enterprises

	Kamloops Indian Band Development Corporation	Kamloops Indian Band Utility Corporation	Tk'emlupsemc Forestry Development Corporation	Secwepemcetekwe Enterprises Ltd.	Kukpi7 Clexlixqen te Eyksem Holdings	Swelaps Market Ltd.	1303129 B.C. Ltd.	1385608 B.C Ltd.	1303110 B.C. Ltd.	2023 Total	2022 Total
Current assets	\$9,559,482	\$6,831,480	\$257,693	\$-	\$-	-	\$ -	\$ -	\$ -	\$16,648,655	\$16,648,655
Non-current assets	140,033	1,908,803	309,448	101	-	-	-	-	-	2,358,385	2,358,385
Total assets	9,699,515	8,740,283	567,141	101	-	-	-	-	-	19,007,040	19,007,040
Current liabilities	1,774,161	299,356	87,248	3,010	-	-	-	-	-	2,163,775	2,163,775
Non-current liabilities	1,645,056	780,000	1,373,094	9,997	13,948	-	-	-	-	3,810,195	3,810,195
Total liabilities	3,419,217	1,079,356	1,460,342	13,007	13,948	-	-	-	-	5,971,922	5,971,922
Share capital	8	8	8	-	1	-	-	-	-	24	24
Retained earnings (deficit)	6,280,290	7,660,919	(893,209)	(12,906)	(13,949)	-	-	-	-	13,035,094	13,035,094
Total liabilities and equity	9,699,515	8,740,283	567,141	101	-	-	-	-	-	19,007,040	19,007,040
Net income (loss):						-	-	-	-		
Revenue	1,962,316	23,643,393	808,296	-	-	-	-	-	-	26,414,005	21,897,514
Expenses	1,117,407	21,851,805	689,910	1,500	12,400	-	-	-	-	23,673,022	19,643,744
Net income (loss)	\$844,909	\$1,791,588	\$118,386	\$(1,500)	\$(12,400)	-	\$ -	\$ -	\$ -	\$2,740,983	\$2,253,770

TteS holds 100% ownership or otherwise exerts control over the above entities.

TteS has a 100% investment in Cuwkeltam Leasing Inc., which is an inactive company. The total investment at March 31, 2023 is \$1 (2022 - \$1).

TteS also has a 100% investment in Kamloopa Property Management Association, which is an inactive association.

Tk'emlűps te Secwűpemc

Notes to Consolidated Financial Statements

March 31, 2023

13. Deferred Revenue

	2022	Recognized Revenue	Funding Received	2023
ISC contributions:				
Housing Renovations	1,298,319	(1,280,084)	42,224	60,459
Planning & Engineering	635,796	(635,796)	4,615,260	4,615,260
Public Works	849,788	(849,788)	917,589	917,589
Community Services	379,808	(379,808)	1,915,806	1,915,806
Education	1,281,763	(1,223,029)	1,019,218	1,077,952
Strategic Planning	47,800	(47,800)	47,800	47,800
Le Estecewey/The Missing	3,116,120	(3,488,115)	5,379,829	5,007,834
COVID Funding	1,061,979	(1,061,979)	516,881	516,881
	8,671,373	(8,966,399)	14,454,607	14,159,581
Unearned property tax	421,633	-	84,415	506,048
Unearned business licenses	89,566	-	7,388	96,954
Unearned lease rental	1,068,977	(7,838)	-	1,061,139
Sk'elep school	324,630	-	57,343	381,973
Environmental security funds	135,003	-	-	135,003
Federal government	(445,152)	-	-	(445,152)
Other unearned revenue	8,153,436	-	1,659,718	9,813,154
Spiy7ullucw Ranch Corporation	142,805	(22,500)	-	120,305
	9,890,898	(30,338)	1,808,864	11,669,424
	\$ 18,562,271	\$ (8,996,737)	\$ 16,263,471	25,829,005

Tk'emlűps te Secwėpemc

Notes to Consolidated Financial Statements

March 31, 2023

14. Debt

	2023	2022
Social Housing:		
ANTCO, mortgages, repayable in combined monthly installments of \$11,828, including interest at rates ranging from 0.80% to 2.22% per annum, secured by ISC guarantees for all loan amounts outstanding, with the exception of \$121,604, maturities ranging from April 2024 to December 2033	\$ 748,305	\$ 876,248
TteS Term Loans and Other:		
RBC, term loan, repayable in monthly installments of \$18,559, including interest at 2.69% per annum, secured as per below, maturing September 2032	2,033,107	2,198,849
Spiyu7ullucw Ranch Corporation:		
Loan, paid out within the year	-	8,634
	<u>\$ 2,781,412</u>	<u>\$ 3,083,731</u>

The estimated principal repayments required over the next five years are as follows:

2024	\$ 299,910
2025	283,453
2026	252,879
2027	243,496
2028	189,395
Thereafter	<u>1,512,279</u>
	<u>\$ 2,781,412</u>

Total interest paid on debt for the year was \$70,793 (2022 - \$87,621).

The RBC facilities include two unused, revolving demand lines of credit to a maximum of \$300,000 (2022 - \$300,000) and \$500,000 (2022 - \$500,000), respectively, which bear interest at the RBC prime rate plus 0.15% and plus 0.5% per annum, respectively (2022 - 0.15% and 0.5% in aggregate, respectively).

The RBC lines of credit and term loans are secured by a general security agreement constituting a first ranking security interest in all personal property of TteS as well as a security agreement over accounts receivable constituting a first ranking security interest in all sales tax revenues and other income or monies payable to TteS by the Government of Canada.

Tk'emlűps te Secwűpemc

Notes to Consolidated Financial Statements

March 31, 2023

15. Tangible Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1,023,225	\$ -	\$ 1,023,225	\$ -
Automotive	3,914,833	3,157,102	3,747,099	2,868,303
Buildings	18,397,691	9,936,117	18,249,222	9,586,645
Computer equipment	1,971,696	2,002,635	1,956,715	1,937,954
Equipment	3,851,921	2,327,129	3,143,447	2,098,933
Fencing and other land improvements	3,469,464	2,474,173	3,469,464	2,432,703
Furniture and fixtures	844,719	716,036	760,671	694,371
Property and equipment, recorded at appraised values	3,545,768	3,243,913	3,545,768	3,231,336
Roadways, sewer and water systems	34,434,691	18,235,319	34,123,775	17,411,045
Assets under construction	18,981,372	-	6,223,192	-
	90,435,380	42,092,424	76,242,578	40,261,290
Social Housing Buildings and fixtures	3,410,547	1,821,221	3,410,547	1,693,279
	3,410,547	1,821,221	3,410,547	1,693,279
Spiyu7ullucw Ranch Corporation				
Land and timber	6,738,385	-	6,738,385	-
Buildings	384,027	228,825	384,027	222,359
Computer equipment	4,105	4,101	4,105	4,101
Equipment	736,711	584,830	699,567	552,458
Furniture and fixtures	227,158	222,832	227,158	220,978
Automotive	109,186	16,378	-	-
Assets under construction	217,033	-	-	-
	8,416,605	1,056,966	8,053,242	999,896
	02,262,532	44,970,611	87,706,367	42,954,466
Net book value	\$ 57,291,921		\$ 44,751,901	

The tangible capital assets have not been assessed for asset retirement obligations as required by PS 3280 Asset Retirement Obligations. The assets listed may be understated by the amounts of any existing asset retirement obligations

Tk'emlűps te Secwėpemc
Notes to Consolidated Financial Statements

March 31, 2023

15. Tangible Capital Assets (continued)

	2023										
	Land	Automotive	Furniture and Equipment	Buildings	Fencing and Other Land Improvements	Roadways, Sewer and Water Systems	Computer Equipment	Property and Equipment	Rhizomes	Assets Under Construction	Total
Cost, beginning of year	\$ 7,761,610	\$ 3,747,098	\$ 3,754,354	\$ 22,043,793	\$ 3,469,464	\$ 37,350,719	\$ 1,960,820	\$ 4,598,771	\$ -	\$ 2,996,248	\$ 87,682,877
Additions	-	276,921	829,666	148,472	-	310,915	14,981	-	-	12,975,213	14,556,168
Disposals	-	-	-	-	-	-	-	-	-	-	-
Cost, end of year	7,761,610	4,024,019	4,584,020	22,192,265	3,469,464	37,661,634	1,975,801	4,598,771	-	15,971,461	102,239,045
Accumulated amortization, beginning of year	-	2,868,302	2,796,219	11,517,408	2,426,532	17,411,046	1,942,052	3,969,417	-	-	42,930,976
Amortization	-	305,177	284,086	483,882	41,470	824,275	64,681	12,576	-	-	2,016,147
Disposals	-	-	-	-	-	-	-	-	-	-	-
Accumulated amortization, end of year	-	3,173,479	3,080,305	12,001,290	2,468,002	18,235,321	2,006,733	3,981,993	-	-	44,947,123
Net carrying amount, end of year	\$ 7,761,610	\$ 850,540	\$ 1,503,715	\$ 10,190,975	\$ 1,001,462	\$ 19,426,313	\$ (30,932)	\$ 616,778	\$ -	\$ 15,971,461	\$ 57,291,922

Tk'emlűps te Secwűpemc

Notes to Consolidated Financial Statements

March 31, 2023

15. Tangible Capital Assets (continued)

	2022										
	Land	Automotive	Furniture and Equipment	Buildings	Fencing and Other Land Improvements	Roadways, Sewer and Water Systems	Computer Equipment	Property and Equipment	Rhizomes	Assets Under Construction	Total
Cost, beginning of year	\$ 7,827,610	\$ 3,101,003	\$ 3,954,412	\$ 21,185,272	\$ 3,626,959	\$ 33,786,664	\$ 1,960,820	\$ 4,598,771	\$ 153,799	\$ 445,606	\$ 80,640,916
Additions		646,095	202,677	1,433,054	-	337,111	-	-	-	5,777,586	8,396,523
Reallocation		-	-	-	-	3,226,944	-	-	-	(3,226,944)	-
Disposals	(66,000)	-	(402,735)	(574,533)	(157,495)	-	-	-	(153,799)	-	(1,354,562)
Cost, end of year	7,761,610	3,747,098	3,754,354	22,043,793	3,469,464	37,350,719	1,960,820	4,598,771	-	2,996,248	87,682,877
Accumulated amortization, beginning of year	-	2,630,124	2,749,317	11,420,002	2,411,163	16,554,906	1,923,289	3,956,316	22,972	-	41,668,089
Amortization		238,178	291,795	492,592	43,198	856,140	18,763	13,101	-	-	1,953,767
Disposals		-	(244,893)	(395,186)	(27,829)	-	-	-	(22,972)	-	(690,880)
Accumulated amortization, end of year	-	2,868,302	2,796,219	11,517,408	2,426,532	17,411,046	1,942,052	3,969,417	-	-	42,930,976
Net carrying amount, end of year	\$ 7,761,610	\$ 878,796	\$ 958,135	\$ 10,526,385	\$ 1,042,932	\$ 19,939,673	\$ 18,768	\$ 629,354	\$ -	\$ 2,996,248	\$ 44,751,901

Tk'emlűps te Secwűpemc

Notes to Consolidated Financial Statements

March 31, 2023

16. Accumulated Surplus

	2023	2022
		(Restated)
Unrestricted operating surplus	\$18,618,941	\$ 20,326,856
Equity in replacement reserve (Note 4)	1,005,226	333,542
Contributed surplus	-	-
Equity in capital assets	54,200,787	42,124,027
Equity in Ottawa trust	77,467	71,943
Internally designated surplus	32,016,732	29,303,529
Internally restricted surplus	26,451,165	24,101,559
	\$ 132,370,317	\$ 116,261,456

Internally Designated Surplus consists of:

	2023	2022
Capital Equipment Reserve Fund	\$ 602,540	\$ 602,540
KIBST Transfer to KIBST Reserve	8,125,834	7,233,549
QS G2G	28,485	28,485
Long-term Capital Plan Reserve	2,008,661	1,809,503
Development Cost Charges Reserve	9,791,407	8,215,552
Ottawa Trust Withdrawal	286,882	286,882
Stk'emlűpsemc te Secwűpemc Nation	133,724	133,724
Replacement Reserve from Phases 4 to 12	77,460	31,555
Day Scholar	81,560	81,560
General Reserve	1,837,911	1,837,911
Economic Development	200,000	200,000
Capacity Development	223,690	223,690
Property Taxation	-	-
Investments Reserve	7,618,578	7,618,578
Advances to 588531	1,000,000	1,000,000
	\$ 32,016,732	\$ 29,303,529

Internally Restricted Surplus consists of:

	2023	2022
Tessie J. Jules Bursary	110,273	110,273
Six Mile Settlement	75,302	75,302
Little Fawn Daycare Fund	25,962	25,962
First Nation Housing Market Fund	30,000	30,000
Forestry Contribution Revenue Sharing Agreement	8,265,350	7,524,345
Stk'emlűpsemc te Secwűpemc Nation		
New Gold NSR Reserve	6,693,244	6,057,200
Economic and Community Development Agreement	5,435,870	4,517,130
Land Acquisitions	2,104,091	2,050,274
Kinder Morgan Mutual Benefits Agreement	3,711,073	3,711,073
	\$ 26,451,165	\$ 24,101,559

Tk'emlűps te Secwėpemc

Notes to Consolidated Financial Statements

March 31, 2023

17. Contingencies

Ministerial Guarantees

As at March 31, 2023, TteS is contingently liable for ministerial guarantees provided to individual TteS members for loans made by various financial institutions totaling \$1,020,705 (2022 - \$867,250) for purposes of acquiring on-reserve housing. In the event the TteS member default on their obligations under these loans, TteS would be required to pay the outstanding loan balance to the lenders. TteS' guarantee is secured by the related real properties. All loans are in good standing as at March 31, 2023.

Ministry of Transportation Funds Held in Trust

TteS is disputing the amount of compensation receivable for use of land by the British Columbia Ministry of Transportation for the highway. Monies in the amount of \$202,521 (2022 - \$202,521) held in trust by a law firm on behalf of TteS are not recorded as an asset in the consolidated statement of financial position pending resolution of the dispute. The final compensation amount is not determinable.

Letters of Guarantee

TteS is contingently liable with respect to two individual \$50,000 letters of guarantee issued by RBC in favour of Her Majesty the Queen for a timber permit, and in favour of the City of Kamloops for November 12, 1996 Sanitary Sewer Effluent agreement.

Tk'emlűps te Secwűpemc

Notes to Consolidated Financial Statements

March 31, 2023

18. Commitments

The Group has entered into lease agreements for office equipment. The annual payments for the next two years is estimated as follows:

2024	\$ 126,010
2025	<u>60,120</u>
	<u>\$ 186,130</u>

In addition, TteS has identified potential obligations relating to post closure monitoring of the landfill that is currently being remediated. Post closure monitoring is required for at least 25 years estimated at \$71,900 a year, once the landfill remediation process is completed.

19. Employee Future Benefits

TteS matches employee contributions to a defined contribution multi-employer plan, which is administered by Manulife. The total pension expense, representing employer contributions to the plan, for the year ended March 31, 2023 is \$575,374 (2022 - \$524,155).

20. Economic Dependence

TteS receives a major portion of its revenue pursuant to a funding arrangement with ISC. Any disruption in this funding could have a negative effect on TteS' operations.

21. Financial Instruments

TteS is exposed to risks of varying degrees of significance from its use of financial instruments which could affect its ability to achieve its strategic objectives. The Chief and Council ensures that TteS has identified its major risks and ensures that management monitors and mitigates these risks.

Financial Instrument Classification:

Cash is recorded at fair value. Mutual funds as disclosed in Note 6 are designated at fair value. All other financial instruments are measured at cost or amortized cost.

Financial instruments that are measured at fair value are grouped into Levels 1 to 3. The levels reflect the significance of the inputs used in making the fair value measurements, as described below:

Tk'emlűps te Secwėpemc

Notes to Consolidated Financial Statements

March 31, 2023

21. Financial Instruments (continued)

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Mutual funds as disclosed in note 6 are classified at level 2. All other financial assets recorded at fair value are classified at level 1.

Financial Instrument Risk Management:

The organization is exposed to credit risk, market and interest rate risk, and liquidity risk from its financial instruments. This note describes the organization's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

Credit Risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. TteS is exposed to credit risk from its operating activities, which are primarily accounts receivables and property taxes receivable, and its investing activities, which includes deposits and marketable securities with financial institutions. Accounts receivables includes grant receivables from the Federal and Provincial Government, trade receivables, and local area receivables.

The credit risk on accounts receivables is mitigated by the agreement approval and monitoring processes. A majority of the accounts receivable balances are compliant with signed funding agreements and signed general agreements for recovery work. TteS undergoes continuous monitoring of amounts that are not collectible or realizable and accounts for a specific bad debt provision when management considers that the expected recovery is less than the amount receivable. TteS considers all accounts receivable that are past due to be impaired, with the exception of funding from federal or provincial agreements. See Note 7 for further detail.

TteS has deposited cash and investments held with reputable financial institutions. Management believes the risk of loss is unlikely, however the balances to exceed insured amounts. See Note 3 for further detail.

There have not been any changes from the prior year in the organization's exposure to credit risk or the policies, procedures and methods it uses to manage and measure the risk.

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Notes to Consolidated Financial Statements

March 31, 2023

21. Financial Instruments (continued)

Market and Interest Rate Risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the TteS's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on investments. TteS is exposed to interest rate risk through its marketable securities, long-term investments and debt, as detailed in Notes 6 and 9.

Mutual funds include over 40% of their securities in a single bond fund, and were the bond to fail the value of the marketable securities would be significantly impacted. The temporary investments are deemed to be low risk and are not subject to significant changes in market prices or interest rates. Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. It is management's opinion that the TteS is not exposed to significant interest rate risk arising from its financial instruments.

There have not been any changes from the prior year in the Band's exposure to market or interest rate risks or the policies, procedures and methods it uses to manage and measure these risks.

Liquidity Risk:

Liquidity risk is the risk that TteS will not be able to meet its financial obligations as they become due. TteS manages this risk by monitoring cash activities and expected outflows through budgeting and forecasting cash flows from operations and anticipated investing and capital activities. It is management's opinion that TteS is not exposed to significant liquidity risk arising from its financial instruments.

There have not been any changes from the prior year in TteS' exposure to liquidity risk or the policies, procedures and methods it uses to manage and measure the risk.

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Notes to Consolidated Financial Statements

March 31, 2023

22. Related Party Transactions

During the year, TteS entered into the following transactions with related entities:

	2023	2022
Management fees received from:		
Kamloops Indian Band Development Corporation	\$ 458,333	\$ 525,000
Kamloops Indian Band Utility Corporation	123,433	22,000
Spiyu7ullucw Ranch Corporation	7,500	7,500
Secwepemcetkwe Limited Partnership	-	6,341
Fuel purchased from:		
Kamloops Indian Band Utility Corporation	292,832	158,235
	882,098	719,076
Management fees eliminated upon consolidated:		
Spiyu7ullucw Ranch Corporation	(7,500)	(7,500)
	<u>\$ 874,598</u>	<u>\$ 711,576</u>

At March 31, 2023, accounts payable and accrued liabilities includes amounts owed to Kamloops Indian Band Utility Corporation of \$136,023 (2022 - \$29,137) and Tk'emlűpsemc Forestry LP \$82,855 (2022- \$86,358).

These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related entities.

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Notes to Consolidated Financial Statements

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23. Expenses by Object

	2023	2022
Advertising and promotion	\$ 429,914	\$ 195,578
Amortization	2,016,147	1,953,767
Bad debt	(54,162)	1,074,265
Contract Services	12,128,761	7,555,229
Fuel	292,832	158,235
Honoraria	870,553	691,301
Insurance	654,252	696,412
Interest and bank charges	47,045	70,525
Interest on long-term debt	70,793	87,621
Licenses and dues	1,077,492	742,094
Materials and supplies	3,055,813	2,162,400
Office	24,500	208,240
Professional fees	2,238,955	2,379,503
Program expenses	3,216,172	3,482,225
Rent	193,124	187,102
Repairs and maintenance	4,276,733	2,774,523
Salaries and wages	13,549,368	11,945,827
Telephone	170,763	200,917
Training and workshops	944,285	1,221,336
Travel	334,467	189,175
Utilities	624,856	583,564
Other	948,742	896,828
	<u>\$47,111,405</u>	<u>\$ 39,456,667</u>

Tk'emlűps te Secwépemc

Notes to Consolidated Financial Statements

March 31, 2023

24. Segment Disclosure

Segment disclosure has been identified based upon lines of service provided by TteS. TteS services are provided by departments and their activities are reported by functional area in the consolidated statement of operations and accumulated surplus. Certain lines of service that have been separately disclosed are as follows:

Administration

Administration provides the functions of corporate administration, finance, human resources, and any other functions not categorized to a specific department.

Land and Leases

Land and leases administers the leasing of Tk'emlűps land through a business opportunity analysis, leasing application and/or development approval process.

Planning and Engineering

This service area provides services relating to the development, maintenance and service of the TteS assets, infrastructure and common property.

Education

This service area provides educational services through the operations of elementary, secondary and post secondary education support and the operations of various other educational programs. The goal of this segment is to enhance the educational opportunities of the TteS members.

Property Tax

Property tax is responsible for the levy and collection of tax and fees for designated lands and leasehold interest.

Housing

Housing provides construction, renovations and capital maintenance programs that service the needs of its members.

Social Housing

Social housing administers services to provide social housing to TteS members.

Natural Resources

This service area includes exploration of natural resources and development of natural resource revenues.

Band Council

Band council encompasses the costs and services provided by Chief and Council to TteS.

Sk'elep School

Sk'elep School is responsible for administering and operating an on-reserve school of elementary grades (full time kindergarten to grade seven), with a vision of combining tradition with the tactics of modern education in order to provide TteS members' children with an encompassing future.

Tk'emlűps te Secwėpemc

Notes to Consolidated Financial Statements

March 31, 2023

24. Segment Disclosure (continued)

Community Services

Own source revenues are contributed to underfunded programs that provide services to the membership.

Other

This represents non-governmental services, which includes non-core revenues and expenses relating to primary own source revenues and partnership income.

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Notes to Consolidated Financial Statements

March 31, 2023

24. Segment Disclosure (continued)

<u>2023</u>	Administration	Land and Leases	Planning & Engineering	Education	Property Tax	Housing	Social Housing	Natural Resources	Band Council	Sk'elep School	Community Services	Other	Total
Revenue													
ISC	\$ 970,164	\$ 427,311	\$ 6,271,247	\$1,631,243	\$ -	\$ 1,122,370	\$ -	\$ -	\$ -	\$ 1,114,066	\$ 2,348,739	\$ 4,072,429	\$ 17,957,569
Province of BC	-	-	-	81,903	-	-	-	2,694,834	-	925,324	127,273	2,163,822	5,993,156
Property taxation	-	-	-	-	10,304,667	-	-	-	-	-	-	-	10,304,667
Other	7,218,581	3,051,383	1,693,961	864,812	1,275,182	919,959	,144,194	218,441	(31,999)	361,151	2,451,218	9,797,993	28,964,876
	8,188,745	3,478,694	7,965,208	2,577,958	11,579,849	2,042,329	,144,194	2,913,275	(31,999)	2,400,541	4,927,230	16,034,244	63,220,268
Expenses													
Payroll	2,273,580	439,859	2,615,485	985,826	285,074	592,768	-	726,626	82,962	1,444,241	1,402,014	2,701,025	13,549,460
Other	6,080,487	594,504	4,068,393	2,599,066	3,681,094	2,656,306	,010,860	1,856,389	988,603	342,173	3,479,077	4,188,848	31,545,800
Amortization	-	-	-	-	-	-	127,942	-	-	117,973	-	1,770,232	2,016,147
	8,354,067	1,034,363	6,683,878	3,584,892	3,966,168	3,249,074	,138,802	2,583,015	1,071,565	1,904,387	4,881,091	8,660,105	47,111,407
Surplus (deficit)	\$ (165,322)	\$2,444,331	\$ 1,281,330	\$1,006,934)	\$ 7,613,681	\$(1,206,745)	\$ 5,392	\$ 330,260	\$ (1,103,564)	\$ 496,154	\$ 46,139	\$ 7,374,139	\$ 16,108,861

Tk'emlűps te Secwűpemc

Notes to Consolidated Financial Statements

March 31, 2023

22. Segment Disclosure (continued)

<u>2022</u>	Administration	Land and Leases	Planning & Engineering	Education	Property Tax	Housing	Social Housing	Natural Resources	Band Council	Sk'elep School	Community Services	Other	Total
Revenue													
ISC	\$ 1,569,182	\$ 412,350	\$ 621,291	\$2,187,082	\$ -	\$ 531,371	\$ -	\$ -	\$ -	\$ 1,060,108	\$ 1,205,034	\$ 3,434,308	\$ 11,020,726
Province of BC	-	-	-	85,439	-	-	-	2,897,060	-	1,634,841	200,937	1,933,177	6,751,454
Property taxation	-	-	-	-	9,343,808	-	-	-	-	-	-	-	9,343,808
Other	10,090,512	3,084,874	2,262,250	821,219	1,236,097	4,053,698	432,350	(6,044)	(27,152)	413,829	1,949,412	7,526,018	31,837,063
	11,659,694	3,497,224	2,883,541	3,093,740	10,579,905	4,585,069	432,350	2,891,016	(27,152)	3,108,778	3,355,383	12,893,503	58,953,051
Expenses													
Payroll	1,986,661	398,041	2,322,873	982,347	254,507	535,693	-	694,568	74,333	1,378,185	1,160,797	2,197,541	11,985,546
Other	3,258,824	701,513	3,252,780	2,952,466	3,127,897	2,014,910	263,039	1,507,248	972,276	402,610	2,113,884	4,949,907	25,517,354
Amortization	-	-	-	-	-	-	149,793	-	-	101,191	-	1,702,783	1,953,767
	5,245,485	1,099,554	5,575,653	3,934,813	3,382,404	2,550,603	412,832	2,201,816	1,046,609	1,881,986	3,274,681	8,850,231	39,456,667
Surplus (deficit)	\$ 6,414,209	\$2,397,670	\$ (2,692,112)	\$ (841,073)	\$ 7,197,501	\$ 2,034,466	\$ 19,518	\$ 689,200	\$(1,073,761)	\$ 1,226,792	\$ 80,702	\$ 4,043,272	\$ 19,496,384