

**Potlotek First Nation**  
**Consolidated Financial Statements**

*March 31, 2021*

**Potlotek First Nation**  
**Consolidated Financial Statements**  
*For the year ended March 31, 2021*

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	Page
Independent Auditors' Report	
Management's Responsibility for the Financial Statements .....	1
Consolidated Statement of Financial Position .....	2
Consolidated Statement of Operations and Accumulated Surplus.....	3
Consolidated Statement of Change in Net Debt .....	4
Consolidated Statement of Cash Flows .....	5
Notes to Consolidated Financial Statements .....	6
<b>Schedules</b>	
A Schedule of Education.....	24
B Schedule of Health .....	25
C Schedule of Nova Scotia Gaming Agreement .....	26

## Independent Auditors' Report

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To the Members of Potlotek First Nation

### Opinion

We have audited the accompanying consolidated financial statements of Potlotek First Nation which comprise the consolidated statement of financial position as at March 31, 2021 and the consolidated statements of operations, change in fund balances, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Potlotek First Nation as at March 31, 2021 and the results of its consolidated financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

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

### Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included on Pages 24 - 26 is presented for purposes of additional information and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion on the audit of consolidated financial statements as a whole.

### Responsibility 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 consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

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

## **Auditors' Responsibility 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 decision of users taken on the basis of these consolidated financial statements.

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

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

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

*MNP LLP*

Sydney, Nova Scotia  
September 23, 2022

Chartered Professional Accountants



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### **Management's Responsibility for the Consolidated Financial Statements**

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

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is 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 Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, MNP LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Potlotek First Nation and meet when required.

On behalf of Potlotek First Nation:

  
\_\_\_\_\_  
Crystal Nicholas  
Chief Administrative Officer

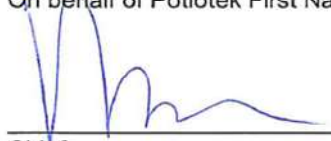
**Potlotek First Nation**  
**Consolidated Statement of Financial Position**  
*As at March 31, 2021*

	2021	2020
<b>FINANCIAL ASSETS</b>		
Cash held by FNFA - debt reserve fund	\$ 939,599	\$ —
Restricted cash – CMHC replacement reserve	408,281	380,600
Accounts receivable (note 2)	344,978	410,795
Due from federal government (note 3)	2,579,565	2,218,669
Due from provincial government (note 4)	121,937	95,573
Inventories held for resale (note 5)	165,806	184,035
Trust funds – Indigenous Services Canada (note 6)	6,595	6,465
	<u>4,566,761</u>	<u>3,296,137</u>
<b>LIABILITIES</b>		
Cheques issued in excess of funds on deposit	700,944	712,366
Operating loans (note 7)	—	231,500
Accounts payable and accrued liabilities (note 8)	720,228	1,837,230
Accrued remittances payable (note 9)	4,949,207	3,700,416
Deferred revenue (note 10)	4,444,957	3,588,575
Long-term debt (note 11)	22,411,721	3,961,848
	<u>33,227,057</u>	<u>14,031,935</u>
<b>NET DEBT</b>	(28,660,296)	(10,735,798)
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 12)	22,427,668	14,337,487
Work in progress (note 12)	636,644	7,064,596
Intangible assets (note 13)	18,346,985	600,000
Inventory, prepaid expenses and other	62,022	34,304
	<u>41,473,319</u>	<u>22,036,387</u>
<b>ACCUMULATED SURPLUS</b> (note 14)	\$ 12,813,023	\$ 11,300,589

Contingencies (note 20)

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of Potlotek First Nation:

  
 \_\_\_\_\_  
 Chief

  
 \_\_\_\_\_  
 Chief Executive Officer

**Potlotek First Nation**  
**Consolidated Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2021*

	2021		2020
	Budget (unaudited)	Actual	Actual
<b>REVENUES</b>			
Transfers from Federal Government			
Indigenous Services Canada	\$ 5,544,200	\$ 5,607,983	\$ 9,249,106
Mi'kmaw Kina'matnewey	2,707,775	3,073,303	2,758,319
ISC - Health	850,000	1,783,079	1,043,027
METS	234,600	380,584	230,620
Fisheries and Oceans Canada	102,000	743,582	182,781
Canada Mortgage and Housing Corporation	204,000	143,651	133,130
Transfers from Provincial Government	91,800	82,149	164,088
Revenue from own sources	7,680,600	7,112,041	7,945,807
Rental income	234,600	127,003	320,850
Other	204,000	1,156,505	535,953
	17,853,575	20,209,880	22,563,681
<b>EXPENSES</b>			
Administration and management	943,500	1,505,320	1,346,445
Economic and employment development	51,000	201,528	106,571
Operations and maintenance	612,000	1,185,794	1,162,262
Social development	1,278,060	1,759,981	1,640,803
Education	3,057,775	3,520,051	3,629,770
Capital, housing and infrastructure	670,140	454,557	1,074,114
Health	850,000	1,588,048	1,139,340
Fisheries – Fisheries and Oceans Canada	306,000	535,685	318,388
Fisheries – commercial	1,581,000	1,415,263	1,600,148
Gas bar	3,927,000	3,666,109	4,061,594
METS	326,400	372,854	437,937
Gaming	612,000	414,144	1,000,601
Other	54,060	446,314	542,337
Tobacco	173,400	149,753	168,601
Social housing	204,000	241,228	342,681
Amortization of tangible capital assets	918,000	1,240,817	1,090,550
	15,564,335	18,697,446	19,662,142
<b>ANNUAL SURPLUS</b>	2,289,240	1,512,434	2,901,539
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	11,300,589	11,300,589	8,399,050
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	\$ 13,589,829	\$ 12,813,023	\$ 11,300,589

The accompanying notes are an integral part of these consolidated financial statements.

**Potlotek First Nation**  
**Consolidated Statement of Change in Net Debt**  
*For the year ended March 31, 2021*

	2021	2020
<b>ANNUAL SURPLUS</b>	\$ 1,512,434	\$ 2,901,539
Tangible capital assets		
Net acquisition of tangible capital assets and work in progress	(2,903,046)	(5,664,902)
Amortization of tangible capital assets	1,240,817	1,090,550
	(1,662,229)	(4,574,352)
Acquisition of intangible assets	(17,746,985)	—
Other non-financial assets		
Decrease (increase) in inventory, prepaid expenses and other	(27,718)	4,320
<b>INCREASE IN NET DEBT</b>	(17,924,498)	(1,668,493)
<b>NET DEBT, BEGINNING OF YEAR</b>	(10,735,798)	(9,067,305)
<b>NET DEBT, END OF YEAR</b>	\$ (28,660,296)	\$ (10,735,798)

The accompanying notes are an integral part of these consolidated financial statements.



**Potlotek First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2021*

	2021	2020
Cash provided by (used in)		
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 1,512,434	\$ 2,901,539
Add amortization of tangible capital assets	1,240,817	1,090,550
Change in non-cash operating items		
Decrease (increase) in accounts receivable	65,817	(53,329)
Decrease (increase) in due from federal government	(360,896)	1,216,009
Decrease (increase) in due from provincial government	(26,364)	25,842
Decrease (increase) in inventories held for resale	18,229	(34,225)
Decrease (increase) in inventory, prepaid expenses and other	(27,718)	4,320
Increase in payables and accruals	131,789	775,174
Increase in deferred revenue	856,382	216,664
	3,410,490	6,142,544
<b>FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	18,904,856	109,937
Principal payments on long-term debt	(454,983)	(378,646)
Proceeds from operating loans	—	128,036
Principal payments on operating loans	(231,500)	(16,196)
	18,218,373	(156,869)
<b>INVESTING ACTIVITIES</b>		
Acquisition of intangible assets	(17,746,985)	—
Net additions to tangible capital assets and work in progress	(2,903,046)	(5,664,902)
	(20,650,031)	(5,664,902)
<b>INCREASE IN CASH RESOURCES</b>	978,832	320,773
<b>CASH RESOURCES, BEGINNING OF YEAR</b>	(325,301)	(646,074)
<b>CASH RESOURCES, END OF YEAR</b>	\$ 653,531	\$ (325,301)
<b>Cash resources is comprised of the following</b>		
Cash held by FNFA - debt reserve fund	\$ 939,599	\$ —
Restricted cash – CMHC replacement reserve	408,281	380,600
Cheques issued in excess of funds on deposit	(700,944)	(712,366)
Trust fund – Indigenous Services Canada	6,595	6,465
	\$ 653,531	\$ (325,301)

The accompanying notes are an integral part of these consolidated financial statements.

# Potlotek First Nation

## Notes to Consolidated Financial Statements

*For the year ended March 31, 2021*

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### NATURE OF OPERATIONS

Potlotek First Nation Council is comprised of a Chief and seven councilors under the Indian Act of Canada. The Council is accountable to the local Mi'kmaq community members for the delivery of programs and services, management of all financial resources and planning to support future community-based self-government.

### 1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

(b) Reporting entity

The Potlotek First Nation reporting entity includes Potlotek First Nation government and all related entities which are accountable to the First Nation.

(c) Principles of consolidation

These consolidated financial statements consolidate the assets, liabilities and results of operations for the following entities which use accounting principles which lend themselves to consolidation:

Potlotek First Nation Operating and Capital Funds  
Potlotek First Nation Trust Funds  
Canada Mortgage and Housing Corporation Fund  
Potlotek Expedition Gas and Convenience  
First Nations Fisheries Interest Group (7.14%)

(d) Fund accounting

The resources and operations of the First Nation are comprised of the operating, capital and housing funds. Transfers between funds are recorded as adjustments to the appropriate fund balance. Supporting schedules to the consolidated financial statements are included to show the financial activities and change in the balance of each fund.

(e) Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale.

**Potlotek First Nation**  
**Notes to Consolidated Financial Statements**

*For the year ended March 31, 2021*

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**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of outstanding cheques and deposits, bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

(g) Inventories

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

(h) Tangible capital assets

Tangible capital assets acquired since 1987 are reported in the consolidated statement of financial position at cost net of accumulated amortization. All tangible capital assets acquired prior to 1987 have been written off. Additions are amortized on a straight-line basis over their estimated useful lives at the following rates:

Asset	Basis	Rate
Buildings	Straight-line	20-50 years
Equipment	Straight-line	5-10 years
Lagoons and water systems	Straight-line	25 - 40 years
Fishing vessels	Straight-line	20 years

A half year's amortization is taken in the year of acquisition.

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

Contributed tangible capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

(i) Intangible assets

Intangible assets consist of purchased fishing licenses and are recorded at cost. They are not amortized as they have an indefinite life.

# Potlotek First Nation

## Notes to Consolidated Financial Statements

For the year ended March 31, 2021

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

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 liability. Transfer revenue is recognized in the consolidated statement of operations as the stipulation liabilities are settled.

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

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

#### (j) Financial instruments

##### Measurement of financial instrument

The First Nation initially measures its financial assets and financial liabilities at fair value and subsequently measures its financial assets and financial liabilities as follows:

Financial instrument	Measurement basis
Cash/cheques issued in excess of funds on deposit	Fair value
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Operating loans	Amortized cost
Long-term debt	Amortized cost

Transaction costs related to financial assets are expensed as incurred.

##### Impairment

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in income. A previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

Unless otherwise noted, the First Nation is not subject to significant credit, market or liquidity risks arising from these instruments.

# Potlotek First Nation

## Notes to Consolidated Financial Statements

*For the year ended March 31, 2021*

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (k) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingencies and the reported amounts of revenues and expenses in the consolidated financial statements and accompanying notes. Items requiring the use of significant estimates and assumptions include the valuation of receivables, inventories, capital assets and intangible assets. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

### 2. ACCOUNTS RECEIVABLE

	2021	2020
Interest receivable	\$ 105,139	\$ —
Members	73,360	92,140
Lottery retailers	127,889	248,310
Other	40,564	72,319
	346,952	412,769
Allowance for doubtful accounts	1,974	1,974
	\$ 344,978	\$ 410,795

### 3. DUE FROM FEDERAL GOVERNMENT

	2021	2020
Indigenous Services Canada	\$ 1,288,001	\$ 1,208,700
Mi'kmaq Employment/Training Secretariat Inc.	170,163	3,674
Mi'kmaw Kina'matnewey	18,015	41,986
Fisheries and Oceans Canada	374,316	222,701
HST	670,882	666,506
Canada Mortgage and Housing Corporation	58,188	38,792
Health - ISC	—	36,310
	\$ 2,579,565	\$ 2,218,669

### 4. DUE FROM PROVINCIAL GOVERNMENT

	2021	2020
Province of Nova Scotia	\$ 121,937	\$ 95,573

**Potlotek First Nation**  
**Notes to Consolidated Financial Statements**

*For the year ended March 31, 2021*

**5. INVENTORIES HELD FOR RESALE**

	2022	2021
Gas bar	\$ 165,806	\$ 184,035

**6. TRUST FUNDS HELD BY FEDERAL GOVERNMENT**

Trust fund accounts arise from moneys 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 Sections 63 to 69 of the Indian Act.

**7. OPERATING LOANS**

	2021	2020
Loan payable to Peace Hills Trust Company repaid during the year	\$ —	\$ 231,500

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2021	2020
Trade	\$ 639,053	\$ 1,659,511
Accrued salaries and employee benefits	81,175	177,719
	\$ 720,228	\$ 1,837,230

**9. ACCRUED REMITTANCES PAYABLE**

	2021	2020
CRA payroll	\$ 3,740,074	\$ 2,683,857
Workers' Compensation Board of Nova Scotia	1,209,133	1,016,559
	\$ 4,949,207	\$ 3,700,416

**Potlotek First Nation**  
**Notes to Consolidated Financial Statements**

*For the year ended March 31, 2021*

**10. DEFERRED REVENUE**

	Balance March 31, 2020	Funding received/ repaid 2021	Revenue recognized 2021	Transfer	Balance March 31, 2021
Federal government					
Indigenous Services Canada					
Capacity/Innovation	\$ 22,000	\$ —	\$ —	\$ —	\$ 22,000
Solid waste	130,638	—	130,638	—	—
Housing renovations	613,500	165,000	—	—	778,500
Capacity development	44,550	(44,550)	—	—	—
Emergency assistance	36,293	—	36,293	—	—
Erosion	21,379	—	21,379	—	—
Recovery	330,254	1,083,430	184,520	—	1,229,164
Economic development	114,986	—	—	—	114,986
Planning/risk management	73,769	50,000	44,521	—	79,248
Consulting and policy development	8,200	(8,200)	—	—	—
Water treatment plant	989,081	—	808,420	—	180,661
Water systems	—	428,583	97,505	—	331,078
Covid-19	—	533,041	327,013	—	206,028
Asset management	—	40,000	—	—	40,000
Education and training	—	104,923	39,723	—	65,200
	2,384,650	2,352,227	1,690,012	—	3,046,865
Health - ISC	402,130	293,940	284,237	440,414	852,247
Provincial government					
Nova Scotia Health Authority	440,414	160,437	—	(440,414)	160,437
Other	361,381	88,120	64,093	—	385,408
<b>Total</b>	<b>\$3,588,575</b>	<b>\$2,894,724</b>	<b>\$2,038,342</b>	<b>\$ —</b>	<b>\$4,444,957</b>

**Potlotek First Nation**  
**Notes to Consolidated Financial Statements**

*For the year ended March 31, 2021*

**11. LONG-TERM DEBT**

	2021	2020
Mortgages (21) payable to CMHC with mortgage rates from 0.94% - 4.965% with monthly instalments of principal and interest from \$216 - \$4,651, maturing from June, 2021 to April 2026	\$ 2,354,709	\$ 2,536,080
Section 10 mortgage payable to Royal Bank of Canada with a mortgage rate of 2.19%, repayable in monthly instalments of principal and interest of \$1,441, maturing July 2025	71,377	88,928
Mortgages (2) payable to Royal Bank of Canada with a mortgage rate of 2.83% with monthly instalments of principal and interest of \$364 - \$673, maturing July 2023	28,134	39,609
Mortgage payable to Peace Hills Trust Company with a mortgage rate of 3.95% with monthly instalments from \$1,081, maturing and amortized to April 1, 2022	13,790	26,003
Loan payable to Peace Hills Trust Company with an interest rate of prime plus 4.95%, with monthly instalments of principal and interest of \$5,101, maturing and amortized to March 1, 2023	113,730	167,405
Loan payable to Peace Hills Trust Company with an interest rate of 4.5%, with quarterly instalments of principal and interest of \$5,420, maturing and amortized to April 1, 2023	47,221	65,736
Loan payable to Peace Hills Trust Company with an interest rate of 3.95%, with monthly instalments of principal and interest of \$383, maturing April 1, 2023, amortized to April 2028	28,515	31,941
Loan payable to Peace Hills Trust Company with an interest rate of 4.25%, with monthly instalments of principal and interest of \$479, maturing July 1, 2023, amortized to July 2028	36,348	40,494
Loan payable to Peace Hills Trust Company with an interest rate of 5.0%, with monthly payments of principal and interest of \$5,435, maturing and amortized to April 15, 2023	129,739	186,399
Loan payable to Peace Hills Trust Company with an interest rate of prime plus 1.5%, with monthly payments of principal and interest of \$2,988, maturing January, 2024 and amortized to December 2043	480,711	488,293
Loan payable to Peace Hills Trust Company with an interest rate of prime plus 1.5%, with monthly payments of principal and interest of \$1,526, maturing and amortized to February 1, 2024	49,239	64,208
Loan payable to Peace Hills Trust Company with an interest rate of prime plus 2.0%, with monthly payments of principal and interest of \$1,131, maturing December 15, 2023 and amortized to December 2043	59,249	69,152
	3,412,762	3,804,248



**Potlotek First Nation**  
**Notes to Consolidated Financial Statements**

*For the year ended March 31, 2021*

**11. LONG-TERM DEBT (CONTINUED)**

	2021	2020
Carry forward	\$ 3,412,762	\$ 3,804,248
Loan payable to Peace Hills Trust Company with an interest rate of prime plus 2.0%, with monthly payments of principal and interest of \$1,002, maturing December 15, 2023 and amortized to December 2043	154,448	157,600
Loan advances payable to Ulnooweg Development Group Inc. with an interest rate of 4%, no payments are required until the loan is fully disbursed, maturing August, 2031	107,863	—
Loan payable to First Nations Finance Authority with an interest rate of 1.9%, with monthly payments of principal and interest of \$65,441, maturing June, 2030	18,736,648	—
<b>Total long-term debt</b>	<b>\$ 22,411,721</b>	<b>\$ 3,961,848</b>

Principal repayments for the next five years are as follows. The repayments include the amount outstanding at the maturity date of the debt instruments.

	Total
2022	\$ 938,000
2023	1,236,000
2024	1,637,000
2025	1,008,000
2026	885,000

The long-term debt in the CMHC Fund is secured by separate Indigenous Services Canada Ministerial guarantees.

**Potlotek First Nation**  
**Notes to Consolidated Financial Statements**

*For the year ended March 31, 2021*

**12. TANGIBLE CAPITAL ASSETS**

	Cost				
	Opening Balance	Additions	Disposals/ Adjustments	Transfer of assets	Closing Balance
Land	\$ 331,371	\$ —	\$ —	\$ 131,961	\$ 463,332
Buildings					
Fire Hall	94,374	—	—	—	94,374
Island church	39,578	—	—	—	39,578
Band office	106,912	—	—	—	106,912
Daycare	71,588	—	—	—	71,588
Gas bar	1,309,702	—	—	—	1,309,702
Fishery Complex	650,087	—	—	—	650,087
Housing demo	199,683	—	—	—	199,683
Police station	222,849	—	—	—	222,849
Youth Centre	121,098	—	—	—	121,098
School (original)	3,118,499	—	—	—	3,118,499
High school	369,775	—	—	—	369,775
Medical Centre	535,722	—	—	—	535,722
School Board admin	219,445	—	—	—	219,445
Mobile homes	136,347	270,682	—	—	407,029
Old store	193,298	—	—	—	193,298
Investment in housing	430,699	—	—	—	430,699
Co-op	30,210	—	—	—	30,210
Elementary school	338,478	—	—	—	338,478
Food bank	—	55,409	—	—	55,409
Social housing	12,121,860	—	—	715,345	12,837,205
	20,310,204	326,091	—	715,345	21,351,640
Equipment					
Garbage trucks	72,060	130,861	—	—	202,921
Snowplow	113,845	—	—	—	113,845
Medical	24,299	—	—	—	24,299
Fire trucks	180,983	—	—	—	180,983
Old store	10,700	—	—	—	10,700
Co-op	130,784	—	—	—	130,784
Trucks	86,507	—	—	—	86,507
School bus	87,950	35,600	—	—	123,550
Computers	10,265	—	—	—	10,265
Backhoe	122,250	—	—	—	122,250
Minibus	72,500	—	—	—	72,500
Dump truck	288,500	—	—	—	288,500
Utility vehicle	26,800	—	—	—	26,800
Floating docks	10,169	—	—	—	10,169
Portable restrooms	29,727	—	—	—	29,727
Generator (education)	192,206	—	—	—	192,206
Floor buffer	6,500	—	—	—	6,500
Generator (gas bar)	93,600	—	—	—	93,600
Solar equipment	—	248,565	—	—	248,565
Other					
Fishing vessels	1,449,975	862,724	—	—	2,312,699
Sewer and water	4,110,076	—	—	6,855,840	10,965,916
Tennis courts	40,605	—	—	—	40,605
Ball fields	51,210	185	—	—	51,395
Co-op	48,786	—	—	—	48,786
Expedition Gas and Convenience	143,552	—	—	—	143,552
Fence	—	23,826	—	—	23,826
Roads	3,833,585	—	—	—	3,833,585
	11,237,434	1,301,761	—	6,855,840	19,395,035

**Potlotek First Nation**  
**Notes to Consolidated Financial Statements**

*For the year ended March 31, 2021*

**12. TANGIBLE CAPITAL ASSETS (CONTINUED)**

	Cost				
	Opening Balance	Additions	Disposals/ Adjustments	Transfer of assets	Closing Balance
Carry forward	\$ 31,879,009	\$ 1,627,852	\$ —	\$ 7,703,146	\$ 41,210,007
Work in progress					
Wharf	50,170	41,107	—	—	91,277
Land improvements	131,961	—	—	(131,961)	—
Social housing	454,174	336,349	—	(715,345)	75,178
Roads, sewer and water	6,047,419	808,421	—	(6,855,840)	—
Greenhouse	—	87,477	—	—	87,477
RV Park	380,872	1,840	—	—	382,712
	7,064,596	1,275,194	—	(7,703,146)	636,644
<b>Total</b>	<b>\$ 38,943,605</b>	<b>\$ 2,903,046</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 41,846,651</b>

	Accumulated amortization				Net book value	
	Opening Balance	Amortization	Disposals, write-offs and other adjustments	Closing Balance	Total 2021	Total 2020
Tangible assets						
Land	\$ —	\$ —	\$ —	\$ —	\$ 463,332	\$ 331,371
Buildings						
Fire Hall	94,374	—	—	94,374	—	—
Island church	25,328	1,583	—	26,911	12,667	14,250
Band office	106,912	—	—	106,912	—	—
Daycare	71,588	—	—	71,588	—	—
Gas bar	851,307	65,485	—	916,792	392,910	458,395
Fishery Complex	502,989	24,516	—	527,505	122,582	147,098
Housing demo	183,703	7,987	—	191,690	7,993	15,980
Police station	160,692	8,914	—	169,606	53,243	62,157
Youth Centre	77,504	4,844	—	82,348	38,750	43,594
School (original)	2,737,990	124,740	—	2,862,730	255,769	380,509
High school	84,071	18,489	—	102,560	267,215	285,704
Medical Centre	427,181	21,429	—	448,610	87,112	108,541
School Board admin	138,444	10,972	—	149,416	70,029	81,001
Mobile homes	73,302	6,492	—	79,794	327,235	63,045
Old store	193,298	—	—	193,298	—	—
Investment in housing	355,250	17,228	—	372,478	58,221	75,449
Co-op	21,576	1,208	—	22,784	7,426	8,634
Elementary school	30,098	16,924	—	47,022	291,456	308,380
Food bank	—	1,385	—	1,385	54,024	—
Social housing	6,405,750	335,120	—	6,740,870	6,096,335	5,716,110
	12,541,357	667,316	—	13,208,673	8,142,967	7,768,847

**Potlotek First Nation**  
**Notes to Consolidated Financial Statements**

*For the year ended March 31, 2021*

**12. TANGIBLE CAPITAL ASSETS (CONTINUED)**

	Accumulated amortization			Net book value		
	Opening Balance	Amortization	Disposals, write-offs and other adjustments	Closing Balance	Total 2021	Total 2020
Carry forward	\$ 12,541,357	\$ 667,316	\$ —	\$ 13,208,673	\$ 8,606,299	\$ 8,100,218
Equipment						
Garbage trucks	72,060	6,543	—	78,603	124,318	—
Snowplow	113,845	—	—	113,845	—	—
Medical	24,299	—	—	24,299	—	—
Fire trucks	180,983	—	—	180,983	—	—
Old store	10,700	—	—	10,700	—	—
Co-op	130,784	—	—	130,784	—	—
Truck	86,507	—	—	86,507	—	—
School bus	49,252	10,575	—	59,827	63,723	38,698
Computers	10,265	—	—	10,265	—	—
Backhoe	42,788	12,225	—	55,013	67,237	79,462
Minibus	25,375	7,250	—	32,625	39,875	47,125
Dump truck	72,125	28,850	—	100,975	187,525	216,375
Utility vehicle	6,700	2,680	—	9,380	17,420	20,100
Floating docks	5,085	2,034	—	7,119	3,050	5,084
Portable restrooms	13,182	5,945	—	19,127	10,600	16,545
Generator (education)	38,442	19,221	—	57,663	134,543	153,764
Floor buffer	1,300	650	—	1,950	4,550	5,200
Generator (gas bar)	9,360	9,360	—	18,720	74,880	84,240
Solar equipment	—	12,428	—	12,428	236,137	—
Other						
Fishing vessels	1,375,504	94,067	—	1,469,571	843,128	74,471
Sewer and water	2,177,217	250,102	—	2,427,319	8,538,597	1,932,859
Tennis courts	40,605	—	—	40,605	—	—
Ball fields	51,210	185	—	51,395	—	—
Co-op	48,786	—	—	48,786	—	—
Expedition Gas and Convenience	102,191	14,355	—	116,546	27,006	41,361
Fence	—	1,191	—	1,191	22,635	—
Roads	311,600	95,840	—	407,440	3,426,145	3,521,985
	5,000,165	573,501	—	5,573,666	13,821,369	6,237,269
Work in progress						
Wharf	—	—	—	—	91,277	50,170
Land improvements	—	—	—	—	—	131,961
Social housing	—	—	—	—	75,178	454,174
Roads, sewer and water	—	—	—	—	—	6,047,419
Greenhouse	—	—	—	—	87,477	—
RV park	—	—	—	—	382,712	380,872
	—	—	—	—	636,644	7,064,596
<b>Total</b>	<b>\$ 17,541,522</b>	<b>\$ 1,240,817</b>	<b>\$ —</b>	<b>\$ 18,782,339</b>	<b>\$ 23,064,312</b>	<b>\$ 21,402,083</b>

# Potlotek First Nation

## Notes to Consolidated Financial Statements

*For the year ended March 31, 2021*

### 13. INTANGIBLE ASSETS

The First Nation records all purchased commercial fishing licenses as intangible assets. During the year, an entity that is part of the government reporting group purchased fishing licenses from a related party. These licenses were recorded at the transaction amount of \$250,000,000 and had a fair value of \$323,000,000. The First Nation's portion of the licenses upon consolidation was \$17,746,985.

### 14. FUND BALANCES

	2021	2020
Operating fund	\$ (5,195,656)	\$ (5,082,986)
Capital fund	17,710,533	15,992,949
Social housing fund	(115,448)	(53,327)
Trust fund	6,595	6,465
Replacement reserve	406,999	437,488
	<u>\$ 12,813,023</u>	<u>\$ 11,300,589</u>

### 15. CMHC REPLACEMENT RESERVE

Under the terms of housing agreements with CMHC to construct new housing units pursuant to Section 95, certain housing account reserves are to be maintained.

A replacement reserve account is to be funded annually for each housing project in an amount determined by CMHC and these funds along with accumulated interest must be held in a separate bank account and its use restricted to expenses approved by CMHC. A subsidy reserve account may be funded to a specified maximum per housing unit out of excess federal subsidy assistance payments with the funds and accumulated interest to be held in a separate bank account with the use of these funds restricted to expenses approved by CMHC.

	2021	2020
Balance, beginning of year	\$ 437,488	\$ 417,679
Contribution from operations	47,687	48,895
Withdrawals	(78,176)	(29,086)
Balance, end of year	<u>\$ 406,999</u>	<u>\$ 437,488</u>

At March 31, 2021, funds along with interest held in these housing reserve bank savings accounts are \$408,281 (\$380,600 – 2020).

**Potlotek First Nation**  
**Notes to Consolidated Financial Statements**

*For the year ended March 31, 2021*

**16. GOVERNMENT TRANSFERS**

	2021			2020		
	Operating	Capital	Total	Operating	Capital	Total
Federal government transfers						
Indigenous Services						
Canada	\$ 4,001,498	\$ 1,606,485	\$ 5,607,983	\$ 3,472,443	\$ 5,776,663	\$ 9,249,106
Mi'kmaw Kina'matnewey	3,073,303	—	3,073,303	2,662,915	95,404	2,758,319
Indigenous Services						
Canada - Health	1,512,397	270,682	1,783,079	1,036,723	6,304	1,043,027
METS	380,584	—	380,584	230,620	—	230,620
Fisheries and Oceans						
Canada	191,299	552,283	743,582	182,781	—	182,781
Canada Mortgage and Housing Corporation	143,651	—	143,651	133,130	—	133,130
Total	9,302,732	2,429,450	11,732,182	7,718,612	5,878,371	13,596,983
Provincial government transfers	82,149	—	82,149	164,088	—	164,088
	\$ 9,384,881	\$ 2,429,450	\$ 11,814,331	\$ 7,882,700	\$ 5,878,371	\$ 13,761,071

**17. EXPENSES BY OBJECT**

The following is a summary of expenses by object.

	2021		2020
	Budget (unaudited)	Actual	Actual
Salaries, wages and employee benefits	\$ 7,089,000	\$ 7,639,826	\$ 7,977,992
Professional development and travel	249,900	122,053	250,392
Supplies and services	127,500	158,185	115,393
Debt servicing	89,760	87,681	127,876
Professional services	535,500	449,882	435,762
Fees and contract services	163,200	156,404	320,837
Utilities	306,000	201,807	231,619
Expedition Gas and Convenience purchases	3,315,000	3,153,488	3,570,931
Other	2,770,475	5,487,303	5,540,790
Amortization	918,000	1,240,817	1,090,550
	\$ 15,564,335	\$ 18,697,446	\$ 19,662,142

**Potlotek First Nation**  
**Notes to Consolidated Financial Statements**

*For the year ended March 31, 2021*

**18. SEGMENT DISCLOSURE**

	Education			Health		
	Budget	2021 Actual	2020 Actual	Budget	2021 Actual	2020 Actual
	(unaudited)			(unaudited)		
<b>REVENUES</b>						
Federal government						
Operating	\$ 2,707,775	\$ 3,121,860	\$ 2,662,916	\$ 850,000	\$ 1,512,398	\$ 1,036,723
Capital	—	—	95,404	—	270,682	6,304
Provincial government						
Operating	—	55,347	45,763	—	—	—
Other	—	270,047	270,408	—	73,361	59,521
	2,707,775	3,447,254	3,074,491	850,000	1,856,441	1,102,548
<b>EXPENSES</b>						
Salaries and benefits	2,040,000	2,302,996	2,343,889	550,000	891,244	656,976
Debt servicing	—	3,164	3,471	—	—	—
Other	1,017,775	1,213,891	1,282,410	300,000	696,804	482,364
Amortization	—	—	—	—	—	—
	3,057,775	3,520,051	3,629,770	850,000	1,588,048	1,139,340
<b>ANNUAL SURPLUS</b>						
<b>(DEFICIT)</b>	\$ (350,000)	\$ (72,797)	\$ (555,279)	\$ —	\$ 268,393	\$ (36,792)

	Operations and Maintenance			Capital Housing and Infrastructure		
	Budget	2021 Actual	2020 Actual	Budget	2021 Actual	2020 Actual
	(unaudited)			(unaudited)		
<b>REVENUES</b>						
Federal government						
Operating	\$ 2,187,600	\$ 415,093	\$ 716,893	\$ —	\$ 192,224	\$ —
Capital	—	170,361	—	1,000,000	1,436,124	5,776,663
Provincial government						
Operating	—	—	—	—	—	—
Other	—	—	—	—	—	—
	2,187,600	585,454	716,893	1,000,000	1,628,348	5,776,663
<b>EXPENSES</b>						
Salaries and benefits	510,000	278,243	262,950	460,000	353,728	618,210
Debt servicing	10,000	—	—	—	—	1,310
Other	92,000	907,551	899,312	210,040	100,829	454,594
Amortization	—	—	—	—	—	—
	612,000	1,185,794	1,162,262	670,040	454,557	1,074,114
<b>ANNUAL SURPLUS</b>						
<b>(DEFICIT)</b>	\$ 1,575,600	\$ (600,340)	\$ (445,369)	\$ 329,960	\$ 1,173,791	\$ 4,702,549

**Potlotek First Nation**  
**Notes to Consolidated Financial Statements**

*For the year ended March 31, 2021*

**18. SEGMENT DISCLOSURE (CONTINUED)**

	Social Development			Band Government		
	Budget	2021 Actual	2020 Actual	Budget	2021 Actual	2020 Actual
	(unaudited)			(unaudited)		
<b>REVENUES</b>						
Federal government						
Operating	\$ 2,297,500	\$ 2,429,358	\$ 2,009,867	\$ 500,000	\$ 546,781	\$ 540,232
Capital	—	—	—	—	—	—
Provincial government						
Operating	—	—	—	—	—	—
Other	—	—	—	—	—	—
	2,297,500	2,429,358	2,009,867	500,000	546,781	540,232
<b>EXPENSES</b>						
Salaries and benefits	255,000	379,293	359,674	715,000	898,159	829,658
Debt servicing	—	—	—	15,000	35,874	36,004
Other	1,023,060	1,380,688	1,281,129	213,500	571,287	480,783
Amortization	—	—	—	—	—	—
	1,278,060	1,759,981	1,640,803	943,500	1,505,320	1,346,445
<b>ANNUAL SURPLUS</b>						
<b>(DEFICIT)</b>	\$ 1,019,440	\$ 669,377	\$ 369,064	\$ (443,500)	\$ (958,539)	\$ (806,213)

	Other			Total		
	Budget	2021 Actual	2020 Actual	Budget	2021 Actual	2020 Actual
	(unaudited)			(unaudited)		
<b>REVENUES</b>						
Federal government						
Operating	\$ 99,700	\$ 1,085,018	\$ 751,981	\$ 8,642,575	\$ 9,302,732	\$ 7,718,612
Capital	—	552,283	—	1,000,000	2,429,450	5,878,371
Provincial government						
Operating	91,800	26,802	118,325	91,800	82,149	164,088
Other	8,119,200	8,052,141	8,472,681	8,119,200	8,395,549	8,802,610
	8,310,700	9,716,244	9,342,987	17,853,575	20,209,880	22,563,681
<b>EXPENSES</b>						
Salaries and benefits	2,559,000	2,536,163	2,906,635	7,089,000	7,639,826	7,977,992
Debt servicing	64,760	48,643	87,091	89,760	87,681	127,876
Other	4,611,200	4,858,072	5,585,132	7,467,575	9,729,122	10,465,724
Amortization	918,000	1,240,817	1,090,550	918,000	1,240,817	1,090,550
	8,152,960	8,683,695	9,669,408	15,564,335	18,697,446	19,662,142
<b>ANNUAL SURPLUS</b>						
<b>(DEFICIT)</b>	\$ 157,740	\$ 1,032,549	\$ (326,421)	\$ 2,289,240	\$ 1,512,434	\$ 2,901,539



**Potlotek First Nation**  
**Notes to Consolidated Financial Statements**

*For the year ended March 31, 2021*

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**19. PENSION PLAN**

The First Nation maintains a defined contribution pension plan for its current employees. The total expense recognized in the statement of operations for the defined contribution pension plan is \$114,429 (2020 - \$118,613), which represents the total cash amount paid or payable by the First Nation to the plan during the year.

**20. CONTINGENCIES**

Potlotek 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.

**21. INVESTMENT IN LIMITED PARTNERSHIPS**

Investments in limited partnerships that are not controlled by the First Nation and not dependent on the First Nation for their continuing operations are recorded at cost and any earnings are reported as they are distributed. As at March 31, 2021, no distributions have taken place for the investments, which include:

Mi'kmaq Resource Development Partnership ("MRDP")

MRDP holds investments in two limited partnerships, Beaubassin Mi'kmaq Wind LP and Whynott's Mi'kmaq Wind LP. As at March 31, 2021, the financial statements of MRDP have not been audited and the capital account included in internal financial reporting of the First Nation was \$23,035 (2020 - \$70,841).

E'sukutimkewey Limited Partnership ("ELP")

ELP earns revenue from the surf clam industry. As at March 31, 2021, the financial statements of ELP have not been audited and the capital account of the First Nation has not been provided to management.

ANSMC Cannabis Holdings Partnership ("ANSMC")

ANSMC holds a 100% interest in ANSMC Cannabis GP Ltd. which holds a 41% interest in Growforce AC Holdings Inc. which holds a 100% interest in Atlanticann Medical Inc. As at March 31, 2021 the financial statement of ANSMC have not been audited and the capital account of the First Nation has not been provided to management.

## **22. FINANCIAL INSTRUMENTS**

The First Nation is exposed to various risks through its financial instruments and includes the following significant risks at March 31, 2021.

### **Credit risk**

The First Nation's credit risk results from trade accounts receivable and receivables from other levels of government.

The First Nation extends credit to members and also receives rebates from various sources. When required, the First Nation records an allowance for doubtful accounts for items where collection is no longer assured.

Amounts owing from other levels of government are based on funding agreements and subject to review by the applicable government body.

The First Nation is not exposed to significant concentration risk.

### **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The First Nation's interest rate risk arises from long-term borrowings at a fixed rate that creates fair value interest rate risk. Changes in market interest rates cause the fair value of long-term debt with fixed interest rates to fluctuate but do not affect the statement of operations, as the First Nation's debt is carried at amortized cost and the carrying value does not change as interest rates change.

### **Liquidity risk**

Liquidity risk is the risk that the First Nation will encounter difficulty in meeting obligations associated with financial liabilities. The First Nation manages this risk through the preparation of budgets and by monitoring forecasted and actual cash flows.

The First Nation's future obligations with respect to debt repayments are disclosed in note 7 and 11.

## **23. COVID-19**

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus, including the announcement of a state of emergency in the Province of Nova Scotia on March 22, 2020. As of the date of issuing the financial statements, the ongoing duration and impact of COVID-19 is unknown and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Potlotek First Nation in future fiscal years.

# Potlotek First Nation

## Notes to Consolidated Financial Statements

*For the year ended March 31, 2021*

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### **24. ECONOMIC DEPENDENCE**

The Potlotek First Nation receives a major portion of its revenues pursuant to funding arrangements with Indigenous Services Canada, Mi'kmaw Kina'matnewey and ISC - Health. The continued operation of the First Nation is dependent on the continuation of this funding arrangement.

### **25. BUDGETED FIGURES**

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Chief and Council.

### **26. SUBSEQUENT EVENTS**

On June 9, 2021, the Government of Canada announced a program to provide First Nations with funding to partially offset declines in own-source revenue as a result of Covid-19. As a result of this program, Potlotek First Nation will receive total funding of \$874,639.

On December 22, 2021, a settlement agreement was reached with the Government of Canada related to a class action lawsuit to address long-term drinking water advisories in First Nations communities. As a result of this settlement, Potlotek First Nation will receive a payment of \$500,000 and an amount based on the number of members living on the First Nation.

The above-noted items have not been reported in the financial statements for the year ended March 31, 2021.

### **27. COMPARATIVE FIGURES**

Certain 2020 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.