

Seabird Island Band
Consolidated Financial Statements
March 31, 2023

Seabird Island Band Contents

For the year ended March 31, 2023

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Management's Responsibility

To the Members of Seabird Island Band:

The accompanying consolidated financial statements of Seabird Island Band are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Seabird Island Band Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the First Nation's external auditors.

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

July 5, 2023

Original signed by Nigel Selvadurai

Director of Finance

Original signed by Jason Campbell

CAO

To the Members of Seabird Island Band:

Opinion

We have audited the consolidated financial statements of Seabird Island Band (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations and accumulated operating surplus, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2023, and the results of its consolidated operations, its consolidated remeasurement gains and losses, changes in its net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chilliwack, British Columbia

July 5, 2023

MNP LLP

Chartered Professional Accountants

Seabird Island Band
Consolidated Statement of Financial Position
As at March 31, 2023

| | 2023 | 2022 |
|--|-------------------|-------------|
| Financial assets | | |
| Cash and cash equivalents <i>(Note 4)</i> | 39,795,988 | 29,009,494 |
| Accounts receivable <i>(Note 5)</i> | 4,650,585 | 4,502,120 |
| Portfolio investments <i>(Note 6)</i> | 1,994,963 | 2,510,793 |
| Inventory for resale | 172,736 | 201,174 |
| Funds held in trust <i>(Note 7)</i> | 35,726 | 35,524 |
| Investment in Nation business entities <i>(Note 8)</i> | 11,294,853 | 6,508,499 |
| Total of financial assets | 57,944,851 | 42,767,604 |
| Liabilities | | |
| Accounts payable and accruals | 3,089,520 | 2,894,186 |
| Deferred revenue <i>(Note 9)</i> | 939,231 | 6,173,143 |
| Long-term debt <i>(Note 10)</i> | 15,201,561 | 15,699,491 |
| Capital lease obligations | 4,026 | 5,612 |
| Total of financial liabilities | 19,234,338 | 24,772,432 |
| Net financial assets | 38,710,513 | 17,995,172 |
| Contingencies <i>(Note 11)</i> | | |
| Commitments <i>(Note 12)</i> | | |
| Non-financial assets | | |
| Tangible capital assets <i>(Schedule 1)</i> | 36,042,368 | 36,249,637 |
| Inventories held for use | 18,046 | 37,277 |
| Prepaid expenses | 147,736 | 127,878 |
| Total non-financial assets | 36,208,150 | 36,414,792 |
| Accumulated surplus <i>(Note 13)</i> | 74,918,663 | 54,409,964 |
| Accumulated surplus is comprised of: | | |
| Accumulated surplus | 74,933,237 | 54,409,964 |
| Accumulated rereasurement losses | (14,574) | - |
| | 74,918,663 | 54,409,964 |

Approved on behalf of the Council

| | | | |
|--|-------------------|--|-------------------|
| <u>Original signed by James Harris</u> | Chief | <u>Original signed by Willow Walker</u> | Councillor |
| <u>Original signed by Ashley Bobb</u> | Councillor | <u>Original signed by Alexis Grace</u> | Councillor |
| <u>Original signed by Paul Andrew</u> | Councillor | <u>Original signed by Sally-May Hope</u> | Councillor |
| <u>Original signed by Chaundine Fisher</u> | Councillor | <u>Original signed by Rodney Peters</u> | Councillor |
| <u>Original signed by Marcia Peters</u> | Councillor | | |

The accompanying notes are an integral part of these financial statements

Seabird Island Band

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2023

| | 2023 <i>Budget</i> | 2023 | 2022 |
|---|-----------------------|-------------------|-------------------|
| Revenue | | | |
| Indigenous Services Canada | 12,088,744 | 19,476,514 | 14,337,307 |
| Economic activity and other income | 6,637,529 | 12,121,310 | 6,672,304 |
| First Nation Health Authority | 5,473,895 | 6,549,832 | 5,476,773 |
| Other federal funding | 181,603 | 6,161,148 | 467,534 |
| Province of British Columbia | 3,903,434 | 4,050,065 | 4,793,403 |
| First Nation Education Steering Committee | 978,000 | 2,699,491 | 1,486,337 |
| Rental income | 1,005,757 | 1,502,816 | 1,370,577 |
| Sto:lo Nation | 574,420 | 602,990 | 599,052 |
| Earnings from investments in Nation business entities | 500,000 | 5,090,920 | 2,275,326 |
| Canada Mortgage and Housing Corporation | 299,157 | 298,353 | 299,181 |
| Investment income | 420,007 | 1,048,968 | 461,642 |
| | 32,062,546 | 59,602,407 | 38,239,436 |
| Program expenses | | | |
| Administration | 4,879,259 | 809,694 | 2,151,749 |
| Capital Projects | - | 1,981,995 | 314,693 |
| Economic Development | - | 1,112,164 | 347,567 |
| Education | 9,460,449 | 9,366,352 | 9,307,317 |
| Health and Social Development | 17,334,579 | 17,760,841 | 16,142,497 |
| Housing | 1,144,601 | 1,531,708 | 923,867 |
| Public Works | 965,911 | 2,892,405 | 1,502,846 |
| Lands and Government Affairs | 2,117,034 | 1,724,880 | 1,094,564 |
| Reserves and Other | - | 1,899,095 | 1,460,636 |
| Total expenditures | 35,901,833 | 39,079,134 | 33,245,736 |
| Annual surplus (deficit) | (3,839,287) | 20,523,273 | 4,993,700 |
| Accumulated surplus, beginning of year | 54,409,964 | 54,409,964 | 49,416,264 |
| Accumulated surplus, end of year (Note 13) | 50,570,677 | 74,933,237 | 54,409,964 |

The accompanying notes are an integral part of these financial statements

Seabird Island Band
Consolidated Statement of Remeasurement Gains and Losses
For the year ended March 31, 2023

| | 2023 | 2022 |
|---|-----------------|------|
| Accumulated remeasurement gains, beginning of year | - | - |
| Unrealized losses attributable to: | | |
| Portfolio investments | (34,472) | - |
| Amounts reclassified to the statement of operations: | | |
| Portfolio investments | 19,898 | - |
| Accumulated remeasurement losses, end of year | (14,574) | - |

The accompanying notes are an integral part of these financial statements

Seabird Island Band
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2023

| | 2023 Budget | 2023 | 2022 |
|--|------------------------|--------------------|--------------|
| Annual surplus (deficit) | (3,839,287) | 20,523,273 | 4,993,700 |
| Purchases of tangible capital assets | - | (1,350,117) | (13,056,504) |
| Amortization of tangible capital assets | - | 1,557,386 | 1,427,196 |
| | - | 207,269 | (11,629,308) |
| Acquisition of prepaid expenses | - | (147,735) | (127,878) |
| Use of prepaid expenses | - | 127,878 | 135,460 |
| Use of inventories held for use | - | 19,230 | 9,129 |
| Change in remeasurement losses for the year | - | (14,574) | - |
| | - | (15,201) | 16,711 |
| Increase (decrease) in net assets | (3,839,287) | 20,715,341 | (6,618,897) |
| Net financial assets, beginning of year | 17,995,172 | 17,995,172 | 24,614,069 |
| Net financial assets, end of year | 14,155,885 | 38,710,513 | 17,995,172 |

The accompanying notes are an integral part of these financial statements

Seabird Island Band
Consolidated Statement of Cash Flows
For the year ended March 31, 2023

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Annual surplus | 20,523,273 | 4,993,700 |
| Non-cash items | | |
| Amortization | 1,557,386 | 1,427,196 |
| Earnings from investment in Nation business entities | (5,090,920) | (2,275,326) |
| Change in remeasurement losses for the year | (14,574) | - |
| | 16,975,165 | 4,145,570 |
| Changes in working capital accounts | | |
| Accounts receivable | (148,465) | (1,144,673) |
| Inventory for resale | 28,438 | (60,561) |
| Funds held in trust | 202 | 53 |
| Accounts payable and accruals | 194,932 | (55,164) |
| Deferred revenue | (5,233,912) | 6,173,143 |
| Inventory held for use | 19,228 | 9,129 |
| Prepaid expenses | (19,857) | 7,582 |
| | 11,815,731 | 9,075,079 |
| Financing activities | | |
| Advances of long-term debt | 118,275 | 10,012,000 |
| Repayment of long-term debt | (616,205) | (457,494) |
| Repayment of capital lease obligations | (1,586) | (6,198) |
| | (499,516) | 9,548,308 |
| Capital activities | | |
| Purchases of tangible capital assets | (1,350,117) | (13,056,504) |
| Investing activities | | |
| Investment in Nation partnerships and business entities | - | (30,072) |
| Repayment of advances in investment in Nation business entities | 304,566 | 1,643,403 |
| Change in portfolio investments | 515,830 | 22,824 |
| | 820,396 | 1,636,155 |
| Increase in cash resources | 10,786,494 | 7,203,038 |
| Cash resources, beginning of year | 29,009,494 | 21,806,456 |
| Cash resources, end of year | 39,795,988 | 29,009,494 |
| Supplementary cash flow information | | |
| Interest paid | 171,216 | 150,218 |

The accompanying notes are an integral part of these financial statements

1. Operations

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

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Reporting entity - Consolidated consolidated

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

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

- Seabird Education Society, Lalme; lwesawtexw
- Seabird Island Holdings Ltd.
- Seabird Island Forestry Company Ltd.
- Seabird Island Forestry Limited Partnership

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

Seabird Island Band business entities, owned or controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Stqó:ya Construction Ltd.
- Stqó:ya Construction Limited Partnership
- Sqewqél Development Limited Liability Partnership
- Sqéwqel Gas Bar Limited Liability Partnership
- Sqéwqel Development Corporation

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Asset classification

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

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

Net financial assets

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of consolidated financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of consolidated financial position, accumulated surplus.

Cash and cash equivalents

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

Portfolio investments

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

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the, first-in, first-out method. Cost of inventories of items that are segregated for specific projects is assigned by using specific identification of their individual costs. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of First Nation members by Indigenous Services Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in accumulated operating surplus. Trust moneys consist of:

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

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution.

Amortization

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

| | Method | Years |
|----------------------|---------------|--------------|
| Automobile equipment | straight-line | 10-25 years |
| Band housing | straight-line | 30 years |
| Infrastructure | straight-line | 20-45 years |
| Buildings | straight-line | 20-45 years |
| Other equipment | straight-line | 5-10 years |

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

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

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

Revenue recognition

Government Transfers

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

Own source revenue

Own source revenue derived from such sources as resource based revenues, interest income and other revenue are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Funds held in Ottawa Trust Fund

Due to measurement uncertainty, revenue related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

Rental revenue

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

Investments

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

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable, and amounts due from related First Nation entities and departments, are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets.

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

Segments

The First Nation conducts its business through nine reportable segments: Administration, Capital Projects, Economic Development, Education, Health and Social Development, Housing, Public Works, Lands and Government Affairs and Reserve and Other. 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.

Retirement benefits

The First Nation has a defined contribution pension plan covering substantially all full-time employees who have completed one year of service. There are no prior service costs. Contributions are discretionary, and are based on the percentage of participants' contributions, up to a maximum. The First Nation follows the policy of funding retirement plan contributions as accrued. The First Nation contributions totalled \$530,320 (2022 - \$474,676). There have been no changes to the plan in the current year.

Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the First Nation to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at March 31, 2023. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. The First Nation recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Statement of Remeasurement Gains and Losses

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

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

Seabird Island Band
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

Financial instruments

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

At initial recognition, the First Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The First Nation has not made such an election during the year.

The First Nation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating annual surplus (deficit). Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

3. Change in accounting policy

Financial instruments

Effective April 1, 2022, the First Nation adopted the Public Sector Accounting Board's (PSAB) new recommendations for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities and derivatives under Section PS 3450 *Financial Instruments*. The new Section is applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements from the prospective application of the new accounting recommendations.

4. Cash and cash equivalents

| | 2023 | 2022 |
|--|-------------------|-------------|
| Externally restricted | | |
| CMHC operating reserve | 543,296 | 652,927 |
| CMHC replacement reserve | 1,499,830 | 732,623 |
| | 2,043,126 | 1,385,550 |
| Internally restricted | | |
| Replacement and operating reserves (Note 15) | 12,519,844 | 12,091,797 |
| Unrestricted | | |
| Operating funds | 25,233,018 | 15,532,147 |
| | 39,795,988 | 29,009,494 |

Seabird Island Band
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

4. Cash and cash equivalents *(Continued from previous page)*

Replacement Reserve

Under agreements with Canada Mortgage and Housing Corporation ("CMHC") the First Nation established a replacement reserve, funded by an annual allocation of \$89,811 (2022- \$89,811), to ensure replacement of buildings financed by CMHC. The reserve was fully funded at March 31, 2023.

During the year a supplemental assistance subsidy was provided by CMHC for \$694,500. At March 31, 2023, \$694,500 of the supplemental assistance subsidy has been set aside to fund the replacement reserve.

In accordance with terms of the agreement, CMHC reserve moneys must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

Operating Reserve

Under agreements with Canada Mortgage and Housing Corporation ("CMHC") 1997 On-Reserve Program requirements, the First Nation established an operating reserve retained by the First Nation resulting from annual surplus after the payment of all costs and expenses including allocation to the replacement reserve. These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as otherwise mutually agreed to by the First Nation and CMHC.

These funds may only be used for the ongoing operating costs of the housing projects committed under the 1997 On-Reserve Program. Accordingly, future years' deficits may be recovered from the Operating Reserve fund. At March 31, 2023 this reserve was fully funded.

5. Accounts receivable

| | 2023 | 2022 |
|--------------------------------------|------------------|-----------|
| Funding and trade receivables | 5,156,311 | 5,009,147 |
| Interest receivable | 34,604 | 34,604 |
| Dental and medical office receivable | 19,006 | 17,705 |
| Member loans receivable | 11,232 | 11,232 |
| Allowance for doubtful accounts | (570,568) | (570,568) |
| | 4,650,585 | 4,502,120 |

Seabird Island Band
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

6. Portfolio investments

| | 2023 | 2022 |
|--|-----------|-----------|
| Measured at cost: | | |
| Boughton Law Corporation Trust Fund | - | 400,000 |
| BC First Nations Gaming Revenue Sharing LP | 100 | 100 |
| BC First Nations Gaming Sharing General Partner Ltd. | 10 | 10 |
| | 110 | 400,110 |
| Measured at fair value: | | |
| Municipal Finance Authority - Short Term Bond | 1,952 | 1,919 |
| Municipal Finance Authority - Money Market | 402,893 | 391,030 |
| Investors Group Portfolio | 208 | 393,960 |
| RBC Dominion Securities Portfolio | 1,589,800 | 1,323,774 |
| | 1,994,853 | 2,110,683 |
| | 1,994,963 | 2,510,793 |

7. Funds held in trust

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

| | 2023 | 2022 |
|------------------------------------|--------|--------|
| Capital Trust | | |
| Balance, beginning and end of year | 32,847 | 32,847 |
| Revenue Trust | | |
| Balance, beginning of year | 2,677 | 2,730 |
| Interest and distributions | 3,375 | 2,986 |
| | 6,052 | 5,716 |
| Less: Transfers to Nation | 3,173 | 3,039 |
| | 2,879 | 2,677 |
| | 35,726 | 35,524 |

Seabird Island Band
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

8. Investments in First Nation business entities

The First Nation has investments in the following entities:

| | <i>Investment cost</i> | <i>Loans / advances</i> | <i>Cumulative share of earnings</i> | <i>2023 Total investment</i> |
|--|----------------------------|-----------------------------|---|--------------------------------------|
| First Nation Government Business Enterprises | | | | |
| Seabird Island Forestry Company Ltd. - 100% | 1 | - | - | 1 |
| Stqó:ya Construction Ltd. - 50% | 55 | - | - | 55 |
| Sqéwqel Development Corporation - 100% | 1 | - | - | 1 |
| | 57 | - | - | 57 |
| First Nation Business Partnerships – Modified Equity: | | | | |
| Stqó:ya Construction LP - 51.00% | 50 | (10,055) | 4,437,974 | 4,427,969 |
| Seabird Island Forestry LP - 99.99% | 1 | - | - | 1 |
| Sqéwqel Development Corporation LLP - 99.99% | 100 | 442,441 | 5,922,261 | 6,364,802 |
| Sqéwqel Gas Bar LLP - 99.99% | 100 | (14,799) | 516,723 | 502,024 |
| | 251 | 417,587 | 10,876,958 | 11,294,796 |
| | 308 | 417,587 | 10,876,958 | 11,294,853 |

| | <i>Investment cost</i> | <i>Loans / advances</i> | <i>Cumulative share of earnings</i> | <i>2022 Total investment</i> |
|--|----------------------------|-----------------------------|---|--------------------------------------|
| First Nation Government Business Enterprises | | | | |
| Seabird Island Forestry Company Ltd. - 100% | 1 | - | - | 1 |
| Stqó:ya Construction Ltd. - 50% | 55 | - | - | 55 |
| Sqéwqel Development Corporation - 100% | 1 | - | - | 1 |
| | 57 | - | - | 57 |
| First Nation Business Partnerships – Modified Equity: | | | | |
| Stqó:ya Construction LP - 49.99% | 50 | (10,055) | 2,520,090 | 2,510,085 |
| Seabird Island Forestry LP - 99.99% | 1 | - | - | 1 |
| Sqéwqel Development Corporation LLP - 99.99% | 100 | 747,007 | 2,826,095 | 3,573,202 |
| Sqéwqel Gas Bar LLP - 99.99% | 100 | (14,799) | 439,853 | 425,154 |
| | 251 | 722,153 | 5,786,038 | 6,508,442 |
| | 308 | 722,153 | 5,786,038 | 6,508,499 |

Seabird Island Band
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

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

Financial information for the investments in First Nation business entities is as follows:

| | Seabird Island Forestry Construction Ltd. | Seabird Island Forestry Construction LP | Stqó:ya Construction Ltd. | Sqéwqel Development Corporation | 2023 | 2022 |
|------------------------------|---|---|---------------------------------|---------------------------------------|------|------|
| Balance Sheet | | | | | | |
| Assets | 1 | 1 | 585 | 1 | 588 | 588 |
| Liabilities | - | - | 500 | - | 500 | 500 |
| Equity (Deficit) | 1 | 1 | 85 | 1 | 88 | 88 |
| Total Liabilities and Equity | 1 | 1 | 585 | 1 | 588 | 588 |
| Income Statement | | | | | | |
| Revenue | - | - | 154 | - | 154 | 154 |
| Expenses | - | - | - | - | - | - |
| Net Income | - | - | 154 | - | 154 | 154 |

| | Stqó:ya Construction LP | Sqéwqel Development Corporation LLP | Sqéwqel Gas Bar LLP | 2023 | 2022 |
|------------------------------|-------------------------------|--|------------------------|------------|------------|
| Balance Sheet | | | | | |
| Assets | 15,270,285 | 7,389,497 | 2,069,740 | 24,729,522 | 14,220,180 |
| Liabilities | 6,504,971 | 1,464,326 | 1,535,540 | 9,504,837 | 5,929,774 |
| Equity | 8,765,314 | 5,925,171 | 534,200 | 15,224,685 | 8,290,406 |
| Total Liabilities and Equity | 15,270,285 | 7,389,497 | 2,069,740 | 24,729,522 | 14,220,180 |
| Income Statement | | | | | |
| Revenue | 42,167,896 | 4,873,672 | 5,482,758 | 52,524,326 | 32,734,261 |
| Expenses | 38,406,971 | 1,777,196 | 5,405,880 | 45,590,047 | 30,060,441 |
| Net Income (Loss) | 3,760,925 | 3,096,476 | 76,878 | 6,934,279 | 2,673,820 |

9. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each funding source:

| | <i>Balance, beginning of year</i> | <i>Contributions received</i> | <i>Contributions recognized</i> | <i>Balance, end of year</i> |
|---|---|-----------------------------------|-------------------------------------|---------------------------------|
| Indigenous Services Canada Funding | 4,797,189 | - | 4,797,189 | - |
| First Nations Health Authority Funding | 349,108 | - | 349,108 | - |
| First Nation Education Steering Committee Funding | 518,609 | - | 518,609 | - |
| Fraser Health Authority | - | 611,649 | - | 611,649 |
| Other Funding | 508,237 | - | 508,237 | - |
| Province of British Columbia | - | 327,582 | - | 327,582 |
| | 6,173,143 | 939,231 | 6,173,143 | 939,231 |

Seabird Island Band
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

10. Long-term debt

| | 2023 | 2022 |
|---|-------------------|------------|
| Project #13 - All Nations Trust Company mortgage, blended monthly payments of \$1,766 at 0.69% per annum, maturing January 1, 2025. | 38,597 | 59,446 |
| Project #14 - All Nations Trust Company mortgage, blended monthly payments of \$2,932 at 1.86% per annum, maturing February 1, 2029. | 197,025 | 228,243 |
| Project #15 - All Nations Trust Company mortgage, blended monthly payments of \$2,728 at 2.14% per annum, maturing March 1, 2034. | 320,802 | 346,408 |
| Project #16 - All Nations Trust Company mortgage, blended monthly payments of \$2,912 at 2.14% per annum, maturing March 1, 2034. | 342,400 | 369,730 |
| Project #17 - All Nations Trust Company mortgage, blended monthly payments of \$5,491 at 1.48% per annum, maturing January 1, 2037. | 824,100 | 877,331 |
| Project #18 - All Nations Trust Company mortgage, blended monthly payments of \$2,541 at 2.68% per annum, maturing October 1, 2038. | 388,566 | 408,420 |
| Project #19 - All Nations Trust Company mortgage, blended monthly payments of \$2,492 at 2.21% per annum, maturing February 1, 2039. | 401,269 | 422,100 |
| Project #20 - All Nations Trust Company mortgage, blended monthly payments of \$2,202 at 0.70% per annum, maturing September 1, 2040. | 435,191 | 458,489 |
| Project #21 - All Nations Trust Company mortgage, blended monthly payments of \$4,929 at 2.06% per annum, maturing November 1, 2042. | 778,448 | 813,853 |
| Project #22 - All Nations Trust Company mortgage, blended monthly payments of \$4,430 at 0.98% per annum, maturing April 1, 2045. | 1,027,302 | 1,070,067 |
| Bank of Montreal, blended monthly payments of \$3,614 at 2.79% per annum, maturing June 30, 2025. | 717,787 | 740,780 |
| Bank of Montreal, blended monthly payments of \$12,951 at 2.16% per annum, maturing May 31, 2023. | 2,830,135 | 2,923,309 |
| Prospera Credit Union, blended monthly payments of \$4,133 at 3.12% per annum, maturing January 14, 2024. | 836,653 | 859,917 |
| Prospera Credit Union, blended monthly payments of \$29,105 at 3.00% per annum, maturing January 1, 2027. | 5,952,374 | 6,121,398 |
| Wells Fargo Bank, blended monthly payments of \$2,120 at 2.90% per annum, maturing November 4, 2027. | 110,912 | - |
| | 15,201,561 | 15,699,491 |

Seabird Island Band
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

10. Long-term debt *(Continued from previous page)*

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

| | |
|------|---------|
| 2024 | 650,965 |
| 2025 | 662,096 |
| 2026 | 659,374 |
| 2027 | 674,629 |
| 2028 | 681,764 |

Security for the Prospera loans consist of:

- an agreement providing a mortgage of \$6,150,000 over 1755 Agassiz-Rosedale No. 9 Highway, Agassiz, BC
- an agreement providing a mortgage of \$862,000 over 7820 Industrial Way, Agassiz, BC
- a general security agreement over all present and after-acquired capital assets
- assignment of all rents and/or leases of the 1755 Agassiz-Rosedale property
- assignment of all rents and/or leases of the 7820 Industrial Way property

The terms of the Prospera Credit Union loans require that a certain measurable covenant is met. As at March 31, 2023, the First Nation is in compliance with the covenant.

11. Contingencies

As at March 31, 2023, the First Nation is contingently liable in respect of guaranteed individual Band member mortgages with various financial institutions totalling \$3,264,903 (2022 - \$1,800,772).

Bank of Montreal (BMO) has authorized up to \$7,050,000 (2022 - \$7,050,000) of residential mortgage loans to members of Seabird Island Band. Under this agreement, the First Nation is to provide guarantees on all Band member mortgages. The total amounts guaranteed under this agreement are included above.

In addition, the First Nation has guaranteed the debts of Sqéwqel Gas Bar LLP of approximately \$968,136 (2022 - \$957,898).

In addition, the First Nation is a guaranteed the debts of Stqo:ya Construction LP of approximately \$700,000 (2022 - \$700,000).

12. Commitments

The First Nation is committed to the lease of various office equipment. The terms of the leases call for monthly payments, with the next three years of repayment estimated as follows:

| | |
|------|-------|
| 2024 | 1,464 |
| 2025 | 1,464 |
| 2026 | 1,098 |

Seabird Island Band
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

13. Accumulated operating surplus

Accumulated operating surplus consists of the following:

| | 2023 | 2022 |
|---|------------|------------|
| Equity in Tangible Capital Assets | 20,836,781 | 20,544,534 |
| Internally Restricted Equity (Note 15) | 12,519,844 | 12,091,797 |
| Operating Surplus | 28,620,802 | 13,844,060 |
| Accumulated remeasurement loss | (14,574) | - |
| Equity in Ottawa Trust Funds | 35,726 | 35,524 |
| Equity in CMHC Replacement and Operating Reserves | 2,043,126 | 1,385,550 |
| Equity in Nation business entities | 10,876,958 | 6,508,499 |
| | 74,918,663 | 54,409,964 |

14. Budget information

The disclosed budget information has been approved by the Chief and Council of the Seabird Island Band at the Chief and Council meeting held on March 15, 2022. The budget information is unaudited and is projected based on operating expenses to be incurred during the year on a program by program basis.

15. Internally restricted equity

| | 2023 | 2022 |
|--|------------|------------|
| Funded reserves consist of the following: | | |
| Seabird Island Futures Reserve | 2,781,756 | 2,556,725 |
| Murphy Land | 36,357 | 36,358 |
| Admin Transfers Reserve | 1,000,000 | 1,000,000 |
| Student Loan Reserve | 305,477 | 327,359 |
| Post Secondary Reserve | 1,059,525 | 1,059,525 |
| Replacement Reserve - Matured Phase 3 - 5 | 405,112 | 464,460 |
| Health Program Reserve | 1,230,846 | 1,220,846 |
| Bear Bus Reserve | 100,000 | 100,000 |
| Maintenance Reserve | 27,046 | 24,686 |
| Contingency Reserve | 748,778 | 654,502 |
| Chief and Council Discretionary Reserve | 1,146,137 | 921,106 |
| Capital Replacement Fund Reserve | 2,326,245 | 2,406,649 |
| School Maintenance Reserve | 1,200,000 | 1,200,000 |
| Committed Funds Reserve | 46,965 | 30,781 |
| Recovery Home Reserve | 105,600 | 88,800 |
| | 12,519,844 | 12,091,797 |

16. Segments

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

Administration

Includes general operations, IT support and financial management of the First Nation along with an arm related to discretionary revenue, property taxation and governance activities.

Capital Projects

Includes revenue and expenses related to capital projects and capital project flow through funding administered on behalf of Indigenous Services Canada.

Economic Development

Includes activities related to the growth of the revenue producing projects within the First Nation, land management along with an arm of rights and resource management.

Education

Includes revenue and expenses related to primary, secondary and post secondary education of the members of the First Nation, and operations relating to First Nation operated school and Seabird College.

Health and Social Development

Includes revenue and expenses relating to the activities related to a wide range of health services including dental, doctor, family and children services within the First Nation and social assistance programs.

Housing

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

Public Works

Includes revenue and expenses related to ongoing community maintenance.

Lands and Government Affairs

Includes revenue and expenses related to general governance activities, lands administration, membership and aboriginal rights and title.

Reserves and Other

Includes revenue and expenses related to the tangible capital assets and restricted reserves and other activities not related to another segment.

17. Financial Instruments

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

Fair Value of Financial Instruments

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

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The First Nation enters into transactions to purchase and sell portfolio investments for which the market price fluctuates.

17. **Financial Instruments** *(Continued from previous page)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The First Nation is exposed to interest rate price risk with respect to its term deposits which are at fixed rates of interest.

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

Seabird Island Band
Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended March 31, 2023

| | <i>Automobile Equipment</i> | <i>Housing</i> | <i>Infrastructure</i> | <i>Buildings</i> | <i>Other equipment</i> | <i>2023</i> | <i>2022</i> |
|--|---------------------------------|------------------|-----------------------|-------------------|----------------------------|-------------------|-------------------|
| Cost | | | | | | | |
| Balance, beginning of year | 3,309,541 | 13,219,869 | 10,785 | 33,424,764 | 3,962,172 | 53,927,131 | 40,870,627 |
| Acquisition of tangible capital assets | 505,411 | - | - | 613,761 | 230,945 | 1,350,117 | 13,056,504 |
| Balance, end of year | 3,814,952 | 13,219,869 | 10,785 | 34,038,525 | 4,193,117 | 55,277,248 | 53,927,131 |
| Accumulated amortization | | | | | | | |
| Balance, beginning of year | 1,959,026 | 4,771,623 | 10,785 | 8,480,055 | 2,456,005 | 17,677,494 | 16,250,298 |
| Annual amortization | 216,242 | 371,488 | - | 728,835 | 240,821 | 1,557,386 | 1,427,196 |
| Balance, end of year | 2,175,268 | 5,143,111 | 10,785 | 9,208,890 | 2,696,826 | 19,234,880 | 17,677,494 |
| Net book value of tangible capital assets | 1,639,684 | 8,076,758 | - | 24,829,635 | 1,496,291 | 36,042,368 | 36,249,637 |
| 2022 Net book value of tangible capital assets | 1,350,515 | 8,448,246 | - | 24,944,709 | 1,506,167 | 36,249,637 | |