

# **SIPEKNE'KATIK**

**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2021**

**SIPEKNE'KATIK**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

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## SIPEKNE'KATIK

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2021

The accompanying consolidated financial statements of Sipekne'katik are the responsibility of management and have been approved by Chief and Council.

The 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 of the Chartered Professional Accountants of Canada 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.

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.

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, Lenehan McCain & Associates, Chartered Professional Accountants, 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 Sipekne'katik and meet when required.

On behalf of Sipekne'katik:

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

June 22/22  
Date  
June 22/22  
Date

## 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, 2021, 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, 2021, 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**

**March 23, 2022**

SIPEKNE'KATIK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2021

	<b>2021</b>	<b>2020</b>
<b>Financial Assets</b>		
Cash and term deposits (Note 9)	\$ 10,092,896	\$ 3,192,480
Restricted cash (Note 9)	882,536	882,536
Accounts receivable (Note 7)	2,444,448	3,395,793
Funds on deposit with ISC (Note 6)	88,575	86,892
Funds held in trust (Note 10)	10,899	135,859
Debt reserve fund (Note 11)	2,092,824	525,985
Advances to Band members - 1919 land claim (Note 20)	15,000	5,583,000
Investment in Limited Partnership (Note 21)	35,714,286	-
Inventory (Note 4)	313,082	68,764
	<b>51,654,546</b>	<b>13,871,309</b>
<b>Liabilities</b>		
Operating loan	-	170,000
Accounts payable (Note 12)	6,000,522	5,272,082
Deferred revenue (Note 13)	9,697,745	2,144,452
Due to minor band members (Note 19)	517,258	554,758
Investments (Note 3)	1,287	640
Long-term debt (Note 14)	49,566,665	16,316,599
	<b>65,783,477</b>	<b>24,458,531</b>
<b>Net debt</b>	<b>(14,128,931)</b>	<b>(10,587,222)</b>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 15)	29,684,614	28,592,165
Prepaid expenses (Note 5)	5,000	5,000
	<b>29,689,614</b>	<b>28,597,165</b>
<b>Accumulated Surplus</b>	<b>\$ 15,560,683</b>	<b>\$ 18,009,943</b>

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, 2021**

	<b>2021 Budget</b>	<b>2021 Actual</b>	<b>2020 Actual</b>
<b>Surplus (deficit)</b>	<b>\$ (911,142)</b>	<b>\$ (2,449,265)</b>	<b>\$ 913,945</b>
Acquisition of tangible capital assets	-	(2,963,725)	(4,770,996)
Amortization of tangible capital assets	1,500,000	1,871,276	1,782,202
	-	(1,092,444)	(2,988,794)
Use of prepaid asset	-	-	11,533
Decrease in net financial assets	(911,142)	(3,541,709)	(2,063,316)
Net debt at beginning of year	<b>(10,587,221)</b>	<b>(10,587,222)</b>	<b>(8,523,906)</b>
<b>Net debt at end of year</b>	<b>\$ (8,115,577)</b>	<b>\$ (14,128,931)</b>	<b>\$ (10,587,222)</b>

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, 2021

	2021 Budget	2021 Actual	2020 Actual
<b>Revenue</b>			
Indigenous Services Canada	\$ 8,087,277	\$ 12,653,399	\$ 9,531,811
Fisheries	2,645,500	2,341,697	3,805,181
Tobacco store	9,500,000	9,009,843	9,604,006
Gas bar	2,140,000	1,842,377	2,114,099
Health Canada	1,338,498	3,102,432	2,463,995
METS	737,872	839,168	889,755
Mi'kmaw Kina'matneway	8,130,991	9,559,121	8,139,627
Gaming	3,547,200	2,318,297	4,710,035
Other	3,226,455	(1,479,941)	961,618
	<b>39,353,793</b>	<b>40,186,393</b>	<b>42,220,127</b>
<b>Expenditures</b>			
Social Development	5,708,400	6,206,312	5,713,837
Band Administration	2,758,383	2,950,937	2,610,866
Education	8,341,929	8,213,264	7,828,402
Capital and Housing	1,334,452	1,678,469	1,763,366
Operating and Maintenance	2,210,550	1,914,877	2,104,787
Economic Development	284,200	192,938	281,806
Community Health	2,254,092	1,922,658	1,889,828
Employment Training	964,215	830,445	874,534
Gaming	1,738,665	1,520,744	1,761,626
Tobacco Store	8,179,930	8,317,919	8,671,030
Fisheries	2,027,950	3,356,770	2,828,852
Housing Projects	652,769	540,101	647,291
Gas Bar	2,194,400	1,946,262	2,079,138
Covid-19 Emergency Funding	-	749,653	350,144
	<b>38,649,935</b>	<b>40,341,349</b>	<b>39,405,507</b>
<b>Surplus (deficit) before other expenses</b>	<b>703,858</b>	<b>(154,956)</b>	<b>2,814,620</b>
<b>Other expenses</b>			
Amortization	(1,500,000)	(1,871,276)	(1,782,202)
Interest on long term debt	(115,000)	(423,033)	(118,473)
	<b>(1,615,000)</b>	<b>(2,294,309)</b>	<b>(1,900,675)</b>
<b>Surplus (deficit)</b>	<b>(911,142)</b>	<b>(2,449,265)</b>	<b>913,945</b>
<b>Accumulated surplus at beginning of year</b>	<b>18,009,943</b>	<b>18,009,943</b>	<b>17,095,998</b>
<b>Accumulated surplus at end of year</b>	<b>\$ 17,098,801</b>	<b>\$ 15,560,678</b>	<b>\$ 18,009,943</b>

The accompanying notes are an integral part of the financial statements

**SIPEKNE'KATIK**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2021**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from</b>		
<b>Operating activities</b>		
Surplus (deficit)	\$ (2,449,265)	\$ 913,945
Items not affecting cash		
Amortization expense	1,871,276	1,782,202
Investment in Wallace Hill	647	42
	(577,342)	2,696,189
Change in non-cash operating working capital		
Accounts receivable	951,345	(264,487)
Inventory	(244,318)	160,745
Prepaid expenses	-	11,533
Funds on deposit with ISC	(1,683)	(1,672)
Funds held in trust	124,960	(73,359)
Advances to Band members - 1919 land claim	5,568,000	(5,583,000)
Accounts payable	728,446	(1,237,996)
Deferred revenue	7,553,293	762,650
Due to minor band members	(37,500)	(43,000)
	<b>14,065,201</b>	<b>(3,572,397)</b>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(2,963,725)	(4,770,994)
Investment in Limited Partnership	<u>(35,714,286)</u>	-
	<b>(38,678,011)</b>	<b>(4,770,994)</b>
<b>Financing activities</b>		
Proceeds of long-term debt	40,115,251	9,514,650
Repayment of long-term debt	(6,865,186)	(424,143)
Debt reserve fund	<u>(1,566,839)</u>	<u>(325,386)</u>
	<b>31,683,226</b>	<b>8,765,121</b>
<b>Increase in cash and cash equivalents</b>	<b>7,070,416</b>	<b>421,730</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,905,016</b>	<b>3,483,286</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 10,975,432</b>	<b>\$ 3,905,016</b>

The accompanying notes are an integral part of the financial statements

## SIPEKNE'KATIK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

#### **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 14.

#### **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.

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## SIPEKNE'KATIK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

#### **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 1996 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.

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## SIPEKNE'KATIK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

#### **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 is indeterminable.

##### **(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 resale. Non-financial assets include tangible capital assets and prepaid expenses.

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## SIPEKNE'KATIK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

#### **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**

	<b>2021</b>	<b>2020</b>
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.	<u>(1,290)</u>	<u>(643)</u>
	<hr/> \$ (1,287)	<hr/> \$ (640)

#### **4. Inventory**

	<b>2021</b>	<b>2020</b>
Fuel for resale	\$ 22,323	\$ 22,323
Tobacco for resale	234,724	46,441
Cannabis for resale	56,035	-
	<hr/> \$ 313,082	<hr/> \$ 68,764

**SIPEKNE'KATIK**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2021**

**5. Prepaid expenses**

	<b>2021</b>	2020
Retainer - consulting	<b>\$ 5,000</b>	\$ 5,000
	<b>\$ 5,000</b>	<b>\$ 5,000</b>

**6. Funds on deposit with ISC**

	March 31, 2020	Additions (interest)	Withdrawals	March 31, 2021
Revenue	\$ 46,553	\$ 1,683	\$ -	\$ 48,236
Capital	40,339	-	-	<b>40,339</b>

**7. Accounts receivable**

	<b>2021</b>	2020
Indigenous Services Canada	<b>\$ 568,336</b>	\$ 1,581,824
Wallace Hill Development Incorporated	<b>534,398</b>	555,048
Other government departments	<b>310,092</b>	318,311
Mi'kmaw Kina'matnewey	<b>245,501</b>	14,772
Health Canada	-	57,164
Gaming program	<b>172,287</b>	172,287
METS programs	<b>175,220</b>	307,642
Canada Mortgage and Housing Corporation	-	42,978
Other	<b>281,145</b>	219,390
Employees and other band members	<b>34,282</b>	106,232
Department of Fisheries and Oceans	<b>223,282</b>	241,373
Leases licences - fisheries	<b>48,499</b>	48,499
Confederacy of Mainland Mi'gmaq	<b>8,649</b>	-
HST recoverable	<b>258,507</b>	146,023
	<b>2,860,198</b>	3,811,543
Allowance for doubtful accounts	<b>(415,750)</b>	<b>(415,750)</b>
	<b>\$ 2,444,448</b>	<b>\$ 3,395,793</b>

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**SIPEKNE'KATIK**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**8. Due from related parties**

The First Nation advanced funds to a related party with the following amount outstanding at March 31, 2021:

Wallace Hill Development Inc. - \$534,398

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

**9. Cash and term deposits / 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:

	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 21,327	\$ 372
Cheques written in excess of deposits	-	(952,984)
Guaranteed Investment Certificates (GIC's) at 0.10% - 0.75%, due April 2021 - Feb 2022	3,580,106	4,145,092
Bank balances	6,491,463	-
Externally restricted CMHC reserve GIC	882,536	882,536
	<hr/> <b>\$ 10,975,432</b>	<hr/> <b>\$ 4,075,016</b>

**10. Funds held in trust**

Funds held in trust consist of a holdback on a construction project.

**11. Debt reserve fund**

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

**SIPEKNE'KATIK**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**12. Accounts payable**

	<b>2021</b>	2020
<b>Current</b>		
Trade	\$ 2,161,384	\$ 1,827,102
Receiver General	142,121	10,934
Accrued payroll	359,946	77,630
Worker's compensation	54,490	73,834
	<hr/> <b>2,717,941</b>	<hr/> <b>1,843,477</b>
<b>Long term</b>		
Trade accrued liabilities	<hr/> <b>3,282,581</b>	<hr/> <b>3,282,581</b>
	<hr/> <b>\$ 6,000,522</b>	<hr/> <b>\$ 5,126,058</b>

**SIPEKNE'KATIK**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2021**

**13. Deferred revenue**

	March 31, 2020	Funding received, 2021	Revenue recognized, 2021	March 31, 2021
<b>Indigenous Services Canada</b>				
Water Tower Repairs	\$ 349,837	\$ -	\$ (24,000)	\$ 325,837
Water Infrastructure - New Ross	54,481	577,692	(193,785)	438,388
Service Delivery	-	233,672	-	233,672
Diversion Centre / Transfer Station	50,856	812,380	(22,701)	840,535
Basic Needs	-	1,184,040	(534,250)	649,790
Immediate Needs - Lot Devel & Cons.	425,000	217,500	(530,766)	111,734
LEDSP	-	124,002	-	124,002
Covid-19 EMAP	-	252,242	(85,206)	167,036
	880,174	3,401,528	(1,390,708)	2,890,994
<b>Health Canada</b>				
Mental Wellness	-	883,688	(304,258)	579,430
Youth Solvent Abuse	155,964	-	(22,561)	133,403
Jordan's Principle	110,096	-	(58,618)	51,478
HCC Service Delivery	243,402	794,554	(637,498)	400,458
O & M	51,225	440,488	(53,325)	438,388
Covid-19	-	241,001	(229,938)	11,063
Healthy Child Development	-	170,550	(110,705)	59,845
Community Oral Health	-	29,246	(14,340)	14,906
Medical Transportation	56,658	84,457	(80,946)	60,169
	617,345	2,643,984	(1,512,189)	1,749,140
<b>Other</b>				
CMHC - Rapid Housing	-	2,725,360	-	2,725,360
Heritage Canada	-	24,000	-	24,000
Treaty Fishery donations	-	239,506	-	239,506
KMKNO	41,510	-	(41,510)	-
Limited partnership revenue stream	-	223,355	-	223,355
IELCC	154,184	-	(154,184)	-
MK	375,866	1,845,390	(375,866)	1,845,390
Insurance proceeds	55,573	-	(55,573)	-
DFO - Comp 4.0	19,800	-	(19,800)	-
	646,933	5,057,611	(646,933)	5,057,611
	<b>\$ 2,144,452</b>	<b>\$ 11,103,123</b>	<b>\$ (3,549,830)</b>	<b>\$ 9,697,745</b>

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**SIPEKNE'KATIK**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2021**

**14. Long-term debt**

	<b>2021</b>	<b>2020</b>
Royal Bank of Canada Section 95 housing project mortgages due September 2024 to November 2024, bearing interest at 1.54% to 2.72%, payable in equal monthly amounts of principal and interest totaling \$3,129. Mortgages are guaranteed by the Minister of Indigenous Services Canada.	\$ 128,839	\$ 163,075
Canada Mortgage and Housing Corporation Section 95 housing project mortgages due November 2021 to April 2026, bearing interest at 0.74% to 2.68%, payable in equal monthly amounts of principal and interest totaling \$21,552. Mortgages are guaranteed by the Minister of Indigenous Services Canada.	3,437,624	3,556,239
First Nations Finance Authority 1.90% loan, payable \$130,882 monthly including interest, due June 2030, secured by Clearwater Seafood Limited revenue stream	37,473,296	-
Royal Bank of Canada 4.20% loan, payable \$4,627 monthly including interest, due March 2022, secured by fisheries building	54,318	106,360
First Nations Finance Authority 3.65% loan, payable \$23,927 monthly including interest, due June 2028, secured by provincial gaming revenue stream	3,472,588	3,625,625
Royal Bank of Canada Prime plus 0% loan, interest only payable monthly, \$5,000,000 non-revolving term facility, due December 31, 2025, secured by Hammonds Plains entertainment centre	5,000,000	2,549,300
First Nations Finance Authority 2.45% interim financing loan related to advances to members, repaid in full on June 2, 2020	-	6,316,000
<hr/> <u>Current portion</u>	<u>49,566,665</u>	<u>16,316,599</u>
	<u>\$ 1,324,743</u>	<u>\$ 9,498,945</u>

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**SIPEKNE'KATIK**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**14. Long-term debt, continued**

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:

2022-23	\$ 1,276,061
2023-24	1,301,495
2024-25	1,312,714
2025-26	1,319,106
2026 and thereafter	<b>43,032,547</b>
	<b>\$ 49,566,665</b>

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## SIPEKNE'KATIK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

#### 15. Tangible Capital Assets

	Balance, beginning of year	Cost			Accumulated amortization			2021 net book value
		Additions	Adjustments	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
Land	\$ 2,241,402	\$ -	\$ -	\$ 2,241,402	\$ -	\$ -	\$ -	\$ 2,241,402
Buildings	9,845,902	2,020,770	-	11,866,672	1,648,939	460,367	2,109,306	9,757,366
Vehicles	1,968,996	14,925	(111,623)	1,872,298	1,336,653	158,454	1,495,107	377,191
Band housing projects	18,266,131	320,706	-	18,586,837	9,440,247	449,312	9,889,559	8,697,278
Furniture and equipment	1,020,826	91,999	-	1,112,825	714,404	72,658	787,062	325,763
Community centre	2,958,266	-	-	2,958,266	2,835,271	24,599	2,859,870	98,396
Pump/gaming renovations	30,896	-	-	30,896	28,488	481	28,969	1,927
Community housing	2,371,070	-	-	2,371,070	1,700,136	67,093	1,767,229	603,841
Administration building	917,433	-	-	917,433	800,720	11,672	812,392	105,041
Health centre	873,671	-	-	873,671	709,162	16,451	725,613	148,058
P-12 school	7,654,484	-	-	7,654,484	3,305,181	217,465	3,522,646	4,131,838
Recreational facilities	246,593	-	-	246,593	161,745	8,485	170,230	76,363
Infrastructure	4,246,489	-	-	4,246,489	3,207,918	83,085	3,291,003	955,486
Public works dept	1,790,616	7,500	-	1,798,116	1,239,891	110,895	1,350,786	447,330
Roads	1,344,508	619,446	-	1,963,954	979,237	51,826	1,031,063	932,891
Fishing vessels and zodiacs	1,677,831	-	-	1,677,831	754,957	138,431	893,388	784,443
	<b>\$ 57,455,114</b>	<b>\$ 3,075,346</b>	<b>\$ (111,623)</b>	<b>\$ 60,418,837</b>	<b>\$ 28,862,949</b>	<b>\$ 1,871,274</b>	<b>\$ 30,734,223</b>	<b>\$ 29,684,614</b>

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

	Balance, beginning of year	Cost			Accumulated amortization			2020 Net book value
		Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
Land	\$ 2,241,402	\$ -	\$ -	\$ 2,241,402	\$ -	\$ -	\$ -	\$ 2,241,402
Buildings	6,467,762	3,378,140	-	9,845,902	1,394,587	254,352	1,648,939	8,196,963
Vehicles	1,857,373	111,623	-	1,968,996	1,089,568	247,085	1,336,653	632,343
Band housing projects	17,554,255	711,876	-	18,266,131	8,994,461	445,786	9,440,247	8,825,884
Furniture and equipment	779,558	241,268	-	1,020,826	667,957	46,447	714,404	306,422
Community centres	2,958,266	-	-	2,958,266	2,804,523	30,748	2,835,271	122,995
Pump/gaming renovations	30,896	-	-	30,896	27,886	602	28,488	2,408
Community housing	2,371,070	-	-	2,371,070	1,625,588	74,548	1,700,136	670,934
Administration building	917,433	-	-	917,433	787,752	12,968	800,720	116,713
Health centre	873,671	-	-	873,671	690,883	18,279	709,162	164,509
P-12 school	7,380,737	273,747	-	7,654,484	3,083,474	221,707	3,305,181	4,349,303
Recreational facilities	246,593	-	-	246,593	152,317	9,428	161,745	84,848
Infrastructure	4,246,489	-	-	4,246,489	3,117,607	90,311	3,207,918	1,038,571
Public works dept	1,790,616	-	-	1,790,616	1,102,210	137,681	1,239,891	550,725
Roads	1,290,165	54,343	-	1,344,508	949,838	29,399	979,237	365,271
Fishing vessels and zodiacs	1,677,831	-	-	1,677,831	592,096	162,861	754,957	922,874
	<b>\$ 52,684,117</b>	<b>\$ 4,770,997</b>	<b>\$ -</b>	<b>\$ 57,455,114</b>	<b>\$ 27,080,747</b>	<b>\$ 1,782,202</b>	<b>\$ 28,862,949</b>	<b>\$ 28,592,165</b>

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## SIPEKNE'KATIK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

#### **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'matenewey by August 31st of each year.

	<b>2021</b>	<b>2020</b>
Externally restricted - education (pg. 41)	\$ (927,920)	\$ (927,920)
Unrestricted	(1,111,343)	346,297
Investment in capital assets	17,591,243	18,591,566
	<hr/> <b>\$ 15,551,980</b>	<hr/> <b>\$ 18,009,943</b>

#### **17. Annual Surplus Net of Capital Related Revenues and Amortization**

	<b>2021</b>	<b>2020</b>
Annual surplus	\$ (2,449,265)	\$ 913,945
Deduct: Federal government transfers for capital	(294,481)	(429,233)
Add: Amortization expense included in annual surplus	1,871,276	1,782,202
	<hr/> <b>1,576,795</b>	<hr/> <b>1,352,969</b>
Annual surplus net of capital related revenues and amortization	<hr/> <b>\$ (872,470)</b>	<hr/> <b>\$ 2,266,914</b>

#### **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.

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## SIPEKNE'KATIK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

#### **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.

	<b>2021</b>	2020
Balance, beginning of year	\$ 554,758	\$ 597,758
Deduct: payments related to previous years	(37,500)	(43,000)
<b>Balance, end of year</b>	<b>\$ 517,258</b>	<b>\$ 554,758</b>

#### **20. Advances to Band members - 1919 land claim**

During the previous year, the First Nation advanced \$3,000 to each Band member as part of the Halifax County 1919 Invalid Surrender Specific Claim for a total of \$5,583,000. To finance the advances, the First Nation received a bridge financing loan from First Nation Finance Authority which was repaid in full on June 2, 2020. The land claim was settled and executed on April 24, 2020 for \$27,818,358 which was subsequently deposited into a trust account on May 15, 2020.

#### **21. Investment in Limited Partnership**

	<b>2021</b>	2020
Investment, at cost	\$ 35,714,286	\$ -

During the year, Sipekne'katik entered into a partnership, FNC Holdings Limited Partnership, which holds a fifty percent (50%) share interest in 12385104 Canada Inc. which acquired all of the common shares of Clearwater Seafoods Inc. Sipekne'katik, in the same transaction entered into a partnership, FNC Quota Limited Partnership, which acquired all of the fishing licences previously owned by Clearwater Seafoods Inc. The agreed upon transaction price was \$250,000,000 of which Sipekne'katik holds two of fourteen (2/14) total units in the partnership, or, \$35,714,286.

#### **22. 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.

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## SIPEKNE'KATIK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

#### **23. 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. The likelihood of compliance reviews and any potential findings are not determinable as at the date on the auditor's report.

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.

#### **24. Expenses by object**

	<b>2021</b>	2020
Wages and benefits	\$ 13,193,742	\$ 11,078,260
Community support/disbursements	757,029	953,640
Fuel and tobacco purchases	9,123,614	9,408,941
Social program expenses	5,897,288	5,500,454
Health program expenses	470,541	729,882
Travel	240,490	126,073
Tuition	1,251,587	1,609,709
Supplies and services	4,134,038	4,496,095
Interest and bank charges	604,012	324,898
Professional services	1,357,296	1,107,745
Repairs	1,197,177	1,574,701
Other	2,537,568	2,613,582
Amortization	1,871,276	1,782,202
<b>Total</b>	<b>\$ 42,635,658</b>	<b>\$ 41,306,182</b>

#### **25. 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 \$241,608 (2020 - \$179,026) during the year.

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## SIPEKNE'KATIK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

#### **26. 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 \$2,185,941 (2020 - \$3,249,770). 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 operating loan, accounts payable and accrued liabilities of \$5,892,296 (2020 - \$5,296,058). 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. In the opinion of management, the liquidity risk is low but material.

##### 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. 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.

#### **27. Budgeted figures**

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