SIPEKNE'KATIK

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

LENEHAN McCAIN & Associates
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Chief, Council and Members of
Sipekne'katik

Opinion
We have audited the consolidated financial statements of Sipekne'katik, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, change in net debt, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including 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 the First Nation as at March 31, 2019, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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 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.

Lenehan McCain + Associates

Lenehan McCain & Associates
Chartered Professional Accountants

Woodstock, New Brunswick
July 16, 2019

SIPEKNE'KATIK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	2019	2018
Financial Assets		
Cash (Note 9)	$ 3,483,287	$ 2,930,504
Accounts receivable (Note 7)	3,035,497	3,542,901
Funds on deposit with ISC (Note 6)	85,220	84,237
Funds held in trust (Note 10)	62,500	-
Debt reserve fund (Note 11)	200,599	102,885
Inventory (Note 4)	229,509	39,837
	7,096,612	6,700,364
Liabilities		
Accounts payable (Note 12)	6,414,265	5,012,209
Deferred revenue (Note 13)	1,381,802	1,822,515
Due to minor band members (Note 19)	597,758	651,758
Investments (Note 3)	598	7,882
Long-term debt (Note 14)	7,226,094	5,230,719
	15,620,517	12,725,083
Net debt	(8,523,905)	(6,024,719)
Non-financial Assets		
Tangible capital assets (Note 15)	25,603,370	22,321,513
Prepaid expenses (Note 5)	16,533	27,224
	25,619,903	22,348,737
Accumulated Surplus	$ 17,095,998	$ 16,324,018

Approved on behalf of the Sipekne'katik

________________, **Chief**

________________, **Executive Financial Officer**

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED MARCH 31, 2019

	2019 Budget	2019 Actual	2018 Actual
Surplus	1,175,519	771,980	2,072,825
Acquisition of tangible capital assets	-	(5,042,078)	(4,378,405)
Amortization of tangible capital assets	1,500,000	1,760,221	1,640,043
	1,500,000	(3,281,857)	(2,738,362)
(Increase) decrease of prepaid expenses	-	10,691	(3,961)
(Decrease) increase in net financial assets	2,675,519	(2,499,186)	(669,498)
Net debt at beginning of year	(6,024,719)	(6,024,719)	(5,355,221)
Net debt at end of year	$ (3,349,200)	$ (8,523,905)	$ (6,024,719)

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2019

	2019 Budget	2019 Actual	2018 Actual
Revenue			
Indigenous Services Canada	$ 8,459,145	$ 8,889,903	$ 9,081,343
Fisheries	3,147,000	3,824,990	4,045,899
Tobacco store	8,622,594	9,425,814	8,849,990
Gas bar	1,760,000	1,991,818	2,255,868
Health Canada	1,555,299	2,226,923	1,654,411
METS	747,577	1,069,729	737,871
Mi'kmaw Kina'matneway	7,559,968	8,433,133	7,119,568
Gaming	4,745,000	4,602,605	5,108,250
Other	2,166,990	2,279,956	2,342,678
	38,763,573	42,744,871	41,195,878
Cost of goods sold	8,280,000	8,819,047	8,546,955
Gross profit	30,483,573	33,925,824	32,648,923
Expenditures			
Social Development	5,804,679	5,760,226	5,471,559
Band Administration	2,221,204	2,319,582	2,278,096
Education	7,316,686	8,579,115	7,742,886
Capital and Housing	1,007,700	1,943,668	1,200,510
Operating and Maintenance	2,278,300	2,187,113	2,235,977
Economic Development	455,865	253,975	472,266
Community Health	1,599,521	2,178,138	1,606,313
Employment Training	956,899	1,021,109	1,017,281
Gaming	1,905,350	1,796,451	1,786,285
Tobacco Store	847,900	1,029,000	885,025
Fisheries	2,268,400	2,849,064	2,470,385
Housing Projects	924,900	1,172,948	2,118,226
Gas Bar	200,650	196,296	185,840
	27,788,054	31,286,685	29,470,649
Surplus before other income	2,695,519	2,639,140	3,178,275
Other income			
Amortization	(1,500,000)	(1,760,221)	(1,640,043)
Insurance proceeds	-	-	562,821
Forensic audit	(20,000)	-	(28,228)
Interest on long term debt	-	(106,939)	-
	(1,520,000)	(1,867,160)	(1,105,450)
Surplus	1,175,519	771,980	2,072,825
Accumulated surplus at beginning of year	16,324,018	16,324,018	14,251,193
Accumulated surplus at end of year	$ 17,499,537	$ 17,095,998	$ 16,324,018

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
Cash flows from		
Operating activities		
Surplus	**$ 771,980**	$ 2,072,825
Items not affecting cash		
Amortization expense	**1,760,221**	1,640,043
Investment in Wallace Hill	**(7,284)**	(23,528)
Gain on sale of tangible capital assets	**(12,000)**	-
	2,512,917	3,689,340
Change in non-cash operating working capital		
Accounts receivable	**507,404**	(1,529,291)
Inventory	**(189,672)**	7,056
Prepaid expenses	**10,691**	(3,959)
Funds on deposit with ISC	**(983)**	(2,682)
Funds held in trust	**(62,500)**	133,115
Accounts payable	**1,402,057**	400,483
Deferred revenue	**(440,713)**	997,272
Due to minor band members	**(54,000)**	(54,000)
	3,685,201	3,637,334
Capital activities		
Acquisition of tangible capital assets	**(5,042,078)**	(4,378,406)
Proceeds on disposal of tangible capital assets	**12,000**	-
	(5,030,078)	(4,378,406)
Financing activities		
Proceeds of long-term debt	**2,460,927**	2,336,253
Repayment of long-term debt	**(465,553)**	(353,851)
Debt reserve fund	**(97,714)**	(102,885)
	1,897,660	1,879,517
Increase in cash and cash equivalents	**552,783**	1,138,445
Cash and cash equivalents, beginning of year	**2,930,504**	1,792,059
Cash and cash equivalents, end of year	**$ 3,483,287**	**$ 2,930,504**

The accompanying notes are an integral part of the financial statements

1. Reporting Entity

The consolidated financial statements of Sipekne'katik reflect the assets, liabilities, revenues, expenditures, changes in net debt and accumulated surplus of the reporting entity. The reporting entity is comprised of the organizations accountable for the administration of their affairs and resources to the Chief and Council or controlled by the First Nation. Inter-fund and inter-corporate balances and transactions have been eliminated.

Sipekne'katik provides services to its community members for various programs detailed in Schedules 1 to 13.

2. Basis of Presentation and Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(a) Cash

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

(b) Principles of Consolidation

The consolidated financial statements include the accounts of all funds and operations in which Sipekne'katik has a controlling interest. All interfund balances have been eliminated on consolidation but in order to present the results of operations for each specific fund, transactions between funds have not been eliminated on the individual schedules.

Under the modified equity method of accounting, only Sipekne'katik's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Sipekne'katik.

The organization accounted for on a modified equity basis is Wallace Hill Development Inc.

(c) Inventory

Inventory is valued at the lower of cost, determined on the first in first out basis, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

2. Basis of Presentation and Significant Accounting Policies (continued)

(d) Tangible capital assets

Tangible capital assets (TCAs) are items that can be physically touched, are used to provide First Nation services, are used for First Nation administration purposes or are used for the construction and/or maintenance of other TCAs owned by the First Nation, will be useful for a period greater than one year and will be used by the First Nation on a regular basis.

Certain tangible capital assets, including but not limited to roads and infrastructure, have been recorded at a nominal amount of $1 as specific historical data was not available. Whereas all such assets are amortized over a period not longer than twenty five years, it is management's opinion that all assets acquired prior to 1994 would now be fully amortized.

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset, and are amortized on the declining balance method over their estimated useful lives. Amortization begins in the year acquired. Current descriptions and useful lives are as follows:

Buildings and housing	5-10 % Declining balance
Vehicles	30 % Declining balance
Furniture and fixtures	20 % Declining balance
Equipment and public works	20 % Declining balance
Paving	8 % Declining balance
Recreational facilities	10 % Declining balance
Pump/gaming renovations	20 % Declining balance
Fishing vessels and zodiacs	15 % Declining balance

(e) Net Debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets, and accumulated surplus.

(f) Deferred Revenue

Government funding and other revenue not fully expended at year end has been treated as deferred revenue by the First Nation and will be recorded in revenue in the fiscal year when the related expenditures are incurred.

2. Basis of Presentation and Significant Accounting Policies (continued)

(g) 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 a liability. Transfer revenue is recognized in the 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.

Tobacco store and gas bar revenues are recorded at the point of sale.

(h) Expense Recognition

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and obligation to pay.

(i) Use of estimates

The preparation of financial statements in conformity with Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. Specifically, estimates are required relating to the provision for doubtful accounts and the useful lives of tangible capital assets. The effect of changes in such estimates on the financial statements in future periods could be significant.

(j) 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 re-sale. Non-financial assets include tangible capital assets and prepaid expenses.

2. Basis of Presentation and Significant Accounting Policies (continued)

(k) Segment Disclosure

The financial statements of Sipekne'katik provide supporting schedules which are established by program based on government funding provided. The various programs have been amalgamated for the purpose of presentation in the consolidated financial statements. Details of the operations of each program are set out in the supplementary schedules for management information purposes.

(l) Financial instruments

Financial instruments are financial assets or liabilities of the First Nation where the First Nation has the right to receive cash or another financial asset from another party or has the obligation to pay cash or other financial assets to another party or equity instruments of another entity.

All significant financial assets, financial liabilities and equity instruments of the First Nation are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

(m) Investments

Investments other than Wallace Hill Development Inc., which is accounted for using the modified equity basis of accounting, are accounted for using the cost basis of accounting.

3. Investments

		2019		2018
Investment in Wallace Hill Development Inc.	**$**	**1**	$	1
Investment in Beaubassin Mi'kmaq Wind Mgmt Ltd.		**1**		1
Investment in 3270886 Nova Scotia Limited		**1**		1
Equity (deficit) in Wallace Hill Development Inc.		**(601)**		(7,885)
	$	**(598)**	$	(7,882)

4. Inventory

		2019		2018
Fuel for resale	**$**	**32,717**	$	12,852
Tobacco for resale		**196,792**		26,985
	$	**229,509**	$	39,837

5. Prepaid expenses

	2019	2018
Fuel and propane	$ 16,533	$ 27,224
	$ 16,533	$ 27,224

6. Funds on deposit with ISC

	March 31, 2018	Additions (interest)	Withdrawals	March 31, 2019
Revenue	$ 43,898	$ 983	$ -	$ 44,881
Capital	40,339	-	-	40,339
	$ 84,237	$ 983	$ -	$ 85,220

7. Accounts receivable

	2019	2018
Indigenous Services Canada	$ 785,236	$ 697,167
Wallace Hill Development Incorporated	578,198	535,336
Other government departments	546,006	411,761
Mi'kmaw Kina'matnewey	458,493	265,418
Health Canada	215,153	-
Gaming program	172,287	172,287
METS programs	161,427	196,913
Canada Mortgage and Housing Corporation	155,679	348,246
Other	107,029	18,127
Employees and other band members	106,232	116,436
Department of Fisheries and Oceans	99,775	583,391
Leases licences - fisheries	50,748	50,748
Insurance proceeds	14,984	562,821
Unapproved transfers	-	307,000
Amcrest Management Inc.	-	172,200
MRJJ Management Inc.	-	59,200
	3,451,247	4,497,051
Allowance for doubtful accounts	(415,750)	(954,150)
	$ 3,035,497	$ 3,542,901

8. Due from related parties

The First Nation advanced funds to a related party during the 2010-2011 year with the following amount outstanding at March 31, 2019:

Wallace Hill Development Inc. - $578,198

The balance due from Wallace Hill Development Inc. is unsecured, non-interest bearing with no specific terms of repayment.

9. Cash / cheques written in excess of deposits

Under the terms of agreement with Canada Mortgage and Housing Corporation, Sipekne'katik must set aside funds annually for the anticipated repair, maintenance and replacement of assets under the Section 95 program. 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 the Canada Mortgage and Housing Corporation. Cash and cash equivalents are comprised of the following:

	2019	2018
Cash on hand	**$ 86,352**	$ 122,712
Cheques written in excess of deposits	**(1,245,597)**	(330,823)
Guaranteed Investment Certificates (GIC's)	**3,921,549**	2,521,209
Externally restricted CMHC reserve GIC	**720,983**	617,406
	$ 3,483,287	$ 2,930,504

10. Funds held in trust

Funds held in trust consist of an amount related to a negotiated employment contract.

11. Debt reserve fund

As part of the loan agreement with First Nations Finance Authority, 5% of the loan balance is held on deposit in the Debt Reserve Fund.

12. Accounts payable

	2019	2018
Current		
Trade	$ **2,561,777**	$ 1,794,529
Receiver General	**-**	8,271
HST recoverable	**(110,235)**	(111,099)
Construction holdback payable	**190,506**	-
Accrued payroll	**434,392**	-
Worker's compensation	**55,244**	37,927
	3,131,684	1,729,628
Long term		
Trade accrued liabilities	**3,282,581**	3,282,581
	$ **6,414,265**	$ 5,012,209

13. Deferred revenue

	March 31, 2018	Funding received, 2019	Revenue recognized, 2019	March 31, 2019
Indigenous Services Canada				
Water Tower Repairs	$ 500,000	$ -	$ (150,163)	$ **349,837**
Water Infrastructure - New Ross	43,400	45,900	(10,742)	**78,558**
Well Fencing	100,000	-	(100,000)	**-**
Diversion Centre	94,600	-	(10,025)	**84,575**
Immediate Needs - Renovations	167,000	118,369	(167,000)	**118,369**
Capacity Dev - Subdivision	50,000	-	(10,072)	**39,928**
Immediate Needs - Lot Devel & Cons.	-	50,000	-	**50,000**
Default Prevention	-	203,333	(142,509)	**60,824**
Snide Lake Feasibility Study	-	55,609	(4,176)	**51,433**
Construction	-	350,000	-	**350,000**
	955,000	823,211	(594,687)	**1,183,524**
Health Canada				
Aboriginal Head Start Building	749,010	-	(749,010)	**-**
Youth Solvent Abuse	83,479	111,917	(83,479)	**111,917**
Jordan's Principle	29,238	42,390	(29,238)	**42,390**
	861,727	154,307	(861,727)	**154,307**
Other				
Confederacy of Mainland Mi'kmaq	3,744	-	-	**3,744**
NS Health Authority - All About Me	2,044	-	-	**2,044**
Province of NS - Driver Education	-	38,183	-	**38,183**
	5,788	38,183	-	**43,971**
	$ 1,822,515	$ 1,015,701	$ (1,456,414)	$ **1,381,802**

14. Long-term debt

	2019	2018
Royal Bank of Canada Housing project mortgages due September 2019 to November 2020, bearing interest at 2.15% to 2.78%, payable in equal monthly amounts of principal and interest totaling $3,157. Mortgages are guaranteed by the Minister of Indigenous Services Canada.	$ 196,409	$ 228,946
Canada Mortgage and Housing Corporation Housing project mortgages due September 2018 to October 2023, bearing interest at 0.90% to 2.68%, payable in equal monthly amounts of principal and interest totaling $19,328. Mortgages are guaranteed by the Minister of Indigenous Services Canada.	3,087,111	2,708,778
GE Canada 6.75% loan, payable $4,646 monthly including interest, due November 2018, secured by 2016 International truck and 2015 snow plow attachment	-	31,343
Royal Bank of Canada 4.20% loan, payable $4,627 monthly including interest, due March 2022, secured by fisheries building	156,290	204,110
First Nations Finance Authority 3.35% loan, payable $37,917 monthly including interest, due November 2022, secured by land and building	3,786,284	2,057,542
	7,226,094	5,230,719
Current portion	$ 596,583	$ 684,172

Approximate principal portion of long-term debt due within each of the next five years, assuming re-financing of the mortgages under similar terms, is as follows:

2019-20	$ 596,583
2020-21	613,932
2021-22	631,875
2022-23	572,425
2023-24	586,891
2024 and thereafter	4,224,388
	$ 7,226,094

15. Tangible Capital Assets

	Cost				Accumulated amortization			
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	**2019 net book value**
Land	$ 1,280,642	$ 960,760	$ -	$ 2,241,402	$ -	$ -	$ -	$ 2,241,402
Buildings	4,400,480	2,067,282	-	6,467,762	1,181,983	212,604	1,394,587	5,073,175
Vehicles	1,618,372	264,001	(25,000)	1,857,373	852,794	236,774	1,089,568	767,805
Band housing projects	16,389,059	1,165,196	-	17,554,255	8,574,608	419,853	8,994,461	8,559,794
Furniture and equipment	779,558	-	-	779,558	640,057	27,900	667,957	111,601
Community centre	2,958,266	-	-	2,958,266	2,766,087	38,436	2,804,523	153,743
Pump/gaming renovations	30,896	-	-	30,896	27,133	753	27,886	3,010
Community housing	2,371,070	-	-	2,371,070	1,542,756	82,832	1,625,588	745,482
Administration building	917,433	-	-	917,433	773,343	14,409	787,752	129,681
Health centre	873,671	-	-	873,671	670,573	20,310	690,883	182,788
P-12 school	7,137,737	243,000	-	7,380,737	2,863,697	219,777	3,083,474	4,297,263
Recreational facilities	246,593	-	-	246,593	141,842	10,475	152,317	94,276
Infrastructure	4,246,489	-	-	4,246,489	3,019,443	98,164	3,117,607	1,128,882
Public works dept	1,513,270	277,346	-	1,790,616	964,777	137,433	1,102,210	688,406
Roads	1,290,165	-	-	1,290,165	920,244	29,594	949,838	340,327
Fishing vessels and zodiacs	1,613,336	64,495	-	1,677,831	406,187	185,909	592,096	1,085,735
	$ 47,667,037	$ 5,042,078	$ (25,000)	$ 52,684,117	$25,345,524	$ 1,735,223	$27,080,747	$ 25,603,370

	Cost				Accumulated amortization			
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	2018 Net book value
Land	$ 252,956	$ 1,027,686	$ -	$ 1,280,642	$ -	$ -	$ -	$ 1,280,642
Buildings	2,948,022	1,452,458	-	4,400,480	1,050,811	131,172	1,181,983	3,218,497
Vehicles	1,176,495	441,877	-	1,618,372	619,377	233,417	852,794	765,578
Band housing projects	15,495,943	893,116	-	16,389,059	8,186,825	387,783	8,574,608	7,814,451
Furniture and equipment	702,295	77,263	-	779,558	614,840	25,217	640,057	139,501
Community centres	2,958,266	-	-	2,958,266	2,718,042	48,045	2,766,087	192,179
Pump/gaming renovations	30,896	-	-	30,896	26,192	941	27,133	3,763
Community housing	2,371,070	-	-	2,371,070	1,450,721	92,035	1,542,756	828,314
Administration building	917,433	-	-	917,433	757,333	16,010	773,343	144,090
Health centre	873,671	-	-	873,671	648,007	22,566	670,573	203,098
P-12 school	7,137,737	-	-	7,137,737	2,638,748	224,949	2,863,697	4,274,040
Recreational facilities	246,593	-	-	246,593	130,203	11,639	141,842	104,751
Infrastructure	4,243,489	3,000	-	4,246,489	2,912,874	106,569	3,019,443	1,227,046
Public works dept	1,513,270	-	-	1,513,270	827,653	137,124	964,777	548,493
Roads	1,290,165	-	-	1,290,165	888,077	32,167	920,244	369,921
Fishing vessels and zodiacs	1,130,330	483,006	-	1,613,336	235,779	170,408	406,187	1,207,149
	$ 43,288,631	$ 4,378,406	$ -	$ 47,667,037	$ 23,705,482	$ 1,640,042	$ 25,345,524	$ 22,321,513

16. Accumulated surplus

Effective March 31, 2014 any surpluses from the Education program greater than 1% of the education budget or $50,000 are required to be externally restricted as agreed upon with Mi'kmaw Kina'matenewey. A formal plan detailing how these funds will be used must be submitted and approved by Mi'kmaw Kina'matnewey by August 31st of each year.

	2019	2018
Externally restricted - education (pg. 39)	**$ (811,413)**	$ (358,341)
Unrestricted	**(469,867)**	(408,435)
Investment in capital assets	**18,377,278**	17,090,794
	$ 17,095,998	$ 16,324,018

17. Annual Surplus Net of Capital Related Revenues and Amortization

	2019	2018
Annual surplus	**$ 771,980**	$ 2,072,825
Less capital related revenues included in annual surplus:		
Deduct: Federal government transfers for capital	**(1,471,688)**	(1,067,085)
Add: Amortization expense included in annual surplus	**1,760,221**	1,640,043
	288,533	572,958
Annual surplus net of capital related revenues and amortization	**$ 1,060,513**	$ 2,645,783

18. Comparative Amounts

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period. There have been no changes to the accumulated surplus balance due to these reclassifications.

19. Due to minor band members

Annually from 2006 to 2011, Council approved Christmas bonuses of $250 to be paid to each Band member. Band members are not entitled to receive their bonus until they attain the age of 18.

	2019	2018
Balance, beginning of year	**$ 651,758**	$ 705,758
Deduct: payments related to previous years	**(54,000)**	(54,000)
Balance, end of year	**$ 597,758**	$ 651,758

20. Economic Dependence

Sipekne'katik receives a significant portion of its revenue pursuant to a funding agreement with Indigenous Services Canada and other federal government agencies.

21. Contingent Liabilities

Sipekne'katik 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.

In addition, in the normal course of its operations, Sipekne'katik becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on Sipekne'katik's financial statements.

22. Expenses by object

	2019	2018
Wages and benefits	**$ 11,613,239**	$ 9,973,521
Tobacco shop	**914,734**	783,653
Fuel and tobacco purchases	**8,819,047**	8,546,955
Social program expenses	**5,438,188**	5,172,505
Health program expenses	**1,037,044**	649,826
Travel	**158,094**	143,159
Tuition	**1,501,231**	1,545,739
Supplies and services	**3,969,261**	2,551,012
Interest and bank charges	**268,652**	162,744
Professional services	**768,674**	1,256,695
Repairs	**2,441,764**	2,381,651
Other	**3,282,742**	4,287,320
Amortization	**1,760,221**	1,640,043
Forensic audit	**-**	28,228
Total	**$ 41,972,891**	$ 39,123,051

23. Pension plan

The First Nation participates in an individual defined contribution pension plan for its employees. The plan is not mandatory and there is no required waiting period for permanent employees to enroll in the plan. The First Nation contributes amounts equal to the employee's contribution up to a maximum of 5.5% of the employee's gross earnings. Employer contributions, which are expensed in the period incurred, totalled $175,559 (2018 - $111,219) during the year.

24. Financial Instruments Risks and Uncertainties

The First Nation is exposed to the following risks in respect of certain of the financial instruments held:

Credit risk

The financial instruments that potentially subject the First Nation to a significant concentration of credit risk consist primarily of cash and accounts receivable.

The First Nation maintains cash balances with Canadian chartered banks which is insured by the Canada Deposit Insurance Corporation up to CDN $100,000. From time to time, these balances exceed the federally insured limits and expose the First Nation to credit risk from concentration of cash. The First Nation limits this risk by transacting with reputable financial institutions.

The First Nation does have credit risk in accounts receivable $3,035,497 (2018 - $3,542,901). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The First Nation reduces its exposure to credit risk by performing valuations on a regular basis and creating an allowance for bad debts when applicable. The First Nation derives substantially all of its revenues and therefore, accounts receivable, from government sources. In the opinion of management, the credit risk exposure to the First Nation is low and is not material.

Liquidity risk

The First Nation does have a liquidity risk in the accounts payable and accrued liabilities of $6,414,265 (2018 - $5,012,209). Liquidity risk is the risk that the First Nation cannot repay its obligations when they become due to its creditors. The First Nation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains a responsible cash position.

Interest rate risk

At times, the First Nation may be exposed to interest rate risk. This risk exists due to interest rate exposure on certain term loans, which are variable based on the bank's prime rates. This exposure may have an effect on its interest expenses in future periods. The First Nation reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented. There are some loans payable that are at fixed term rates and therefore, do not affect interest rate risk. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the First Nation is low and is not material.

25. Budgeted figures

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

SIPEKNE'KATIK

SCHEDULE OF SEGMENT DISCLOSURE

YEAR ENDED MARCH 31, 2019

	Social development		Band administration		Education		Capital and housing		Operating and maintenance		Economic development		Community health	
	2019	Budget 2019	2019	Budget 2019	2019	Budget 2019	2019	Budget 2019	2019	Budget 2019	2019	Budget 2019	2019	Budget 2019
Revenues														
Federal Government	5,852,495	5,804,679	1,011,467	717,131	8,433,133	7,559,968	362,843	347,988	1,021,076	1,284,707	186,210	206,211	3,158,042	2,315,299
Provincial Government	-	-	-	-	21,048	-	-	-	-	-	6,951	-	-	-
Economic Activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	(92,269)	-	600,569	406,900	26,485	12,000	56,984	-	470,577	462,090	-	-	22,500	-
Total revenue	5,760,226	5,804,679	1,612,036	1,124,031	8,480,666	7,571,968	419,827	347,988	1,491,653	1,746,797	193,161	206,211	3,180,542	2,315,299
Expenses														
Salaries and benefits	286,679	465,326	1,399,187	1,226,025	4,378,652	3,858,230	596,162	378,000	749,595	750,550	100,620	99,015	1,047,767	983,244
Amortization	-	-	1,760,221	1,500,000	-	-	-	-	-	-	-	-	-	-
Debt servicing	23,841	18,000	148,412	30,000	-	-	193	-	6,307	4,800	-	-	-	-
Cost of goods sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	5,449,706	5,321,353	878,922	985,179	4,200,463	3,458,456	1,347,313	629,700	1,431,211	1,522,950	153,355	356,850	1,130,371	616,277
Total expenses	5,760,226	5,804,679	4,186,742	3,741,204	8,579,115	7,316,686	1,943,668	1,007,700	2,187,113	2,278,300	253,975	455,865	2,178,138	1,599,521
Annual surplus (deficit)	$ -	$ -	$ (2,574,706)	$ (2,617,173)	$ (98,449)	$ 255,282	$ (1,523,841)	$ (659,712)	$ (695,460)	$ (531,503)	$ (60,814)	$ (249,654)	$ 1,002,404	$ 715,778

	Employment training		Gaming		Tobacco store		Fisheries		Housing projects		Gas Bar		Consolidated totals	
	2019	Budget 2019	2019	Budget 2019	2019	Budget 2019	2019	Budget 2019	2019	Budget 2019	2019	Budget 2019	2019	Budget 2019
Revenues														
Federal Government	1,135,928	796,006	-	-	-	-	271,775	-	622,659	550,594	-	-	22,055,628	19,582,583
Provincial Government	-	-	276,764	225,000	-	-	-	-	-	-	-	-	304,763	225,000
Economic Activities	-	-	4,351,931	4,545,500	9,274,399	8,500,000	3,538,965	3,137,000	-	-	1,851,818	1,700,000	19,017,113	17,882,500
Other revenue	43,984	37,500	-	-	-	-	6,750	10,000	171,787	85,000	60,000	60,000	1,367,367	1,073,490
Total revenue	1,179,912	833,506	4,628,695	4,770,500	9,274,399	8,500,000	3,817,490	3,147,000	794,446	635,594	1,911,818	1,760,000	42,744,871	38,763,573
Expenses														
Salaries and benefits	572,897	488,839	898,173	924,450	90,614	89,850	1,283,976	1,048,200	49,337	-	159,580	163,800	11,613,239	10,475,529
Amortization	-	-	-	-	-	-	-	-	-	-	-	-	1,760,221	1,500,000
Debt servicing	-	-	11,563	13,200	7,703	7,500	7,705	500	51,397	86,000	11,531	8,500	268,652	168,500
Cost of goods sold	-	-	-	-	7,127,026	6,750,000	-	-	-	-	1,692,021	1,530,000	8,819,047	8,280,000
Other expenses	448,212	468,060	886,715	967,700	930,683	750,550	1,557,383	1,219,700	1,072,214	838,900	25,185	28,350	19,511,734	17,164,025
Total expenses	1,021,109	956,899	1,796,451	1,905,350	8,156,026	7,597,900	2,849,064	2,268,400	1,172,948	924,900	1,888,317	1,730,650	41,972,893	37,588,054
Annual surplus (deficit)	$ 158,803	$ (123,393)	$ 2,832,244	$ 2,865,150	$ 1,118,373	$ 902,100	$ 968,426	$ 878,600	$ (378,502)	$ (289,306)	$ 23,501	$ 29,350	$ 771,980	$ 1,175,519

SIPEKNE'KATIK

SCHEDULE OF SEGMENT DISCLOSURE

YEAR ENDED MARCH 31, 2018

	Social development		Band administration		Education		Capital and housing		Operating and maintenance		Economic development		Community health	
	2018	Budget 2018	2018	Budget 2018	2018	Budget 2018	2018	Budget 2018	2018	Budget 2018	2018	Budget 2018	2018	Budget 2018
Revenues														
Federal Government	5,804,879	5,746,916	1,129,133	709,971	7,646,375	7,716,852	347,989	344,513	1,281,251	661,489	302,648	381,674	1,672,884	1,480,558
Provincial Government	-	-	60,000	-	-	-	-	-	-	-	5,000	-	-	-
Economic Activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	(333,320)	-	863,440	387,646	30,410	12,000	55,526	-	405,206	456,777	-	-	17,351	-
Total revenue	5,471,559	5,746,916	2,052,573	1,097,617	7,676,785	7,728,852	403,515	344,513	1,686,457	1,118,266	307,648	381,674	1,690,235	1,480,558
Expenses														
Salaries and benefits	268,221	462,835	1,207,030	1,226,025	3,671,826	3,716,692	363,785	351,100	757,381	750,550	96,563	238,150	885,028	803,359
Amortization	-	-	1,640,043	1,300,000	-	-	-	-	-	-	-	-	-	-
Debt servicing	-	-	56,794	28,000	-	-	-	-	801	4,800	-	-	-	-
Cost of goods sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	5,203,338	5,031,100	479,679	907,200	4,071,060	3,303,219	836,725	552,900	1,477,795	1,390,700	375,703	517,021	721,285	677,199
Total expenses	5,471,559	5,493,935	3,383,546	3,461,225	7,742,886	7,019,911	1,200,510	904,000	2,235,977	2,146,050	472,266	755,171	1,606,313	1,480,558
Annual surplus (deficit)	$ -	$ 252,981	$ (1,330,973)	$ (2,363,608)	$ (66,101)	$ 708,941	$ (796,995)	$ (559,487)	$ (549,520)	$ (1,027,784)	$ (164,618)	$ (373,497)	$ 83,922	$ -

	Employment training		Gaming		Tobacco store		Fisheries		Housing projects		Gas Bar		Consolidated totals	
	2018	Budget 2018	2018	Budget 2018	2018	Budget 2018	2018	Budget 2018	2018	Budget 2018	2018	Budget 2018	2018	Budget 2018
Revenues														
Federal Government	857,232	796,006	-	-	-	-	583,391	-	1,017,171	632,000	-	-	20,642,953	18,469,979
Provincial Government	-	-	306,864	240,000	-	-	-	-	-	-	-	-	371,864	240,000
Economic Activities	-	-	4,766,083	4,133,500	8,698,694	7,900,000	3,461,530	3,159,000	-	-	1,997,274	1,470,000	18,923,581	16,662,500
Other revenue	49,889	35,000	-	-	-	-	978	10,000	108,000	85,000	60,000	60,000	1,257,480	1,046,423
Total revenue	907,121	831,006	5,072,947	4,373,500	8,698,694	7,900,000	4,045,899	3,169,000	1,125,171	717,000	2,057,274	1,530,000	41,195,878	36,418,902
Expenses														
Salaries and benefits	523,676	435,739	886,713	868,800	82,763	89,100	1,019,305	1,056,500	59,344	-	151,886	174,350	9,973,521	10,173,200
Amortization	-	-	-	-	-	-	-	-	-	-	-	-	1,640,043	1,300,000
Debt servicing	-	-	11,848	10,100	7,731	7,500	9,944	500	43,456	88,000	10,043	7,750	140,617	146,650
Cost of goods sold	-	-	-	-	6,719,824	6,300,000	-	-	-	-	1,827,131	1,375,000	8,546,955	7,675,000
Other expenses	493,605	479,360	887,724	888,200	794,530	694,200	1,441,136	1,035,500	2,015,426	977,000	23,911	29,850	18,821,917	16,483,449
Total expenses	1,017,281	915,099	1,786,285	1,767,100	7,604,848	7,090,800	2,470,385	2,092,500	2,118,226	1,065,000	2,012,971	1,586,950	39,123,053	35,778,299
Annual surplus (deficit)	$ (110,160)	$ (84,093)	$ 3,286,662	$ 2,606,400	$ 1,093,846	$ 809,200	$ 1,575,514	$ 1,076,500	$ (993,055)	$ (348,000)	$ 44,303	$ (56,950)	$ 2,072,825	$ 640,603

SIPEKNE'KATIK

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS

GOVERNMENT TRANSFERS

YEAR ENDED MARCH 31, 2019

	2019 Operating	2019 Capital	2019 Total
Direct Federal government transfers:			
Indigenous Services Canada	8,389,741	150,162	8,539,903
Employment and Social Development Canada	193,980	-	193,980
Health Canada	1,148,397	1,078,526	2,226,923
Department of Fisheries and Oceans	271,775	-	271,775
Mi'kmaw Kina'matneway	8,190,133	243,000	8,433,133
METS	1,069,729	-	1,069,729
Canada Mortgage and Housing Corporation	442,659	-	442,659
Federal government transfer total	$ 19,706,414	$ 1,471,688	$ 21,178,102
Direct Provincial government transfers:	$ 342,946	$ -	$ 342,946

SIPEKNE'KATIK

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS

EXTERNALLY RESTRICTED SURPLUS - EDUCATION CONTINUITY

YEAR ENDED MARCH 31, 2019

Externally restricted - Education surplus continuity schedule

Opening balance, March 31, 2018	$ (358,341)
Add/deduct:	
Surplus (deficit) from Education (Schedule #3)	$ (98,449)
Less:	
Amounts capitalized as tangible capital assets	$ (354,623)
Closing balance, March 31, 2019	$ (811,413)