

SIPEKNE'KATIK

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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SIPEKNE'KATIK

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2023

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

Date

Executive Financial Officer

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, 2023, 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, 2023, 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
June 12, 2024

SIPEKNE'KATIK

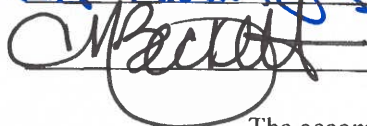
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2023

	2023	2022
Financial Assets		
Cash and term deposits (Note 3)	\$ 17,844,656	\$ 19,181,926
Restricted cash (Note 3)	882,536	882,536
Accounts receivable (Note 4)	6,384,217	4,336,941
Funds on deposit with ISC (Note 5)	91,627	90,279
Funds held in trust (Note 6)	10,899	10,899
Debt reserve fund (Note 7)	2,242,261	2,124,957
Investments (Note 13)	2,715,578	-
Promissory note receivable (Note 8)	34,664,602	35,125,157
Inventory (Note 9)	532,809	379,860
Interest receivable - Limited Partnership (Note 8)	2,218,724	1,182,136
	<u>67,587,909</u>	<u>63,314,691</u>
Liabilities		
Accounts payable (Note 10)	2,500,791	2,811,983
Deferred revenue (Note 11)	21,649,512	19,731,008
Due to minor band members (Note 12)	426,208	476,758
Investments (Note 13)	-	1,024
Long-term debt (Note 14)	47,213,292	48,142,069
	<u>71,789,803</u>	<u>71,162,842</u>
Net debt	<u>(4,201,894)</u>	<u>(7,848,151)</u>
Non-financial Assets		
Tangible capital assets (Note 15)	30,178,560	29,829,695
Prepaid expenses (Note 16)	249,374	239,136
	<u>30,427,934</u>	<u>30,068,831</u>
Accumulated Surplus	<u>\$ 26,226,040</u>	<u>\$ 22,220,680</u>

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, 2023

	2023 Budget	2023 Actual	2022 Actual
Surplus	\$ 128,568	\$ 4,005,364	\$ 6,660,000
Acquisition of tangible capital assets	-	(2,203,617)	(2,041,881)
Amortization of tangible capital assets	1,896,797	1,854,750	1,896,797
	1,896,797	(348,868)	(145,084)
Change in prepaid expenses	-	(10,239)	(234,135)
Increase in net financial assets	2,025,365	3,646,257	6,280,781
Net debt at beginning of year	(7,848,151)	(7,848,151)	(14,128,932)
Net debt at end of year	\$ (9,667,756)	\$ (4,201,894)	\$ (7,848,151)

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, 2023

	2023 Budget	2023 Actual	2022 Actual
Revenue			
Indigenous Services Canada	\$ 13,908,717	\$ 18,332,489	\$ 18,831,062
Mi'kmaw Kina'matneway	4,532,700	10,503,890	10,333,633
Tobacco store	9,400,000	8,561,934	9,257,716
Fisheries	4,420,000	3,459,835	5,530,855
Health Canada	2,640,798	3,893,583	3,144,449
Fisheries - Investments	-	2,304,698	2,717,479
Other	1,891,724	13,028,283	6,399,034
Gas bar	2,197,865	3,074,978	2,257,865
Gaming	2,546,000	3,699,417	2,257,602
METS	1,041,692	899,050	968,270
Deferred revenue, opening	4,026,516	19,731,008	9,697,745
Deferred revenue, closing	-	(21,649,512)	(19,731,008)
	46,606,012	65,839,653	51,664,702
Expenditures			
Social Development	6,336,000	10,053,495	7,637,144
Band Administration	3,847,000	6,543,122	2,560,549
Education	9,182,700	10,832,308	8,380,093
Capital and Housing	1,492,000	1,638,361	1,545,210
Operating and Maintenance	2,846,238	3,170,297	2,043,240
Economic Development	241,700	240,089	142,586
Community Health	2,681,048	2,848,418	2,002,749
Family Wellness	115,860	519,439	76,807
Employment Training	1,648,196	2,151,111	1,433,968
Gaming	1,737,200	1,824,510	1,674,933
Tobacco Store	7,880,000	7,903,204	8,235,542
Fisheries	3,588,784	3,072,169	3,322,868
Housing Projects	587,000	832,018	547,095
Gas Bar	2,396,921	3,228,776	2,396,921
Covid-19 Emergency Funding	-	3,939,899	94,792
Fisheries - Investments	-	688,859	807,451
Truckhouse	-	104,465	-
Own Source Revenue	-	126,646	-
	44,580,647	59,717,186	42,901,948
Surplus before other expenses	2,025,365	6,122,467	8,762,755
Other expenses			
Amortization	(1,896,797)	(1,854,750)	(1,896,797)
Interest on long term debt	-	(262,353)	(205,958)
	(1,896,797)	(2,117,103)	(2,102,755)
Surplus	128,568	4,005,364	6,660,000
Accumulated surplus at beginning of year	22,220,678	22,220,678	15,560,678
Accumulated surplus at end of year	\$ 22,349,246	\$ 26,226,042	\$ 22,220,678

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2023

	2023	2022
Cash flows from		
Operating activities		
Surplus	\$ 4,005,364	\$ 6,660,000
Items not affecting cash		
Amortization expense	1,854,750	1,896,797
Investment in Wallace Hill	950	(263)
	5,861,064	8,556,534
Change in non-cash operating working capital		
Accounts receivable	(2,047,276)	(1,877,493)
Inventory	(152,949)	(66,778)
Prepaid expenses	(10,238)	(234,136)
Funds on deposit with ISC	(1,348)	(1,704)
Accounts payable	(311,194)	(3,188,539)
Deferred revenue	1,918,504	10,033,263
Due to minor band members	(50,550)	(40,500)
Interest receivable - Limited Partnership	(1,036,588)	(1,182,136)
	4,169,425	11,998,511
Capital activities		
Acquisition of tangible capital assets	(2,203,617)	(2,041,879)
Decrease in promissory note receivable	460,555	589,129
Investment in Tidal Bore Rafting Resort	(2,717,552)	-
	(4,460,614)	(1,452,750)
Financing activities		
Repayment of long-term debt	(1,428,976)	(1,424,598)
Debt reserve fund	(117,304)	(32,133)
Proceeds of long-term debt	500,199	-
	(1,046,081)	(1,456,731)
Increase (decrease) in cash and cash equivalents	(1,337,270)	9,089,030
Cash and cash equivalents, beginning of year	20,064,462	10,975,432
Cash and cash equivalents, end of year	\$ 18,727,192	\$ 20,064,462

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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.

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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 1998 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.

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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 sale. Non-financial assets include tangible capital assets and prepaid expenses.

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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. 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:

	2023	2022
Cash on hand	\$ 98,391	\$ 21,327
Guaranteed Investment Certificates (GIC's) at 0.10% - 0.50%, due April 2023 - March 2024	5,118,106	4,030,106
Bank balances	12,628,159	15,130,494
Externally restricted CMHC reserve GIC	882,536	882,536
	\$ 18,727,192	\$ 20,064,463

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

4. Accounts receivable

	2023	2022
Indigenous Services Canada	\$ 4,105,362	\$ 2,261,695
Wallace Hill Development Incorporated	513,798	512,848
Other government departments	523,672	176,158
Mi'kmaw Kina'matnewey	225,778	418,928
Health Canada	66,698	42,937
Gaming program	172,287	172,287
METS programs	55,448	167,218
Other	290,345	318,688
Employees and other band members	31,222	34,393
Department of Fisheries and Oceans	254,972	185,194
Leases licences - fisheries	48,499	48,499
Confederacy of Mainland Mi'gmaq	-	8,649
HST recoverable	511,886	405,197
	6,799,967	4,752,691
Allowance for doubtful accounts	(415,750)	(415,750)
	\$ 6,384,217	\$ 4,336,941

5. Funds on deposit with ISC

	March 31, 2022	Additions (interest)	Withdrawals	March 31, 2023
Revenue	\$ 49,940	\$ 1,348	\$ -	\$ 51,288
Capital	40,339	-	-	40,339
	\$ 90,279	\$ 1,348	\$ -	\$ 91,627

6. Funds held in trust

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

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

7. 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 earning interest income based on FNFA's stated deposit rates.

8. Promissory note receivable

	2023	2022
FNFIG Limited Partnership promissory note receivable	\$ 34,664,602	\$ 35,125,157

6.14% loan to First Nations Fisheries Interest Group Limited Partnership, repayable in equal annual blended instalments of principal plus interest in the amount of \$2,607,176, payable quarterly on each of March 1, June 1, September 1 and December 1, maturing in fiscal 2051.

Repayments in each of the next five years are as follows:

2024 - \$2,607,176
2025 - \$2,607,176
2026 - \$2,607,176
2027 - \$2,607,176
2028 - \$2,607,176

9. Inventory

	2023	2022
Fuel for resale	\$ 26,432	\$ 25,153
Tobacco for resale	435,246	317,301
Cannabis for resale	-	37,407
Truckhouse inventory for resale	71,131	-
	\$ 532,809	\$ 379,861

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

10. Accounts payable

	2023	2022
Trade	\$ 1,167,156	\$ 1,489,950
Receiver General	83,278	214,049
Mikmaw Kina'matnewey	370,922	-
Due to minor band members	709,250	761,900
Accrued payroll	28,072	233,550
Worker's compensation	85,455	55,876
Due to Health Canada	56,658	56,658
	\$ 2,500,791	\$ 2,811,983

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

11. Deferred revenue

	March 31, 2022	Funding received, 2023	Revenue recognized, 2023	March 31, 2023
Federal Government				
Indigenous Services Canada	\$ 9,430,408	\$ 18,332,489	\$(17,407,344)	\$ 10,355,553
Health Canada	2,924,508	3,893,583	(3,226,025)	3,592,066
Mi'kmaw Kina'matnewey	3,986,516	10,503,890	(10,672,477)	3,817,929
Canada Mortgage and Housing Corp	2,952,570	-	(1,563,708)	1,388,862
Department of Fisheries and Oceans	322,150	377,144	(327,217)	372,077
Gov't of Canada	70,000	191,400	-	261,400
	19,686,152	33,298,506	(33,196,771)	19,787,887
Provincial Government				
Truth and Reconciliation	-	8,107	-	8,107
Driver Education	4,361	-	(4,361)	-
	4,361	8,107	(4,361)	8,107
Other				
Own source revenue	-	1,739,912	-	1,739,912
Foodbank	3,998	40,157	-	44,155
Youth Centre	-	52,166	-	52,166
LSK Staff Fund	18,569	-	(1,284)	17,285
Confederacy of Mainland Mi'kmaq	17,928	-	(17,928)	-
	40,495	1,832,235	(19,212)	1,853,518
	\$ 19,731,008	\$ 35,138,848	\$(33,220,344)	\$ 21,649,512

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

12. 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.

	2023	2022
Balance, beginning of year	\$ 476,758	\$ 517,258
Deduct: payments related to previous years	(50,550)	(40,500)
Balance, end of year	\$ 426,208	\$ 476,758

13. Investments

	2023	2022
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.	(1,977)	(1,027)
Investment in 3292609 Nova Scotia Limited (Tidal Bore)	2,717,552	-
	\$ 2,715,578	\$ (1,024)

14. Long-term debt

	2023	2022
Royal Bank of Canada Section 95 housing project mortgages due February 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.	\$ 57,869	\$ 93,741
Canada Mortgage and Housing Corporation Section 95 housing project mortgages due October 2023 to January 2028, bearing interest at 0.74% to 3.98%, payable in equal monthly amounts of principal and interest totaling \$25,582. Mortgages are guaranteed by the Minister of Indigenous Services Canada.	3,570,802	3,275,715
First Nations Finance Authority 1.90% loan, payable \$130,882 monthly including interest, due June 2030, secured by Clearwater Seafood Limited revenue stream	35,728,591	36,610,320

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

14. Long-term debt, continued

	2023	2022
First Nations Finance Authority (Exit 10 lands) 3.65% loan, payable \$23,927 monthly including interest, due June 2028, secured by provincial gaming revenue stream	3,152,605	3,314,961
Royal Bank of Canada 2.85% loan, payable in equal monthly amounts of principal and interest totalling \$23,318, due January 2024, secured by Hammonds Plains entertainment centre	4,703,425	4,847,332
	47,213,292	48,142,069
Current portion	\$ 1,478,350	\$ 1,418,719

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:

2023-24	\$ 1,478,350
2024-25	1,500,435
2025-26	1,517,814
2026-27	1,557,072
2027-28	1,598,208
2028 and thereafter	39,561,414
	\$ 47,213,292

SIPEKNE/KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

15. Tangible Capital Assets

	Balance, beginning of year	Additions	Balance, end of year	Cost	Balance, beginning of year	Amortization of year	Balance, end of year	2023 net book value
Land	\$ 2,241,402	\$ -	\$ 2,241,402	\$ -	\$ -	\$ -	\$ -	\$ 2,241,402
Buildings	11,877,228	1,925,080	13,802,308		2,596,394	466,305	3,062,699	10,739,609
Vehicles	1,872,298	57,574	1,929,872		1,608,265	87,846	1,696,111	233,761
Band housing projects	19,275,488	225,949	19,501,437		10,341,639	452,342	10,793,981	8,707,456
Furniture and equipment	1,123,065	(4,985)	1,118,080		853,673	58,285	911,958	206,122
Community centre	2,958,266	-	2,958,266		2,879,550	15,743	2,895,293	62,973
Pump/gaming renovations	30,896	-	30,896		29,354	309	29,663	1,233
Community housing	2,371,070	-	2,371,070		1,827,613	54,346	1,881,959	489,111
Administration building	917,433	-	917,433		822,896	9,453	832,349	85,084
Health centre	873,671	-	873,671		740,419	13,325	753,744	119,927
P-12 school	7,654,484	-	7,654,484		3,729,238	196,628	3,925,866	3,728,618
Recreational facilities	246,593	-	246,593		177,866	6,873	184,739	61,854
Infrastructure	4,246,489	-	4,246,489		3,367,442	70,324	3,437,766	808,723
Public works dept	1,798,116	-	1,798,116		1,440,252	71,573	1,511,825	286,291
Roads	1,996,384	-	1,996,384		1,106,818	71,166	1,177,984	818,400
Fishing vessels and zodiacs	2,977,831	-	2,977,831		1,109,600	280,235	1,389,835	1,587,996
	\$ 62,460,714	\$ 2,203,618	\$ 64,664,332	\$ 32,631,019	\$ 1,854,753	\$ 34,485,772	\$ 30,178,560	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

	Balance, beginning of year	Additions	Balance, end of year	Cost	Balance, beginning of year	Amortization of year	Balance, end of year	Accumulated amortization	2022 Net book value
Land	\$ 2,241,402	\$ -	\$ 2,241,402	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,241,402
Buildings	11,866,672	10,556	11,877,228		2,109,306	487,088	2,596,394		9,280,834
Vehicles	1,872,298	-	1,872,298		1,495,107	113,158	1,608,265		264,033
Band housing projects	18,586,837	688,651	19,275,488		9,889,559	452,080	10,341,639		8,933,849
Furniture and equipment	1,112,825	10,240	1,123,065		787,062	66,611	853,673		269,392
Community centres	2,958,266	-	2,958,266		2,859,870	19,680	2,879,550		78,716
Pump/gaming renovations	30,896	-	30,896		28,969	385	29,354		1,542
Community housing	2,371,070	-	2,371,070		1,767,229	60,384	1,827,613		543,457
Administration building	917,433	-	917,433		812,392	10,504	822,896		94,537
Health centre	873,671	-	873,671		725,613	14,806	740,419		133,252
P-12 school	7,654,484	-	7,654,484		3,522,646	206,592	3,729,238		3,925,246
Recreational facilities	246,593	-	246,593		170,230	7,636	177,866		68,727
Infrastructure	4,246,489	-	4,246,489		3,291,003	76,439	3,367,442		879,047
Public works dept	1,798,116	-	1,798,116		1,350,786	89,466	1,440,252		357,864
Roads	1,963,954	32,430	1,996,384		1,031,063	75,755	1,106,818		889,566
Fishing vessels and zodiacs	1,677,831	1,300,000	2,977,831		893,388	216,212	1,109,600		1,868,231
	\$ 60,418,837	\$ 2,041,877	\$ 62,460,714	\$ 30,734,223	\$ -	\$ 1,896,796	\$ 32,631,019	\$ 29,829,695	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

16. Prepaid expenses

	2023	2022
Principal and interest - FNFA	\$ 236,015	\$ 231,636
Retainer - consulting	5,000	5,000
Other	8,359	2,500
	<u>\$ 249,374</u>	<u>\$ 239,136</u>

17. Due from related parties

The First Nation advanced funds to a related party with the following amount outstanding at March 31, 2023:

Wallace Hill Development Inc. - \$513,798 (2022 - \$512,848)

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

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. 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.

20. 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.

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

21. 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 \$6,384,217 (2022 - \$4,336,941). 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 \$2,500,791 (2022 - \$2,811,983). 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.

22. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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 \$298,330 (2022 - \$272,344) during the year.

24. Annual Surplus Net of Capital Related Revenues and Amortization

	2023	2022
Annual surplus	\$ 4,005,364	\$ 6,660,000
Deduct: Federal government transfers for capital	(1,560,674)	(1,300,000)
Add: Amortization expense included in annual surplus	1,854,750	1,896,797
	294,076	596,797
Annual surplus net of capital related revenues and amortization	\$ 4,299,440	\$ 7,256,797

25. Expenses by object

	2023	2022
Wages and benefits	\$ 15,218,285	\$ 13,366,088
Community support/disbursements	877,654	860,220
Fuel and tobacco purchases	9,796,824	9,383,733
Social program expenses	9,533,447	7,337,448
Health program expenses	1,202,027	375,949
Travel	274,139	261,058
Tuition	1,463,724	1,452,245
Supplies and services	13,997,812	4,974,289
Interest and bank charges	1,152,174	1,173,523
Professional services	655,656	621,394
Repairs	1,143,882	1,036,842
Other	4,663,915	2,265,116
Amortization	1,854,750	1,896,797
Total	\$ 61,834,289	\$ 45,004,702
