'NAMGIS FIRST NATION

2025-26 Audited Financial Statements

Member Financial Commentary

Year ended March 31, 2026 • Annual Report

Purpose: This commentary is written for 'Namgis members who may not work with financial statements every day. It summarizes the main movements in the audited consolidated financial statements and, where the audited schedules provide the information, compares 2026 actual results with both the 2026 budget and 2025 actual results.

Important comparison note: the approved budget is prepared on a non-consolidated basis, while the audited actual results are consolidated. Budget-to-actual variances should therefore be interpreted as indicators rather than as a simple measure of departmental underspending or savings.

The 2025 comparative amounts used below are the restated figures reported in the audited financial statements.

1. Audit opinion and overall financial results

The independent auditors issued an unmodified opinion on the 2025-26 consolidated financial statements. The auditors concluded that the statements present fairly, in all material respects, the Nation's financial position at March 31, 2026 and its results, changes in net financial assets and cash flows in accordance with Canadian public sector accounting standards.

Consolidated measure	2026 Budget (Namgis)	2026 Actual (Consol)	2025 Actual (Consol)	Actual vs Budget	Actual vs 2025
Revenue	$34.59M	$40.86M	$49.89M	+18.1%	-18.1%
Expenditures	$35.41M	$24.12M	$22.97M	-31.9%	+5.0%
Excess of revenue over expenditures	($0.82M)	$16.73M	$26.92M	+17.56M	-$10.19M / -37.9%

The Nation recorded an accounting surplus of $16.73 million in 2026, compared with a budgeted deficit of $0.82 million and a restated 2025 surplus of $26.92 million. This surplus is not the same as cash available to spend or distribute. Some funding recognized as revenue was used to acquire or construct capital assets, including the Health & Wellness Facility. Under public-sector accounting standards (PSAS), qualifying capital costs are recorded as assets and expensed over time through amortization rather than being charged fully as an expense in the year of purchase. Whereas Budget-program funding requires to report under each program as expenditure. In addition, funding under the Nation's 10-year ISC/NFR agreement may need to support services over the remaining agreement period even where annual funding and annual expenses do not match. Balances/surplus carried forward to next years for program spending. These future service commitments should be reflected in the Nation's budgets. The large budget-to-actual variance also reflects the fact that the approved budget is non-consolidated while audited actual results are consolidated with subsidiaries and Investments (all economic development entities)

2. Revenue - three-way comparison by department/program

The following tables compare 2026 actual results with the 2026 budget and 2025 actual. The final columns explain the main known drivers of variance. Where the supplied audited schedules and management comments do not quantify a contributor, no adjusted "variance excluding that item" is calculated; doing so would require unsupported assumptions.

Department / program	2026 Budget	2026 Actual	2025 Actual	Act. vs Budget	Act. vs 2025
Education	$3.225M	$3.522M	$3.873M	+9.2%	-9.0%
Administration	$8.481M	$6.326M	$6.433M	-25.4%	-1.7%
Health	$10.094M	$11.255M	$12.859M	+11.5%	-12.5%
Child & Family Services	$7.032M	$8.660M	$9.273M	+23.1%	-6.6%
Natural Resources	$3.931M	$4.041M	$5.693M	+2.8%	-29.0%
Capital Projects / Revolving Housing	$0.410M	$0.644M	$1.316M	+57.0%	-51.1%

Department / program	2026 Budget	2026 Actual	2025 Actual	Act. vs Budget	Act. vs 2025
Social Housing Fund	$0.036M	$0.036M	$0.036M	~0%	0.0%
Commercial Enterprises	$1.380M	$6.112M	$10.055M	+342.8%	-39.2%
Benefit Funds	—	$0.257M	$0.321M	+0.257M	-20.1%
BCSRIF	—	—	$0.027M	—	—

Administration: The reported budget variance is -25.4%, but about $2.380 million of internal administration charges included in the budget are eliminated on consolidation. Excluding those charges, the comparable budget is approximately $6.101 million. Actual revenue of $6.326 million is therefore about $225,000, or 3.7%, above the adjusted budget. The year-over-year movement is only -1.7%.

Other significant program movements: Natural Resources revenue fell $1.652 million (-29.0%). The main identified contributors were a $1.174 million reduction in Forest and Range Agreement revenue and a $200,000 reduction in Natural Resources sales. Adding back these two changes would give an indicative 2026 comparison of about $5.415 million versus $5.693 million, a decline of about $278,000 (-4.9%). Capital Projects/Revolving Housing revenue fell $672,000 (-51.1%), mainly reflecting a $559,000 reduction in Provincial funding for the Heat Pump program and 260k DAEF funding incorrectly recorded; excluding that contributor, the remaining decline would be about 8.6%. Benefit Funds revenue fell about $64,000 (-20.1%); the decrease contribution by OSG and Kwagis benefit fund. Education revenue was $351,000 below 2025 (-9.0%); T'lisalagi'lakw School revenue alone decreased by about $141,000, with the remaining movement spread across education programs.

Health: Revenue was $11.255 million, $1.162 million (11.5%) above budget, mainly due to higher recognized revenue from FNHA. Compared with 2025, revenue decreased by $1.604 million (12.5%), primarily due to a $1.815 million reduction in FNHA revenue, including lower Health & Wellness Facility revenue during the construction period, partly offset by increases in other health revenue.

Child & Family Services (CFS): Revenue was $8.660 million, $1.628 million (23.1%) above budget, mainly because recognized ISC revenue exceeded budget by approximately $1.995 million, partly offset by lower Province of B.C. revenue. Compared with 2025, revenue decreased by $0.613 million (6.6%), mainly due to lower ISC revenue ($0.514 million) and Province of B.C. revenue ($0.129 million).

Commercial Enterprises: The $4.753 million decrease in the Nation's share of income from government business enterprises was primarily driven by lower results from Atli Resources, Mama'omas LP and Kwagis Power LP. Atli's contribution declined by approximately $3.2 million, mainly due to a write-down of the investment in Atli Chip LP and reduced forestry activity. Mama'omas LP's contribution decreased by approximately $0.9 million, partly reflecting capital expenditure funding recognized in the prior year. Kwagis Power LP's contribution declined by $454,250. Orca Sand & Gravel LP's contribution also decreased by $245,634, while Danyas Forest Products LP's contribution increased slightly by $10,564. This was partly offset by a $0.909 million increase in NBDC grants and related revenue. Lower Provincial Government Gaming Revenue ($53,838) and Gas Station sales ($44,852) also contributed to the decline. These movements explain why total Commercial Enterprises revenue fell less than the share of business-enterprise income alone.

3. Revenue - major consolidated funding sources

Revenue source	2026 Budget	2026 Actual	2025 Actual	Act. vs Budget	Act. vs 2025
Indigenous Services Canada	$11.643M	$13.755M	$14.243M	+18.2%	-3.4%
First Nation Health Authority	$9.678M	$10.816M	$12.630M	+11.7%	-14.4%
Share of net income – government business enterprises	—	$3.761M	$8.514M	+$3.761M	-55.8%
Province of B.C.	$4.109M	$4.881M	$6.693M	+18.8%	-27.1%
Interest income	$2.367M	$2.437M	$2.837M	+3.0%	-14.1%
Other revenue	$2.504M	$1.838M	$0.884M	-26.6%	+107.8%
Sales	$1.778M	$1.031M	$1.285M	-42.0%	-19.8%
Fisheries & Oceans	$0.851M	$0.839M	$1.177M	-1.4%	-28.7%

Indigenous Services Canada (ISC): Revenue was $13.755 million, $2.112 million (18.1%) above budget. The main contributor was Child & Family Services, where ISC revenue exceeded budget by approximately $1.995 million. Additional ISC revenue of $0.584 million was recorded in Natural Resources and Capital Projects, where no corresponding budgeted amounts were shown, partly offset by lower-than-budgeted revenue in Education and Administration. Compared with 2025, ISC revenue decreased by $0.488 million (3.4%), mainly due to lower revenue in Child & Family Services and Administration, partly offset by increases in Health and Capital Projects.

Other major funding movements: FNHA revenue decreased by about $1.815 million year over year. The largest reductions were $1.833 million for the Health & Wellness Facility and $520,000 for Health Administration, partly offset by increases of $771,000 in Substance Abuse Treatment and $105,000 in Patient Travel.

Government business-enterprise income: The Nation's share of net income fell $4.753 million, from $8.514 million to $3.761 million. The identified contributors were approximately $3.2 million lower from Atli Resources, mainly due to a write-down of the Atli Chip LP investment and lower forestry activity; $0.9 million lower from Mama'omas, partly because some capital-expense funding was received in the prior year; and $0.5 million lower from Kwagis Power. Together these explain about $4.6 million of the $4.753 million decrease. Adding those rounded estimates back to 2026 income gives an indicative $8.36 million versus $8.51 million in 2025, a decrease of about $0.15 million (-1.8%). This is an approximate bridge, not an audited adjusted result. Together, these movements explain the overall decrease in investment income recognized by the Nation.

Province of B.C. revenue declined by $1.811 million (-27.1%), driven mainly by a $1.174 million reduction in Forest and Range Agreement revenue; Revolving Housing Fund revenue also fell by about $559,000 and TFL37 Forest Landscape Plan revenue of $249,000 in 2025 was nil in 2026. Without the Forest and Range Agreement reduction, the Province of B.C. year-over-year decrease would have been approximately 9.5% rather than 27.1%.

Interest income: Interest income was $2.437 million, $0.071 million (3.0%) above budget, but $0.399 million (14.1%) below 2025. Management reports that deposit interest rates declined from approximately 4.2% in 2025 to around 3.0%-3.2% in 2026. This lower interest rate environment contributed to the reduction in interest income, despite term deposits increasing from $57.755 million to $59.336 million at year-end. The precise impact of the rate change would require a comparison of average invested balances and rates throughout both years.

Sales revenue was $254,000 below 2025 and $747,000 below budget. Within Natural Resources, sales (CMT Survey) declined by about $200,000, from $581,000 to $381,000. Against the $1.107 million Natural Resources sales budget, actual revenue was 65.6% lower; even if sales had remained at the 2025 level, they would have been approximately 47.5% below budget.

Fisheries & Oceans Canada: Revenue was $0.839 million, approximately $0.012 million (1.4%) below budget. Compared with 2025, revenue decreased by $0.338 million (28.7%). Most of this reduction relates to Natural Resources, where Fisheries & Oceans revenue decreased by approximately $0.311 million. A further approximately $0.027 million recorded under BCSRIF (BATI) in 2025 was not recorded in 2026.

4. Expenditures - three-way comparison by department/program

Department / program	2026 Budget	2026 Actual	2025 Actual	Act. vs Budget	Act. vs 2025
Education	$3.900M	$3.160M	$3.274M	-$0.740M / -19.0%	-$0.114M / -3.5%
Administration	$8.642M	$5.490M	$5.360M	-$3.152M / -36.5%	+$0.130M / +2.4%
Health	$11.254M	$4.168M	$4.312M	-$7.086M / -63.0%	-$0.143M / -3.3%
Child & Family Services	$6.216M	$4.076M	$3.558M	-$2.141M / -34.4%	+$0.518M / +14.6%
Natural Resources	$3.855M	$3.179M	$2.799M	-$0.676M / -17.5%	+$0.380M / +13.6%
Capital Projects / Revolving Housing	$0.523M	$0.529M	$0.968M	+0.006M / +1.2%	-$0.439M / -45.4%
Social Housing Fund	$0.036M	$0.032M	$0.032M	-$0.004M / -11.5%	~0%
Commercial Enterprises	$0.983M	$2.051M	$1.207M	+$1.069M / +108.7%	+$0.844M / +70.0%
BCSRIF	—	$0.189M	$0.107M	+$0.189M	+$0.083M / +77.2%
Capital	—	$1.188M	$1.307M	+$1.188M	-$0.118M / -9.1%

Department budgets included wages and benefits for approved positions that were still vacant at year-end. Where positions remained unfilled, actual salary costs were below budget; this should not automatically be interpreted as reduced service delivery. The budget and audited actuals also use different reporting bases. Program schedules recorded $34.700 million of expenses before consolidation/PSAS adjustments. The audited statement removes approximately $9.246 million of capital purchases and $2.595 million of internal transactions eliminated on consolidation, while including amortization and the net book value of assets disposed, resulting in consolidated expenses of $24.123 million. Qualifying capital costs are recorded as assets rather than current expenses, so the difference contributes to an accounting surplus while increasing tangible capital assets, not cash.

Education: Actual expenditure was $3.160 million, $0.740 million (19.0%) below budget and $0.114 million (3.5%) below 2025. The main movements included wages and benefits of $1.718 million against a $2.038 million budget, reflecting lower actual staffing costs than budgeted. Program costs were $0.919 million, above the prior-year $0.982 million.

Administration: Actual expenditure was $5.490 million, $3.152 million (36.5%) below budget but $0.130 million (2.4%) above 2025. The largest budget variances were contractors and consulting ($0.822 million actual versus $2.656 million budget) and wages and benefits ($2.715 million versus $3.035 million). Office expenses were also below budget at $0.538 million versus $0.774 million. The prior-year increase was mainly in wages and benefits and office expenses, partly offset by lower contractor and consulting costs.

Health: Actual expenditure was $4.168 million, $7.086 million (63.0%) below budget and $0.143 million (3.3%) below 2025. The main issue is the different presentation of Health & Wellness Facility costs. These costs relate primarily to facility construction. Qualifying construction costs

are capitalized as assets rather than treated as ordinary operating expenses in the consolidated statements. The facility's construction was substantially completed after year-end, in July 2026. The large, consolidated Health budget variance should therefore not be interpreted as a comparable reduction in health services.

Child & Family Services: Actual expenditure was $4.076 million, $2.141 million (34.4%) below budget, but $0.518 million (14.6%) above 2025. Wages and benefits were $1.454 million against a $2.195 million budget, while office expenses were $0.673 million against $1.328 million budgeted. These were the main areas of underspending. The year-over-year increase was largely associated with higher contractors and consulting costs, which rose from $0.384 million to $0.833 million, and higher office expenses.

Natural Resources: Actual expenditure was $3.179 million, $0.676 million (17.5%) below budget but $0.380 million (13.6%) above 2025. Contractors and consulting decreased from $0.838 million in 2025 to $0.784 million in 2026, while other expenses increased substantially from $0.510 million to $0.948 million. The increase in other expenses was the principal driver of the year-over-year rise.

Capital Projects / Revolving Housing: Actual expenditure was $0.529 million, broadly in line with the $0.523 million budget, but $0.439 million (45.4%) below 2025. Repairs and maintenance declined from $0.666 million to $0.230 million, while contractors and consulting increased from negligible expenditure to $0.041 million. The reduction was mainly driven by lower repairs and maintenance costs compared with the previous year.

Commercial Enterprises: Actual expenditure was $2.051 million, $1.069 million above budget and $0.844 million above 2025. Program costs increased from $0.156 million to $0.999 million, while wages and benefits remained broadly stable at $0.457 million compared with $0.468 million in 2025. The increase in program costs is largely associated with NBDC expenses consolidated with the Nation and funded in part by an external grant received by NBDC.

Capital: Actual capital expenditure was $1.188 million, compared with $1.307 million in 2025, a decrease of $0.118 million (9.1%). These costs primarily relate to capital activity and should be considered alongside the tangible capital asset additions rather than interpreted as ordinary departmental operating expenses.

5. Expenses by object - budget and prior-year analysis

Expense type	2026 Budget	2026 Actual	2025 Actual	Act. vs Budget	Act. vs 2025
Amortization	$0.014M	$1.245M	$1.089M	+$1.230M	+$0.156M
Contractors & consulting	$11.561M	$3.258M	$3.478M	-$8.303M	-$0.220M
Cost of goods sold	$0.579M	$0.533M	$0.569M	-$0.047M	-$0.036M
Insurance, licenses & dues	$0.603M	$0.621M	$0.666M	+$0.018M	-$0.045M
Interest charges	$0.094M	$0.165M	$0.145M	+$0.071M	+$0.020M
Office & miscellaneous	$4.152M	$1.892M	$1.590M	-$2.260M	+$0.302M
Professional fees	$0.627M	$1.246M	$0.881M	+$0.619M	+$0.364M
Program costs	$0.988M	$2.166M	$1.454M	+$1.178M	+$0.712M
Rent & operating costs	$0.539M	$0.281M	$0.193M	-$0.258M	+$0.087M
Repairs & maintenance	$1.427M	$0.467M	$0.993M	-$0.960M	-$0.526M
Social Assistance	$1.315M	$1.290M	$1.575M	-$0.025M	-$0.285M
Travel & vehicle	$0.773M	$0.608M	$0.565M	-$0.165M	+$0.042M
Utilities & telephone	$0.612M	$0.536M	$0.547M	-$0.076M	-$0.012M
Wages & benefits	$12.125M	$9.858M	$8.987M	-$2.268M	+$0.870M

Key expense drivers: Wages and benefits were $2.268 million below budget but increased $870,000 from 2025. The budget included wages for vacant positions that were mostly still unfilled at year-end. Contractors and consulting were $8.303 million below budget; the budget included some capital-nature costs shown in program reporting, but qualifying capital expenditures are capitalized under PSAS rather than recorded as current-period expenses. Those costs appear as tangible capital asset additions on the balance sheet and can contribute to an accounting surplus without generating cash. Office and miscellaneous costs were $302,000 above 2025, mainly due to an approximately $186,000 write-off relating to the cyber-fraud incident. Professional fees increased $364,000, largely related to approximately $154,000 recorded in Department 154. Program costs increased $712,000, mainly because of NBDC expenses consolidated with the Nation and funded by an external grant received by NBDC.

Amortization: Actual expense was $1.245 million, $1.230 million above budget and $0.156 million above 2025. The budget included only $14,162 of amortization, whereas the audited statements recognize the annual consumption of capital assets over their useful lives. The Nation recorded $9.160 million in capital asset additions and transfers during 2026, including substantial construction in progress. Assets under construction are not amortized until they are ready for use.

Contractors and consulting: Actual expenditure was $3.258 million, $8.303 million below budget and $0.220 million below 2025. The budget included $11.561 million, reflecting planned program and project activity, including capital-related costs. Qualifying construction and other capital costs are recorded as assets under public sector accounting standards rather than immediate expenses. The difference should therefore not be interpreted entirely as unspent cash or operating savings.

Office and miscellaneous expenses: Actual expenditure was $1.892 million, $2.260 million below budget but $0.302 million higher than in 2025. The year-over-year increase was primarily attributable to the cyber-fraud incident involving fraudulent payments of approximately $406,449. Of this amount, approximately $220,444 is subject to a court restraint and management order dated June 1, 2026, and is being held under the direction of the Director of Criminal Asset Management pending further legal proceedings. The remaining approximately $186,449 was written off in the 2025-26 financial statements as unrecoverable. The Nation may recover some of the written-off amount through its insurance claim with Beazley, net of legal and professional costs. The recoverable amount has not yet been determined; any recovery will be recognized in a subsequent reporting period when the amount can be reliably established.

Professional fees: Actual expenditure increased to $1.246 million from $0.881 million in 2025, an increase of $0.364 million, and was $0.619 million above budget. Management has identified Department 154 Government negotiation related expenses as a major contributor to the increase.

Program costs: Actual expenditure increased to $2.166 million from $1.454 million in 2025, an increase of $0.712 million, and was $1.178 million above budget. Management has attributed much of the increase to expenses incurred by Namgis Business Development Corporation (NBDC), which is consolidated with the Nation and whose activities were funded in part by an external grant. These consolidated costs were not fully reflected in the original standalone budget.

Wages and benefits: Actual expenditure was $9.858 million, $2.268 million below budget but $0.870 million above 2025. The budget included salary and benefit provisions for approved positions that remained vacant at year-end. Actual expenditure reflects the costs incurred for staff employed during the year. The increase over 2025 reflects higher overall wage and benefit costs, although the audited notes do not provide a detailed reconciliation by staffing changes.

Repairs and maintenance: Actual expenditure decreased to $0.467 million from $0.993 million in 2025, a reduction of $0.526 million, and was $0.960 million below budget. This indicates lower recorded repair and maintenance costs during the year; the consolidated notes do not identify a specific underlying cause.

Social assistance: Actual expenditure decreased to $1.290 million from $1.575 million in 2025, a reduction of $0.285 million, and was broadly in line with the $1.315 million budget. This represents a decrease in recorded social assistance recipients' costs compared with the prior year.

Interest charges: Actual expenditure increased to $0.165 million from $0.145 million in 2025 and was $0.071 million above budget. The increase was primarily due to higher banking charges associated with opening new bank accounts to strengthen the security of the Nation's banking arrangements following an email-compromise fraud incident and to reduce the risk of similar incidents in the future.

6. Strengthening Financial Controls and Preventing Fraud

Following the electronic payment fraud incident in 2025, the Nation has strengthened its banking procedures and internal controls to better protect community funds and reduce the risk of future fraud or account compromise.

Key measures include:

- New bank account structure: The Nation has introduced separate accounts for receiving funds and making payments. Incoming government funding, grants and other revenues are deposited into the receipts account, from which funds are transferred to the operating disbursement account as required (monthly). Payments cannot be made directly from the receipts account, improving the separation and control of funds.
- Dual authorization and Council oversight: Electronic payments through Vancity Online Business Banking (OBB) require two independent electronic approvals. Council-authorized signatories approve payments, while designated Finance staff prepare payment details. Changes to payees also require dual approval. Manual payments, including cheques, remain subject to the requirement for two authorized signatories and appropriate supporting documentation. Previously disputed AFT system has been suspended from Nations use.
- Bank reconciliations and monitoring: The Finance Department is responsible for reconciling all bank accounts biweekly to monthly, investigating discrepancies promptly, and reporting bank balances, cash-flow matters and identified risks to Departments, Administration and the Finance and Audit Committee (FAC), as required.
- Restricted access and accountability: Online banking access is assigned according to user roles, segregation of duties is maintained where possible, access is reviewed periodically, and passwords and security tokens must not be shared. The banking system also maintains an electronic audit trail of payment preparation and approvals.

- Email security: The Nation is strengthening IT (Microsoft Exchange Online Protection) email-filtering controls to help identify and block fraudulent or suspicious emails before they reach employees, reducing the risk of email-compromise fraud and unauthorized payment instructions.

These measures are intended to improve oversight, strengthen payment authorization, detect irregularities earlier and protect the Nation's funds. The controls complement one another: secure banking technology, Council involvement, separation of duties, regular reconciliations and email security provide multiple layers of protection against future incidents.

7. Accounts receivable - member and external amounts

Net accounts receivable was approximately $4.50 million at March 31, 2026, compared with $4.66 million in the restated 2025 comparative, a decrease of approximately $0.16 million (3.5%).

Receivable category	2026	2025 restated	Change
Due from members – total	$0.288M	$0.296M	-$0.008M
Due from others – gross	$4.568M	$4.717M	-$0.149M
Allowance for doubtful accounts	$0.359M	$0.355M	+$0.003M
Net accounts receivable	$4.497M	$4.658M	-$0.161M

Overall, net accounts receivable decreased modestly by $161,000 (3.5%) during the year. However, member receivables for garbage increased from $39,822 to $47,921, while utility receivables increased from $15,457 to $21,745. These increases indicate that more amounts remained outstanding at year-end. Following the audit, the Nation introduced regular monthly follow-up statements to customers, and the community has responded positively, with payments beginning to come in.

The 2025 comparative was restated upward by $196,000 to recognize a Health & Wellness Facility contract-related receivable that had not been recorded in the previous year. Accordingly, the restated 2025 balance of $4.658 million is the appropriate basis for comparison.

8. Inventory - year-end movement and timing

Inventory increased from $60,815 at March 31, 2025 to $114,716 at March 31, 2026, an increase of approximately $53,901 (88.6%), almost entirely due to the Gas Station.

Inventory	2026	2025	Change
Tobacco Outlet	$21,819	$21,284	+$535
Gas Station	$92,897	$39,531	+$53,366
Total inventory	$114,716	$60,815	+$53,901

Inventory increased by $53,901 (88.6%), almost entirely due to the Gas Station. Management advised that approximately $53,000 of fuel was purchased near the end of March 2026, February sales were comparatively low, and there were no fuel purchases in April. The year-end movement therefore appears primarily timing-related rather than a permanent increase in stock requirements.

9. Long-term investments – business enterprise performance and financial position

Long-term investments were approximately $39.53 million at March 31, 2026, compared with $39.55 million in the restated 2025 comparative, essentially unchanged overall. The portfolio includes forestry, hydroelectric power, sand and gravel, fisheries, real estate and other ventures.

Investment	2026 carrying value	2025 restated	2026 entity income/(loss)	2026 entity assets	2026 entity liabilities
Kwagis Power LP	$23.294M	$20.357M	+$8.749M	$167.373M	$8.949M
Mama'omas LP	$6.710M	$6.647M	-$0.031M	$7.572M	$1.874M
Atli Resources LP	$4.359M	$6.250M	-$1.904M	$4.834M	$0.498M
Orca Sand & Gravel LP	$3.628M	$3.874M	+$14.580M	$96.141M	$56.654M
Danyas Forest Products LP	$0.585M	$1.400M	+$3.367M	$4.962M	$3.313M
NBDC Real Estate Inc./LP	$0.929M	$1.009M	-$0.012M	$2.510M	$1.600M
North Island Driving School Society	$0.009M	—	-$0.022M	$0.032M	$0.013M
Kuterra LP	$0.011M	$0.011M	Not material	—	—

The consolidated statements recognized $3.761 million as the Nation's share of net income from government business enterprises in 2026, compared with $8.514 million in 2025. The main identified reductions were approximately $3.2 million from Atli Resources (investment write-down and lower forestry activity), $0.9 million from Mama'omas (including capital-expense funding received in the prior year) and $0.5 million from Kwagis Power. Kwagis Power contributed $2.187 million of share income in 2026 versus $2.642 million in 2025, a decrease of about $454,000.

The Nation holds a 25% interest in Kwagis Power and a 12% interest in Orca Sand & Gravel; Danyas Forest Products is 49.99% owned. During 2026, the Business Resources schedule records transfers in of $2.091 million from Orca Sand & Gravel and $1.683 million from Danyas Forest Products (about $3.774 million combined). These transfers represent cash/resources moved to Business Resources and are distinct from the Nation's share of enterprise income recognized under the equity method. The overall carrying value of long-term investments remained broadly stable at $39.526 million.

10. Accounts payable – Payable movement

Accounts payable decreased to $4.302 million at March 31, 2026 from $4.893 million in the restated 2025 comparative, a decrease of $591,240 (12.1%).

Accounts payable component	2026	2025 restated	Change
Accounts payable & accrued liabilities	$3.684M	$4.447M	-$0.763M
Accrued wages & benefits	$0.586M	$0.412M	+$0.174M
Due to government agencies	$0.007M	$0.009M	-$0.002M
Security deposits	$0.025M	$0.025M	—
Total accounts payable	$4.302M	$4.893M	-$0.591M

Accounts payable decreased by $591,000 (12.1%). The 2025 comparative includes a $673,775 Health & Wellness Facility contract holdback liability added through the prior-period restatement; it had not been accrued in the original 2025 statements. The related construction asset and recoverable grant receivable were also recognized. The decrease should therefore not be interpreted solely as a reduction in normal supplier balances. Accrued wages and benefits increased by $174,000, while the other components changed only slightly.

11. Deferred revenue - restricted funding still to be spent

Deferred revenue increased from $200,215 at March 31, 2025 to $842,319 at March 31, 2026. The largest component is $827,031 remaining from a $1.0 million REDIP grant received during 2026, of which $172,969 was recognized as revenue. The REDIP grant relates specifically to NBDC and its project, rather than being unrestricted funding received directly for the Nation's general operations. The remaining balance is deferred until the applicable grant conditions are met.

Funding source	Funding received 2026	Revenue recognized 2026	Deferred at Mar. 31, 2026
Province of B.C.	$12,000	($198,541)	$12,000
Legal Services Society	$3,288	—	$3,288
REDIP Grant	$1,000,000	($172,969)	$827,031
Total	$1,015,288	($373,184)	$842,319

Deferred revenue represents restricted funding received but not yet recognized as revenue because the related eligible activities or spending have not yet occurred.

12. Long-term debt

Long-term debt decreased from $558,776 to $545,414. The balance consists primarily of $533,840 of Government of Canada Indigenous Claims Loans and $11,574 of CMHC mortgage debt.

The CMHC mortgage requires monthly payments of $1,180 including interest at 4.27% and is due for renewal in January 2027. The audited schedule shows $11,574 due in 2027 and $533,840 due in 2029. The total debt balance is relatively small compared with the Nation's overall financial assets.

13. Tangible capital assets and capital investment

Net book value of tangible capital assets increased from $23.42 million at March 31, 2025 to $31.31 million at March 31, 2026. The Nation recorded $9.16 million of additions and transfers, partly offset by $1.24 million of amortization and disposals.

Major capital movement	2026 addition / balance
Assets under construction	$6.229M additions; $15.948M year-end NBV
Land improvements	$1.046M additions
Revolving Housing	$0.797M additions
Roads	$0.323M additions
Other equipment	$0.244M additions
Computer equipment	$0.129M additions
Public Works Administration Building	~$1.427M identified in management variance analysis

The largest capital movement was in assets under construction, with $6.229 million of additions and a $15.948 million year-end netbook value. Other material additions included $1.046 million in land improvements, $797,000 in Revolving Housing and $323,000 in roads. Management's variance analysis identifies approximately $1.427 million for the Public Works Administration Building. These capital costs are recorded as assets and recognized as expenses over time through amortization, rather than being fully expensed in the year of purchase.

The Health & Wellness Facility is also significant: its separate program schedule records approximately $5.287 million of revenue and $5.317 million of expenditure in 2026. Construction was substantially completed in July 2026, after the March 31 reporting date, with operations expected to commence in later this year.

14. What makes up the $163.76 million accumulated surplus?

The audited Note 16 gives the official consolidated composition of accumulated surplus. The table below reproduces those audited accounting categories. The separate program table that presents the historical OSG contributed equity with Orca Sand & Gravel for clearer program-level explanation; the two tables are different presentations of the same accumulated surplus and should not be added together.

Accumulated surplus component (Note 16)	Amount	Explanation
Unrestricted fund balances	$131.260M	Accumulated balances reported within the Nation's unrestricted fund balances; this does not mean all cash is available for distribution.
Provision for capital assets	$31.430M	Represents the capital asset component of accumulated surplus; capital assets are not cash available to spend.
Investment in Limited Partnership - historic OSG equity adjustment	$1.075M	Auditor confirmed this $1,074,650 is a historical contributed-equity adjustment relating to the Orca Sand & Gravel (OSG) project, made before OSG was shown as a program in the detailed schedules.
Total accumulated surplus	$163.764M	Official consolidated accumulated surplus reported in audited Note 16.

The detailed Summary Schedule of Operations and Accumulated Surplus by Program reports $162,689,789 before the historic Orca Sand & Gravel contributed-equity adjustment shown separately in Note 16. For this member-facing presentation, that $1,074,650 historical OSG amount is included with Orca Sand & Gravel under Commercial Enterprises. This produces a revised program presentation total of $163,764,439, which is $2 above the official Note 16 total of $163,764,437. The $2 difference is disclosed below rather than silently adjusting the audited figures.

Program / fund (2026 closing balance)	Closing surplus / (deficit) ($)
Administration - Aboriginal Specific Land Claims	(1,112,489)
Administration - Business Resources, OSR	9,508,889
Administration - Employee Benefits	31,836
Administration - Funeral Trust Funds	80,906
Administration - Government to Government	48,901
Administration - ISC Funding, Economic Development	462,263
Administration - June Sports	10,006
Administration - Net Loft & Breakwater	(275,288)
Administration - 'Namgis Administration	13,744,519
Administration - 'Namgis Buildings	335,168

Administration - Nimpkish Fisheries	10,599
Administration - Technical Services	311,912
Administration - Tobacco Outlet	177,918
BCSRIF - Group subtotal	1,205,490
Benefit Funds - Group subtotal	4,601,357
Capital - Provision for Capital Assets	31,429,625
Capital Projects / Revolving Housing - Group subtotal	4,826,569
Child & Family Services - Group subtotal	17,528,441
Commercial Enterprises - Subtotal (detail below)	49,857,385
Education - Group subtotal	3,687,215
Health - Group subtotal	14,531,238
Natural Resources - Group subtotal	9,761,377
PW & Lands - Asset Condition Report	357,847
PW & Lands - Land Management Code	705,317
PW & Lands - Legacy Issues 'Namgis Land	36,507
PW & Lands - Public Works	1,678,830
PW & Lands - Sewage Treatment	217,919
Social Housing Fund - Post-1996	—
Trust Fund	4,182
TOTAL - program presentation including historic OSG equity	**163,764,439**

The audit report confirms that the $1,074,650 reported as "Investment in Limited Partnership" in Note 16 is historical contributed equity relating to the Orca Sand & Gravel (OSG) project, contributed before OSG was shown as a program in the detailed schedules. Accordingly, the amount is now presented together with Orca Sand & Gravel in the Commercial Enterprises breakdown below. This is a presentation of the existing Note 16 balance by its related investment, not an additional asset or surplus beyond the official accumulated surplus.

What makes up the $49.857 million Commercial Enterprises balance?

The published Commercial Enterprises schedule rolls forward from its $47,995,788 opening balance, adds $4,043,362 of 2026 operating surplus and reflects net transfers out of $3,256,415, resulting in $48,782,735. The auditor confirmed that a further $1,074,650 represents historic contributed equity relating to the Orca Sand & Gravel (OSG) project, contributed before OSG appeared as a program in detailed schedules. For this commentary, that historical amount is shown with the Orca Sand & Gravel line, giving an adjusted Commercial Enterprises presentation of $49,857,385.

Commercial Enterprises program / fund	**2026 closing surplus / (deficit) ($)**
Orca Sand & Gravel LP (including historic OSG contributed equity)	7,397,654
Kwagis Power Limited Partnership	24,062,872
Atli Resources Limited Partnership and Corporation	4,362,851
Gas Station	27,634
Kuterra Limited Partnership	(765,853)
'Namgis Excavating LP	(2,679)
Mama'omas Limited Partnership	5,281,637
Danyas Forest Products LP	2,987,431
'Namgis Business Development Corporation (NBDC)	1,810,912
Provincial Government Gaming Revenue	4,694,926
TOTAL - Commercial Enterprises	**49,857,385**

15. Cash and financial capacity

Cash and cash equivalents (excluding restricted cash and deposits) increased from $22.902 million at March 31, 2025 to $30.069 million at March 31, 2026, an increase of $7.167 million (31.3%). Restricted cash and deposits were $5.395 million in 2026, compared with $5.289 million in 2025. Together, cash and restricted cash/deposits totalled $35.464 million in 2026 versus $28.191 million in 2025, an increase of $7.273 million (25.8%).

Financial resource	2026 amount
Unrestricted cash	$30.069M
Restricted cash	$5.395M
Cash plus restricted cash/deposits	$35.464M
Term deposits	$59.336M

Term deposits were $59.336 million at March 31, 2026, compared with $57.755 million in 2025, an increase of $1.581 million (2.7%). Cash and restricted cash/deposits plus term deposits totalled approximately $94.8 million at year-end. These balances support operating liquidity, program delivery, restricted reserves, capital-project commitments and other obligations. Where funds are temporarily not required in operating accounts, the Nation may place them in GICs or term deposits to earn interest while preserving the principal for the underlying purpose; interest income was $2.437 million in 2026. A large cash balance does not by itself mean there are unrestricted funds available for new spending or distribution.

Multi-year commitments also matter: some funding under the 10-year ISC/NFR agreement is intended to support services over the full agreement period and is not necessarily matched to annual expenditures. Holding funds while waiting for approved program spending, project milestones or service needs is therefore not equivalent to having uncommitted funds available for new initiatives.

16. Cash, program surpluses, OSR and member distribution

The financial statements show the Nation's overall financial resources, but not all of these resources are available for member distribution. Accumulated surplus, cash, term deposits and own-source revenue (OSR) are different measures.

Program surpluses generated under the Nation's 10-year ISC/NFR funding arrangement are retained to support their applicable programs and future service commitments. Funding for Health, Education, Child & Family Services, Natural Resources, housing, social housing, capital projects and benefit funds supports specific services, projects, reserves or obligations. Unspent program funding does not automatically become distributable cash.

Federal/provincial program funding and revenue-sharing amounts from ISC, FNHA, the Province of B.C., Fisheries & Oceans, CMHC and other funders cannot be distributed simply because they contribute to a surplus or are held in the bank. The relevant agreements, program rules and restrictions determine how those funds may be used. Similarly, investing temporarily unneeded program funds in GICs or term deposits earns interest but does not change their underlying purpose.

The Business Resources schedule reports a closing surplus of $9.509 million ($9,508,889). Any consideration of member distributions would be based on eligible Own Source Revenue (OSR), not from the overall surplus or cash balance, and subject to the Nation's applicable distribution policy, financial commitments and required governance approvals. Program funding, housing funds and restricted reserves are not available for member distribution simply because a surplus or cash balance exists.

Financial measure	2026 amount
Accumulated surplus	$163.764M
Cash plus restricted cash/deposits	$35.464M
Term deposits	$59.336M
Business Resources / OSR	$9.509M

Key message: a surplus does not automatically mean distributable cash; cash does not automatically mean distributable cash; and term deposits do not automatically mean distributable cash. Funds required for programs, restricted reserves, capital projects, contractual obligations and future services must be retained for those purposes – long term sustainability.

17. Prior-period restatement - why some 2025 numbers changed

The 2025 comparative figures were retrospectively restated for two matters. First, a $673,775 Health & Wellness Facility contract holdback liability and related capital asset/grant receivable were recognized. Second, accounting for government grants related to Mama'omas licences and quota was changed. The combined effect increased 2025 accumulated surplus by $4.561 million, from $142.469 million as previously stated to $147.030 million restated.

Accordingly, this commentary uses the restated 2025 amounts wherever the audited statements identify a restated comparative.

18. Overall financial commentary for members

The 2025–26 audited consolidated financial statements report revenue of $40.86 million and expenditures of $24.12 million, resulting in an annual surplus of $16.73 million. This compares with a restated surplus of $26.92 million in 2025 and a budgeted deficit of $0.82 million for 2026. The independent auditors issued an unmodified opinion on the financial statements, confirming that they present fairly, in all material respects, the Nation's financial position and results in accordance with Canadian public sector accounting standards.

Revenue decreased by $9.03 million from the previous year, primarily due to a $4.75 million reduction in the Nation's share of income from government business enterprises, alongside lower revenue from FNHA, the Province of B.C., and other funding sources. The decline in business-enterprise income was mainly attributable to Atli Resources, Mama'omas and Kwagis Power. Lower interest rates also contributed to reduced interest income, while other revenue increased, partly offsetting these decreases.

Expenditures increased by $1.15 million from 2025. Significant movements included higher amortization, professional fees and program costs, partly offset by lower contractors and consulting, repairs and maintenance, and social assistance. Wages and benefits increased by $0.87 million year over year but remained $2.27 million below budget, partly because budgeted positions remained vacant. The increase in program costs was largely associated with NBDC expenses consolidated with the Nation and funded in part by an external grant.

Budget-to-actual comparisons require careful interpretation. The approved budget was prepared on a standalone basis, whereas the audited results include consolidated entities and applicable accounting adjustments. The budget also included capital purchases as program expenses, while qualifying capital expenditures are recorded as assets under public sector accounting standards and expensed over time through amortization. The Health & Wellness Facility and the Public Works Administration Building are significant examples of the Nation's capital investment activity. Consequently, differences between budgeted and audited expenditures do not necessarily represent operating savings, unspent cash or reduced service delivery.

The Nation's financial position continued to reflect substantial resources and long-term investment. Cash and restricted cash/deposits totalled $35.46 million, with a further $59.34 million held in term deposits at March 31, 2026. Tangible capital assets increased to a net book value of $31.31 million, supported by approximately $9.16 million in additions and transfers during the year. Temporarily surplus funds may be placed in secure GICs or term deposits to earn interest while preserving the funds for their intended purposes. However, these balances must also support operating requirements, capital commitments, restricted reserves and future program obligations.

To improve returns on the Nation's available funds, the Finance team, with the approval of Chief and Council (C&C), has moved most funds previously held in everyday banking accounts into guaranteed investment certificates (GICs) and other term deposits. The current GIC balance is approximately $95 million, with interest income projected at approximately $3.5 million for the 2026–27 fiscal year, compared with approximately $2.4 million earned in 2025–26.

The Finance team carefully monitors daily and weekly working capital requirements, including vendor payments, payroll obligations and expected funding receipts, to ensure sufficient liquidity is maintained for ongoing operations. Based on these requirements, funds have been placed in a range of term deposits, with redemption periods from 30–90 days to 12 months and interest rates ranging from approximately 3.0% to 3.75%, depending on the term and redemption flexibility. This approach aims to maximize interest income for the Nation while ensuring funds remain accessible when needed to meet operational commitments and other financial obligations.

The consolidated accumulated surplus was $163.76 million. The program-level presentation identifies approximately $49.86 million under Commercial Enterprises, including the $1.075 million historical contributed-equity adjustment relating to the Orca Sand & Gravel project, as confirmed by the auditor. This adjustment is included with the Orca Sand & Gravel balance for presentation purposes and does not represent additional surplus beyond the audited total. The Commercial Enterprises balance comprises several business and related funds and should not be interpreted as cash available for general spending or distribution.

A significant portion of the Nation's financial resources remains committed to delivering community services, meeting funding-agreement requirements and maintaining infrastructure. In particular, surpluses generated under the 10-year ISC/NFR funding arrangement must support applicable programs and future service commitments. Funding restrictions, contractual obligations and capital requirements therefore need to be considered alongside the reported surplus and cash balances when planning future expenditures.

The Nation has also strengthened its financial controls following the email-compromise fraud incident. Measures include a revised bank account structure separating receipts from payments, dual authorization for electronic payments, Council-authorized signatories, regular bank reconciliations, restricted online banking access and strengthened email-filtering controls. Together, these measures are intended to improve oversight, identify irregularities promptly and better protect community funds.

Looking ahead, priorities include maintaining sustainable program funding, meeting multi-year service commitments, monitoring expenditure and cash requirements, progressing capital projects, improving collection follow-up and maintaining strong financial controls. These measures will help ensure that the Nation's financial resources continue to support members and community priorities over the longer term.

For any future consideration of member distributions, the relevant measure is eligible Own Source Revenue (OSR), subject to the Nation's distribution policy, financial commitments and required governance approvals. The $163.76 million accumulated surplus, the

Nation’s cash and term deposits, and program or restricted-fund surpluses are not interchangeable with distributable funds. Program funding, housing funds and restricted reserves must remain available for their intended purposes. A reported surplus or substantial cash balance does not, by itself, establish that funds are available for distribution.

19. Plain-language financial glossary

Term	Meaning for members
Revenue	Funding or income recognized during the year from governments, programs, business activities, interest, rent, sales and other sources.
Expenditures	Costs recognized to deliver programs and services and operate the Nation.
Annual surplus	The amount by which recognized revenue exceeds recognized expenditures for the year.
Accumulated surplus	The accumulated net financial position under public-sector accounting; it is not the same as cash in the bank.
Net financial assets	Financial assets less liabilities; indicates financial resources remaining after obligations.
Deferred revenue	Restricted funding received but not yet recognized as revenue because related eligible activities have not yet occurred.
Tangible capital assets	Long-term physical assets such as buildings, roads, equipment and infrastructure.
Amortization	Accounting allocation of the cost of a capital asset over its useful life.
Government business enterprise income	The Nation’s accounting share of income or loss from qualifying business enterprises; it is not necessarily cash received.

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