

ANNEAPOLIS VALLEY FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

Annapolis Valley First Nation
Consolidated Financial Statements
For the year ended March 31, 2023

CONTENTS

INDEX	PAGE
Management's Responsibility for the Consolidated Financial Statements	1
Independent Auditor's Report	2 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Change in Net Financial Assets (Debt)	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 27

ANAPOLIS VALLEY FIRST NATION

Management's Responsibility for the Consolidated Financial Statements March 31, 2023

The accompanying consolidated financial statements of Annapolis Valley First Nation are the responsibility of management and have been approved by the Chief and Council.

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The external auditors, BDO Canada LLP, conduct an audit, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have access to management of Annapolis Valley First Nation and meet when required.

On behalf of Annapolis Valley First Nation:

Chief

Councillor

Councillor

Councillor

Date

Date

Date

Date

Independent Auditor's Report

To the Members of Annapolis Valley First Nation

Qualified Opinion

We have audited the consolidated financial statements of Annapolis Valley First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations, consolidated statement of change in net financial assets (debt), and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2023 and its consolidated results of operations, its consolidated statement of changes in net financial assets (debt) and its consolidated statement of cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

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

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 qualified opinion.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

Chartered Professional Accountants

Halifax, Nova Scotia
July 28, 2023

ANNEAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash (Note 2)	\$ 5,105,803	\$ 5,444,384
Restricted cash (Note 2)	175,126	174,000
Restricted cash - funds held in trust (Note 4)	2,903,425	3,068,653
Temporary investments (Note 5)	78,012	77,548
Grants receivable (Note 6)	1,019,308	642,386
Accounts receivable	434,230	177,612
Inventory	168,099	165,231
Investment in government business enterprise (Note 7)	3,778,100	4,601,910
Due from government business enterprise (Note 7)	1,976,303	1,020,000
	15,638,406	15,371,724
LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	170,654	457,245
Deferred revenue (Note 11)	3,179,184	1,874,539
Long-term debt (Note 12)	5,827,943	5,959,718
	9,177,781	8,291,502
NET FINANCIAL ASSETS (DEBT)	6,460,625	7,080,222
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	9,707,077	9,263,316
Intangibles	925,000	925,000
Prepays	29,932	19,932
	10,662,009	10,208,248
ACCUMULATED SURPLUS (Note 14)	\$ 17,122,634	\$ 17,288,470

Economic Dependence (Note 16)
Contingencies (Note 17)

APPROVED ON BEHALF OF ANNAPOLIS VALLEY FIRST NATION:

Chief

Henry Peasey
Councillor

Councillor

Monique Holland
Councillor

ANNEAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2023

	Budget	2023	2022
REVENUE			
Indigenous Services Canada (Note 20)	\$ 4,636,762	\$ 2,565,241	\$ 3,434,107
Canada Mortgage and Housing Corporation (Note 20)	-	64,734	45,753
Confederacy of Mainland Mi'kmaq	75,401	182,322	60,133
Province of Nova Scotia	-	23,827	-
KMKNO	77,790	22,881	22,988
Mi'kmaq Employment Training Secretariat	111,517	111,517	80,147
Mi'kmaw Kina'matnewey	470,852	406,010	335,420
Rent - Social Housing	-	85,617	69,723
Amounts earned and held in trust by federal government (Note 3)	-	1,196	-
Other (Note 19)	321,413	7,027,996	6,314,723
Land claim settlement (Note 4)	-	-	8,028,029
	<hr/> 5,693,735	<hr/> 10,491,341	<hr/> 18,391,023
EXPENSES			
Band administration	783,862	938,286	586,493
Commercial buildings	-	6,098	6,364
Community health	725,155	661,254	511,695
Courses and summer students	125,441	125,441	139,132
Economic development	315,523	67,610	60,133
Education	157,528	393,778	344,690
Operations, capital & maintenance	239,402	753,318	266,864
Other (Note 19)	-	6,028,419	5,859,703
Proceeds of land claim settlement paid to members (Note 4)	-	289,704	1,491,252
Social housing	279,167	227,825	233,363
Social services	170,469	341,634	256,120
	<hr/> 2,796,547	<hr/> 9,833,367	<hr/> 9,755,809
NET SURPLUS FROM OPERATIONS	2,897,188	657,974	8,635,214
LOSS FROM GOVERNMENT BUSINESS ENTERPRISE (Note 7)	-	(823,810)	(430,263)
ANNUAL SURPLUS (DEFICIT)	2,897,188	(165,836)	8,204,951
ACCUMULATED SURPLUS - beginning of year	17,288,470	17,288,470	9,083,519
ACCUMULATED SURPLUS - end of year (Note 14)	\$ 20,185,658	\$17,122,634	\$ 17,288,470

ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED MARCH 31, 2023

	Budget	2023	2022
ANNUAL SURPLUS (DEFICIT)	\$ 2,897,188	\$ (165,836)	\$ 8,204,951
Acquisition of tangible capital assets	-	(981,302)	(1,065,625)
Amortization of tangible capital assets	-	537,541	582,569
Acquisition of prepaid expense	-	(10,000)	(15,163)
DECREASE (INCREASE) IN NET FINANCIAL ASSETS (DEBT)	2,897,188	(619,597)	7,706,732
NET FINANCIAL ASSETS (DEBT) - beginning of year	7,080,222	7,080,222	(626,510)
NET FINANCIAL ASSETS (DEBT) - end of year	\$ 9,977,410	\$ 6,460,625	\$ 7,080,222

ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023

	2023	2022
CASH FLOWS FROM:		
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (165,836)	\$ 8,204,951
Items in earnings not involving cash		
Amortization of tangible capital assets (Note 13)	537,541	582,569
Loss from government business enterprise (Note 7)	823,810	430,263
	<hr/>	<hr/>
	1,195,515	9,217,783
Net changes in working capital balances		
Grants receivable	(376,922)	(43,748)
Accounts receivable	(256,618)	112,223
Inventory	(2,868)	(53,050)
Accounts payable and accrued liabilities	(286,592)	57,579
Deferred revenue	1,304,645	730,266
Prepaid expenses	(10,000)	(15,163)
	<hr/>	<hr/>
	1,567,160	10,005,890
CAPITAL ACTIVITY		
Purchase of tangible capital assets	<hr/>	<hr/>
	(981,302)	(1,065,625)
INVESTING ACTIVITIES		
Decrease (increase) in temporary investments	163,638	(3,068,731)
Advances to government business enterprise	<hr/>	<hr/>
	(956,303)	(410,000)
	<hr/>	<hr/>
	(792,665)	(3,478,731)
FINANCING ACTIVITIES		
Repayments of long-term debt	(272,805)	(2,098,545)
Advances of long-term debt	<hr/>	-
	141,031	
INCREASE IN CASH DURING THE YEAR	<hr/>	<hr/>
	(338,581)	3,362,989
CASH - beginning of year	<hr/>	<hr/>
	5,444,384	2,081,395
CASH - end of year (Note 2)	<hr/>	<hr/>
	\$ 5,105,803	\$ 5,444,384

ANAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations

Annapolis Valley First Nation (the "First Nation") operates under the authority of the Indian Act.

The mandate of the First Nation is to provide services to band members and the community. These services are grouped into the following key areas: Band Administration, Social Services, Community Health, Education, Capital, Operations, and Maintenance, Other Projects, Gaming Commission, and Community Fisheries.

The First Nation is exempt from income taxes under the Income Tax Act.

(b) Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

(c) Reporting Entity

The reporting entity includes the First Nation and all entities that are controlled by the First Nation.

The reporting entity includes the following segments:

Band Administration
Social Services
Community Health
Education
Capital, Operations and Maintenance
Gaming Commission
Commercial Fisheries

All controlled entities are consolidated in the First Nation's financial statements according to the First Nation's percentage ownership, except for entities that meet the definition of a government business enterprise, which are included in the financial statements on a modified equity basis. Accounting policies of consolidated entities are conformed to those of the First Nation and inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only the First Nation's investment in the entity and the First Nation's portion of the entity's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the entity that are different from those of the First Nation and inter-organizational balances and transactions are not eliminated.

Entities fully consolidated in the First Nation's financial statements include:

	<u>% ownership</u>
2501745 Nova Scotia Limited	100%
AVFN Development Group GP Ltd.	100%
AVFN Forestry Group Limited Partnership	100%

Entity accounted for on a modified equity basis includes:

	<u>% ownership</u>
WFL Holdings Limited (100% shareholder of Webster Farms Limited)	100%

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Trusts Under Administration

Trusts under administration by the Government of Canada are included in these financial statements (Note 3).

(e) Pension Plan

The First Nation has a defined contribution plan for its employees. The pension costs are charged to operations as contributions are due. Contributions are a defined amount based on a set percentage of salary.

(f) Cash

Cash consists of cash on hand, bank balances, unrestricted operating and housing cash, and externally restricted replacement reserve cash and funds held in trust.

(g) Temporary Investments

Temporary investments are recorded at cost, unless the market value of temporary investments has declined below cost, in which case they are written down to market value.

(h) Tangible Capital Assets

Tangible capital assets are valued at acquisition cost and amortized over their useful life using the straight line method for the following number of years:

Band Owned CMHC Housing	25 years
Band Owned Housing	25 years
Commercial Buildings	40 years
Computer Equipment	4 years
Land Improvements	30 years
Fishing Vessels	5 years
Roadways	5 years
Underground Networks	50 years
Vehicles & Equipment	5 years

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

(i) Intangible Assets

Purchased intangibles are initially recorded at cost.

Intangible assets with an indefinite life, which includes the First Nation's fishing licenses, are not amortized. They are tested for impairment when events or circumstances indicate that the value of the future economic benefits associated with the intangible assets are less than their carrying value. When an impairment exists, an impairment loss is recognized in the consolidated statement of operations.

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Inventory

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value using the first-in first-out costing method.

(k) Revenue Recognition

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Revenues are recognized in the period in which the transactions or events occur that give rise to the revenues. All revenues are recorded on an accrual basis.

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

Revenue related to goods or services are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenue received in advance of the fee being earned or the service performed is deferred and recognized when the fee is earned or service is performed.

(l) Financial Instruments

Cash and cash equivalents are measured at fair value. Accounts receivable, accounts payable, and long term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

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

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

(m) Non-Financial Assets

Non-financial assets are used to provide the First Nation's services in future periods. These assets do not normally provide resources to discharge the liabilities of the First Nation unless they are sold. The First Nation's non-financial assets include tangible capital assets, intangibles and prepaids.

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

2. CASH

	2023	2022
Unrestricted		
Operating	\$ 3,775,689	\$ 5,231,922
Housing	1,330,114	212,462
	<hr/>	<hr/>
	\$ 5,105,803	\$ 5,444,384
	<hr/>	<hr/>
	2023	2022
Restricted		
CMHC Replacement Reserve (Note 15)	\$ 150,348	\$ 150,418
Trust funds held by Federal Government (Note 3)	24,778	23,582
	<hr/>	<hr/>
	\$ 175,126	\$ 174,000
	<hr/>	<hr/>

Under the terms of an agreement with Canada Mortgage and Housing Corporation ("CMHC"), the First Nation must set aside funds annually for the repair, maintenance and replacement of aged assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by CMHC with any interest earned to be credited as revenue to the CMHC Replacement Reserve.

The First Nation is required to have trust funds held by the Federal Government in a separate bank account. These funds increase annually by the interest earned and can be withdrawn for their intended purposes if requested.

3. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

	March 31, 2022	Additions 2023	Withdrawals 2023	March 31, 2023
Revenue	\$ 17,935	\$ 1,196	\$ -	\$ 19,131
Capital	5,647	-	-	5,647
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 23,582	\$ 1,196	\$ -	\$ 24,778
	<hr/>	<hr/>	<hr/>	<hr/>

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Section 63 to 69 of the Indian Act.

4. RESTRICTED CASH - FUNDS HELD IN TRUST

Funds held in trust represent proceeds from a land claim settlement which was ratified on May 20, 2021 and are held in trust for band members and includes accrued interest.

ANAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

5. TEMPORARY INVESTMENTS

	2023	2022
Guaranteed Investment Certificate ("GIC") maturing on April 14, 2023 at a rate of 0.75%	\$ 51,072	\$ 50,742
GIC maturing on February 24, 2024 at a rate of 1.75%	16,164	16,094
GIC maturing on March 22, 2024 at a rate of 1.75%	10,776	10,712
	<hr/>	<hr/>
	\$ 78,012	\$ 77,548

Subsequent to year end, the GIC maturing on April 14, 2023 was re-invested in a GIC maturing on April 14, 2024 at a rate of 1.75%.

6. GRANTS RECEIVABLE

	2023	2022
Indigenous Services Canada	\$ 753,830	\$ 300,634
Department of Fisheries and Oceans	75,000	75,000
Canadian Mortgage and Housing Corporation	156,841	72,701
Mi'kmaq Kina'matnewey	22,361	61,188
Other	25,938	68,439
Mi'kmaq Employment Training Secretariat	41,507	40,424
Confederacy of Mainland Mi'kmaq	1,831	9,000
Ulnooweg Development	-	9,000
Mi'kmaq Conservation Group	17,000	6,000
Allowance for doubtful receivables	(75,000)	-
	<hr/>	<hr/>
	\$ 1,019,308	\$ 642,386

The grant receivable from the Department of Fisheries and Oceans has been fully allowed for in the current year. This grant receivable is contingent on the signing of the AFS-FSC agreement (the "Agreement"). Chief and Council do not intend on signing the Agreement as it would be considered an infringement on the First Nation's rights.

ANNEAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

7. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE

The First Nation owns 100% of Webster Farms Limited. The government business enterprise operates as an agricultural enterprise in Nova Scotia.

At year end, Webster Farms Limited owed the First Nation \$1,974,303 (2022 - \$1,020,000). The balance is unsecured, non-interest bearing and payable on demand.

The following table presents condensed financial information for the investment in government enterprise:

	2023	2022
Financial position		
Cash	\$ 76,029	\$ 127,848
Accounts receivable	126,191	107,513
Inventory	272,174	285,862
Tangible capital assets	1,922,743	1,672,352
Other assets	64,631	13,194
 Total assets	 \$ 2,461,768	 \$ 2,206,769
 Accounts payable	 \$ 223,392	 \$ 207,580
Related party balances	1,974,693	1,018,390
 Total liabilities	 2,198,085	 1,225,970
 Equity	 263,683	 980,799
 Total liabilities and equity	 \$ 2,461,768	 \$ 2,206,769
 Results of operations	 2023	 2022
Revenue	\$ 1,296,215	\$ 1,460,135
Operating expenses	1,917,157	1,693,185
 Net loss from operations	 (620,942)	 (233,050)
 Depreciation	 96,171	 90,516
Amortization of fair value increment	106,697	106,697
 Net loss	 \$ (823,810)	 \$ (430,263)

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

8. BANK INDEBTEDNESS

The First Nation has the following operating loans:

An operating loan, secured by a Band Council Resolution, has a borrowing facility available of \$200,000 bearing interest at a rate of prime plus 0.70%. As at March 31, 2023, the balance of this borrowing facility was \$nil (2022 - \$nil).

An overdraft, secured by a Band Council Resolution, has a borrowing facility available of \$140,000 bearing interest at a rate of prime plus 0.70%. As at March 31, 2023, the balance of this borrowing facility was \$nil (2022 - \$nil).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Trade payables	\$ 143,889	\$ 433,657
Accrued interest	1,806	1,071
Government remittances	24,959	22,517
	<hr/>	<hr/>
	\$ 170,654	\$ 457,245

10. EMPLOYEE BENEFIT OBLIGATIONS

The First Nation provides a defined contribution plan for eligible members of its staff. Members are required to contribute 5% of their salary. The First Nation contributes 5% which is directed to the Member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the Member's share of the pension plan at the time of the Member's withdrawal from the plan. The First Nation contributed \$35,855 (2022 - \$28,220) during the year for retirement benefits.

ANNEAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

11. DEFERRED REVENUE

	2023	2022
Indigenous Services Canada	\$ 1,975,227	\$ 1,453,683
Government of Canada	20,000	90,000
Province of Nova Scotia	67,916	32,373
Canada Mortgage & Housing Corporation	885,000	-
Give us Wings Projects	14,350	6,850
Confederacy of Mainland Mi'kmaq	7,826	18,025
KMKNO	54,909	77,790
Ulnooweg	80,000	140,211
Mi'kmaw Kina'matnewey	64,842	45,287
Other	9,114	10,320
	\$ 3,179,184	\$ 1,874,539

12. LONG-TERM DEBT

Prime plus 2.75% loan payable to Royal Bank of Canada, secured by a vessel with book value of \$116,731, maturing March 2023. Repayable in semi-annual principal payments of \$14,475 plus interest paid monthly. General security agreement in place.

	2023	2022
	\$ 14,475	\$ 43,425

Prime plus 1.48% loan payable to Royal Bank of Canada, secured by a vessel with book value of \$45,179. This loan is for a 5 year term maturing April 2022 and is amortized to 2027. Repayable in semi-annual principal payments of \$16,125 plus interest paid monthly. General security agreement in place.

161,250 193,500

Fixed rate 3.67% loan payable to Royal Bank of Canada, secured by a general security agreement, maturing March 2043. Repayable in monthly blended payments of \$27,673.

4,714,634 4,856,184

CMHC mortgages, repaid during the year.

- 120,832

2.41% first mortgage payable to CMHC requires monthly installments of principal and interest of \$817. The loan is secured by a first mortgage over certain buildings with a carrying value of \$nil and a ministerial guarantee, Government of Canada. The loan matures in 2023.

818 10,491

ANAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

12. LONG-TERM DEBT (continued)

	2023	2022
1.12% mortgage payable to CMHC requires monthly installments of principal and interest of \$294. The loan is secured by a first mortgage over certain buildings with a carrying value of \$11,227 and a ministerial guarantee, Government of Canada. The loan matures in 2026.	\$ 11,534	\$ 14,912
3.70% mortgage payable to CMHC requires monthly installments of principal and interest of \$310. The loan is secured by a first mortgage over certain buildings with a carrying value of \$18,273 and a ministerial guarantee, Government of Canada. The loan matures in 2027.	15,707	18,886
1.86% mortgage payable to CMHC requires monthly installments of principal and interest of \$281. The loan is secured by a first mortgage over certain buildings with a carrying value of \$23,981 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2024 and matures in 2029.	19,364	22,343
0.76% mortgage payable to CMHC requires monthly installments of principal and interest of \$290. The loan is secured by a first mortgage over certain buildings with a carrying value of \$42,561 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2025 and matures in 2030.	24,587	27,873
1.12% mortgage payable to CMHC requires monthly installments of principal and interest of \$303. The loan is secured by a first mortgage over certain buildings with a carrying value of \$38,476 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2026 and matures in 2031.	27,830	31,137
2.27% mortgage payable to CMHC requires monthly installments of principal and interest of \$334. The loan is secured by a first mortgage over certain buildings with a carrying value of \$36,995 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2027 and matures in 2032.	32,639	35,860
3.70% mortgage payable to CMHC requires monthly installments of principal and interest of \$363. The loan is secured by a first mortgage over certain buildings with a carrying value of \$37,021 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2027 and matures in 2032.	35,481	38,654

ANAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

12. LONG-TERM DEBT (continued)

	2023	2022
2.14% mortgage payable to CMHC requires monthly installments of principal and interest of \$820. The loan is secured by a first mortgage over certain buildings with a carrying value of \$87,770 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2024 and matures in 2034.	\$ 95,337	\$ 103,078
2.52% mortgage payable to CMHC requires monthly installments of principal and interest of \$349. The loan is secured by a first mortgage over certain buildings with a carrying value of \$43,617 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2023 and matures in 2033.	38,718	41,903
0.71% mortgage payable to CMHC requires monthly installments of principal and interest of \$302. The loan is secured by a first mortgage over certain buildings with a carrying value of \$62,935 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2025 and matures in 2034.	40,914	44,241
3.04% mortgage payable to CMHC requires monthly installments of principal and interest of \$795. The loan is secured by a first mortgage over certain buildings with a carrying value of \$166,467 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2027 and matures in 2042.	139,434	144,757
3.81% mortgage payable to CMHC requires monthly installments of principal and interest of \$703. The loan is secured by a first mortgage over certain buildings with a carrying value of \$109,200 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2028 and matures in 2043.	118,613	123,044
1.01% mortgage payable to CMHC requires monthly installments of principal and interest of \$454. The loan is secured by a first mortgage over certain buildings with a carrying value of \$202,633 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2026 and matures in 2046.	113,593	-
3.24% mortgage payable to CMHC requires monthly installments of principal and interest of \$1,003. The loan is secured by a first mortgage over certain buildings with a carrying value of \$210,765 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2028 and matures in 2038.	142,125	-

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

12. LONG-TERM DEBT (continued)

	2023	2022
Fixed rate 4% loan payable to Ulnooweg Development Group Inc., secured by the solar project, maturing November 2031, repayable in monthly blended payments of \$926.	\$ 80,890	\$ 88,598
	<u>\$ 5,827,943</u>	<u>\$ 5,959,718</u>

Approximate principal payments for the next five years are as follows:

2024	\$ 278,676
2025	\$ 270,509
2026	\$ 279,085
2027	\$ 283,205
2028	\$ 289,623

	2023	2022
Interest expense on long-term debt	<u>\$ 211,456</u>	<u>\$ 275,759</u>

The First Nation has agreed to the following security agreement in place with the Royal Bank of Canada:

Guarantee and postponement of claim in the amount of \$5,300,000, supported by:

- a) a general security agreement constituting a first ranking security interest in all personal property of Webster Farms Limited;
- b) a collateral mortgage constituting a first fixed charge in the amount of \$4,100,000 on the lands and improvements located at 5989 Highway #1, Cambridge, King's County, Nova Scotia;
- c) Certificate of insurance evidencing fire and other perils coverage on the property located at 5989 Highway #1, Cambridge, King's County, Nova Scotia, showing the Bank as first rank mortgage.

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

13. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated Amortization				Net Book Value		
	Opening Balance	Additions	Disposals	Transfers of Assets	Closing Balance	Opening Balance	Amort.	Disposals, Write Offs & Other Adjustments	Closing Balance	2023	2022
Band owned CMHC Housing	\$ 3,068,344	\$ 139,958	\$ -	\$ -	\$ 3,208,302	\$ 2,046,304	\$ 61,275	\$ -	\$ 2,107,579	\$ 1,100,723	\$ 1,022,040
Band Owned Housing	2,848,637	15,342	-	-	2,863,979	1,304,510	72,640	-	1,377,150	1,486,829	1,544,127
Commercial Buildings	2,287,131	19,145	-	-	2,306,276	1,142,413	41,922	-	1,184,335	1,121,941	1,144,718
Computer Equipment	96,800	20,382	-	-	117,182	90,506	8,918	-	99,424	17,758	6,294
Land Improvements	472,351	34,970	-	-	507,321	92,107	16,346	-	108,453	398,868	380,244
Land	3,324,527	-	-	-	3,324,527	-	-	-	-	3,324,527	3,324,527
Fishing Vessels	1,577,402	179,900	-	-	1,757,302	1,539,434	133,362	-	1,672,796	84,506	37,968
Roadways	495,091	-	-	-	495,091	211,986	3,580	-	215,566	279,525	283,105
Underground Networks	1,090,610	84,525	-	-	1,175,135	192,546	49,332	-	241,878	933,257	898,064
Vehicles & Equipment	3,384,518	487,080	-	-	3,871,598	2,762,289	150,166	-	2,912,455	959,143	622,229
	15,577,067	841,344	-	-	16,418,411	7,335,791	476,266	-	7,812,057	8,606,354	8,241,276
	\$18,645,411	\$ 981,302	\$ -	\$ -	\$19,626,713	\$ 9,382,095	\$ 537,541	\$ -	\$ 9,919,636	\$ 9,707,077	\$ 9,263,316

Included in tangible capital assets is a public wharf that was transferred from the government with a net book value of \$1.

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

14. ACCUMULATED SURPLUS

	2023	2022
Unrestricted surplus	\$ 14,067,862	\$ 14,080,878
CMHC Replacement Reserve (Note 15)	126,569	115,357
Trust funds held by Federal Government (Note 3)	24,778	23,582
Land claim settlement (Note 4)	<u>2,903,425</u>	<u>3,068,653</u>
	<hr/>	<hr/>
	\$ 17,122,634	\$ 17,288,470
	<hr/>	<hr/>

15. CMHC REPLACEMENT RESERVE

	2023	2022
Balance - beginning of year	\$ 115,357	\$ 142,746
Current year allocation	14,783	14,617
Adjustments	-	(12,920)
Withdrawals	<u>(3,571)</u>	<u>(29,086)</u>
	<hr/>	<hr/>
Balance - end of year	<hr/>	<hr/>

The First Nation operates 16 (2022 - 21) CMHC subsidized housing projects. These funds, plus accumulated interest, must be held in a separate bank account and used for future repairs or other expenditures only as approved by CMHC.

As at March 31, 2023, the First Nation has provided funding of reserves as follows:

	Amount of Reserve	Amount Funded
CMHC Replacement Reserve (Note 2)	<hr/>	<hr/>

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

16. ECONOMIC DEPENDENCE

The First Nation receives its principal source of funding under a funding arrangement with Indigenous Services Canada. The present agreement is for a ten year term ending March 31, 2029. Without the current funding agreement, the First Nation would not be able to provide the majority of its services to band members.

17. CONTINGENCIES

The First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

19. OTHER REVENUE AND EXPENSES

	2023	2022
Revenue		
Gaming Commission - Gaming	\$ 1,785,633	\$ 1,290,319
Gaming Commission - Smoke Shop	1,002,627	1,029,306
Gaming Commission - Gas Bar	2,061,811	1,646,365
Commercial Fisheries	1,887,588	1,808,948
Other revenue	290,337	539,788
	<hr/>	<hr/>
	\$ 7,027,996	\$ 6,314,726
Expenses		
Cost of goods sold - Smoke Shop	\$ 925,117	\$ 976,608
Cost of goods sold - Gas Bar	1,899,735	1,443,179
Other expenses - Gaming	1,735,741	1,848,041
Vessel operations - Commercial Fisheries	1,129,202	1,591,875
Other expenses - Commercial Fisheries	338,624	459,984
	<hr/>	<hr/>
	\$ 6,028,419	\$ 6,319,687

ANAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

20. GOVERNMENT TRANSFERS

	Operating	Capital	2023	Operating	Capital	2022
Federal government transfers:						
Indigenous Services Canada	\$ 2,565,241	\$ -	\$ 2,565,241	\$ 3,434,107	\$ -	\$ 3,434,107
Canada Mortgage and Housing Corporation	64,734	-	64,734	45,753	-	45,753
Total	\$ 2,614,812	\$ -	\$ 2,614,812	\$ 3,479,860	\$ -	\$ 3,479,860

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

21. SEGMENT DISCLOSURE

The First Nation is a diversified community that provides a wide range of services to its members. For management reporting purposes, the First Nation's operations and activities are organized and reported by program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations. The activities can be categorized into segments. The following segments have been identified and as such are separately disclosed.

Band Administration

The administration department oversees the delivery of all government services and the day-to-day operations of the First Nation.

Social Services

The social services department is responsible for administering social assistance payments as well as providing social services to band members.

Community Health

The community health department provides medical services to band members.

Education

The education department provides educational services to band members including primary and secondary schooling, and sponsorship to attend post secondary institutions.

Capital, Operations and Maintenance

The operations, maintenance and capital department provides public services that contribute to community development and sustainability through the provision of operating services such as roads, water and sanitation, fire protection, electrical and community buildings. They are also responsible for all capital asset activities occurring in the First Nation during the year, including housing construction and renovations.

Other Projects

The First Nation provides a wide array of other services, including community fisheries, youth employment projects, economic development, social housing activities, etc.

Gaming Commission

The Annapolis Valley Gaming Commission was set up to enter into an agreement with the Atlantic Lottery Corporation for the operations of video lottery terminals on the First Nation reserve. It also operates a convenience store, gaming facility and gas bar on the reserve.

Commercial Fisheries

Annapolis Valley Commercial Fisheries is an enterprise operated by the First Nation. It operates two lobster vessel and maintains four lobster licences.

2501745 NS Limited

2501745 Nova Scotia Limited was incorporated for the purposes of constructing a gaming facility and bingo hall on reserve lands which is leased to the Annapolis Valley First Nation Gaming Commission.

ANAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

21. SEGMENT DISCLOSURE (continued)

For the year ended March 31, 2023	Band Administration	Social Services	Community Health	Education	Capital, Operations & Maintenance	Other Projects	Gaming Commission	Commercial Fisheries	2501745 NS Ltd.	Total
Revenue										
Indigenous Services Canada	\$ 248,480	\$ 578,760	\$ 632,051	\$ -	\$ 1,105,950	\$ -	\$ -	\$ -	\$ -	\$ 2,565,241
CMHC	-	-	-	-	-	64,734	-	-	-	64,734
Confederacy of Mainland										
Mi'kmaq	-	-	-	-	-	182,322	-	-	-	182,322
Province of Nova Scotia	-	-	-	-	-	23,827	-	-	-	23,827
Mi'kmaq Employment Training										
Secretariat	-	-	-	-	-	111,517	-	-	-	111,517
Mi'kmaw Kina'matnewey	-	-	-	406,010	-	-	-	-	-	406,010
KMKNO	-	-	-	-	-	22,988	-	-	-	22,988
Rent	-	-	-	-	-	85,617	-	-	-	85,617
Other Revenue	-	-	-	-	-	291,426	4,850,071	1,887,588	-	7,029,085
	248,480	578,760	632,051	406,010	1,105,950	782,431	4,850,071	1,887,588	-	10,491,341
Salaries and wages										
Salaries and wages	354,963	52,230	398,478	285,088	40,401	46,626	524,092	646,463	-	2,348,341
Employee benefits	24,593	-	-	9,080	-	-	76,680	18,453	-	128,806
Supplies and services	-	283,127	68,339	69,814	96,425	1,814	2,745,590	283,524	-	3,548,633
Bank charges and interest	9,100	1,542	-	-	-	-	16,282	1,919	-	28,843
Repairs and maintenance	35,989	-	21,307	92	153,888	37,872	40,150	174,452	-	463,750
Professional fees	54,901	-	-	-	-	-	135,993	-	-	190,894
Debt servicing	-	-	-	-	-	18,039	3,404	190,013	-	211,456
Other	492,706	4,736	173,130	155,145	90,686	549,254	905,056	4,390	-	2,375,103
Amortization	205,070	-	-	-	-	61,275	116,486	148,612	6,098	537,541
	1,177,322	341,635	661,254	519,219	381,400	714,880	4,563,733	1,467,826	6,098	9,833,367
Total	\$ (928,842)	\$ 237,125	\$ (29,203)	\$ (113,209)	\$ 724,550	\$ 67,551	\$ 286,338	\$ 419,762	\$ (6,098)	\$ 657,974

ANAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

21. SEGMENT DISCLOSURE (continued)

For the year ended March 31, 2022	Band Administration	Social Services	Community Health	Education	Capital, Operations & Maintenance	Other Projects	Gaming Commission	Commercial Fisheries	2501745 NS Ltd.	Total
Revenue										
Indigenous Services Canada	\$ 206,911	\$ 559,136	\$ 734,306	\$ -	\$ 704,948	\$ -	\$ 1,228,806	\$ -	\$ -	\$ 3,434,107
CMHC	-	-	-	-	-	45,753	-	-	-	45,753
Confederacy of Mainland Mi'kmaq	-	-	-	-	-	60,133	-	-	-	60,133
Mi'kmaq Employment Training Secretariat	-	-	-	-	-	80,147	-	-	-	80,147
Mi'kmaw Kina'matnewey	-	-	-	335,420	-	-	-	-	-	335,420
KMKNO	-	-	-	-	-	22,988	-	-	-	22,988
Rent	-	-	-	-	-	69,723	-	-	-	69,723
Other revenue	-	-	-	-	-	8,558,067	3,975,737	1,808,948	-	14,342,752
	206,911	559,136	734,306	335,420	704,948	8,859,799	5,204,543	1,808,948	-	18,391,023
Salaries and wages										
Employee benefits	243,346	27,456	365,533	277,980	103,823	51,268	607,312	751,585	-	2,428,303
Supplies and services	18,397	-	-	9,605	-	-	58,597	22,221	-	108,820
Bank Charges and interest	-	226,635	48,252	40,218	41,399	2,441	2,440,979	194,711	-	2,994,635
Repairs and maintenance	3,407	829	-	-	-	-	18,588	1,165	-	23,989
Professional fees	11,452	-	6,682	365	21,973	83,166	28,146	160,831	-	312,615
Debt servicing	49,127	-	-	-	-	-	26,178	-	-	75,305
Other	197,685	1,198	113,623	155,654	6,139	1,597,214	873,994	1,376	-	2,946,883
Amortization	156,612	-	-	-	-	97,497	123,950	198,147	6,364	582,570
	680,026	256,118	534,090	483,822	173,334	1,845,508	4,184,674	1,591,873	6,364	9,755,809
Total	\$ (473,115)	\$ 303,018	\$ 200,216	\$ (148,402)	\$ 531,614	\$ 7,014,291	\$ 1,019,869	\$ 217,075	\$ (6,364)	\$ 8,635,214

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

22. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2023	2022
Administration	\$ 1,035,291	\$ 526,342
Amortization	537,541	582,570
Assistance to band members	309,210	326,559
Atlantic Lottery Commission	174,325	121,476
Bank charges and interest	28,843	23,989
Debt servicing	211,456	282,690
Employee benefits	128,806	108,820
Insurance	103,937	88,904
Land claim settlement paid to members (Note 4)	289,704	1,491,259
Professional fees	190,894	75,305
Repairs and maintenance	463,750	312,615
Salaries and wages	2,348,341	2,428,303
Supplies and services	3,548,633	2,994,635
Sydney Casino Profit Share	51,400	56,200
Telephone	61,015	50,199
Training, travel and meetings	149,377	104,474
Utilities	200,844	181,469
	<hr/>	<hr/>
	\$ 9,833,367	\$ 9,755,809