

SIPEKNE'KATIK

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

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SIPEKNE'KATIK

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2024

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

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, 2024, 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, 2024, 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.

Lenahan McCain & Associates

Lenahan McCain & Associates
Chartered Professional Accountants

Woodstock, New Brunswick
September 3, 2024

SIPEKNE'KATIK


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2024

	2024	2023
Financial Assets		
Cash and term deposits (Note 3)	\$ 13,817,728	\$ 17,844,656
Restricted cash (Note 3)	882,536	882,536
Accounts receivable (Note 4)	13,899,841	6,384,217
Funds on deposit with ISC (Note 5)	96,239	91,627
Funds held in trust (Note 6)	-	10,899
Debt reserve fund (Note 7)	3,077,113	2,242,261
Investments (Note 13)	2,647,059	2,715,578
Promissory note receivable (Note 8)	48,466,596	34,664,602
Inventory (Note 9)	531,337	532,809
Interest receivable - Limited Partnership (Note 8)	3,255,312	2,218,724
	86,673,761	67,587,909
Liabilities		
Accounts payable (Note 10)	2,268,848	1,791,541
Deferred revenue (Note 11)	26,855,629	21,649,512
Due to minor band members (Note 12)	1,239,808	1,135,458
Long-term debt (Note 14)	60,742,549	47,213,292
	91,106,834	71,789,803
Net debt	(4,433,073)	(4,201,894)
Non-financial Assets		
Tangible capital assets (Note 15)	36,892,317	30,178,560
Prepaid expenses (Note 16)	431,864	249,374
	37,324,181	30,427,934
Accumulated Surplus	\$ 32,891,108	\$ 26,226,040

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, 2024

	2024 Budget	2024 Actual	2023 Actual
Surplus	\$ 11,983,531	\$ 6,665,068	\$ 4,005,364
Acquisition of tangible capital assets	-	(8,892,349)	(2,203,617)
Amortization of tangible capital assets	1,854,750	2,178,592	1,854,750
	1,854,750	(6,713,755)	(348,868)
Change in prepaid expenses	-	(182,492)	(10,239)
Increase in net financial assets	13,838,281	(231,179)	3,646,257
Net debt at beginning of year	(4,201,894)	(4,201,894)	(7,848,151)
Net debt at end of year	\$ 9,626,387	\$ (4,433,073)	\$ (4,201,894)

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, 2024

	2024 Budget	2024 Actual	2023 Actual
Revenue			
Indigenous Services Canada & Health Canada	\$ 31,901,792	\$ 31,594,175	\$ 22,226,072
Mi'kmaw Kina'matneway	11,238,272	11,238,356	10,503,890
Tobacco store	9,750,000	8,036,655	8,561,934
Fisheries	3,930,009	3,374,681	3,459,835
Fisheries - Investments	-	2,531,006	2,304,698
Other	11,032,548	14,735,056	13,028,283
Gas bar	3,345,000	3,593,114	3,074,978
Gaming	2,976,000	3,413,275	3,699,417
METS	788,863	812,871	899,050
Deferred revenue, opening	11,061,403	21,649,512	19,731,008
Deferred revenue, closing	-	(26,855,629)	(21,649,512)
	86,023,887	74,123,072	65,839,653
Expenditures			
Social Development	10,793,803	11,901,404	10,053,495
Band Administration	4,478,940	7,767,279	5,837,671
Education	17,345,112	13,621,988	10,832,308
Capital Projects	3,387,743	1,800,843	1,638,361
Operating and Maintenance	4,564,848	3,596,061	3,170,297
Economic Development And Land Management	318,254	320,330	240,089
Community Health	3,507,623	2,873,929	2,828,350
Family Wellness	4,262,197	2,730,900	1,245,508
Employment Training	2,136,311	2,246,718	2,151,111
Gaming	1,885,050	1,889,848	1,824,510
Tobacco Store	8,029,100	7,302,551	7,903,204
Fisheries	2,835,805	3,155,636	3,092,293
Housing Projects	4,606,620	709,415	811,345
Gas Bar	3,331,600	3,677,467	3,228,776
Covid-19 Emergency Funding	-	-	3,939,899
Fisheries - Investments	-	873,940	688,859
Truckhouse	702,600	558,182	104,465
Own Source Revenue	-	-	126,646
	72,185,606	65,026,491	59,717,187
Surplus before other expenses (Note 22)	13,838,281	9,096,581	6,122,467
Other expenses			
Amortization	(1,854,750)	(2,178,592)	(1,854,750)
Interest on long term debt	-	(252,921)	(262,353)
	(1,854,750)	(2,431,513)	(2,117,103)
Surplus	11,983,531	6,665,068	4,005,364
Accumulated surplus at beginning of year	26,226,042	26,226,042	22,220,678
Accumulated surplus at end of year	\$ 38,209,573	\$ 32,891,110	\$ 26,226,042

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2024

	2024	2023
Cash flows from		
Operating activities		
Surplus	\$ 6,665,068	\$ 4,005,364
Items not affecting cash		
Amortization expense	2,178,592	1,854,750
Investment in Wallace Hill	-	950
	8,843,660	5,861,064
Change in non-cash operating working capital		
Accounts receivable	(7,515,624)	(2,047,276)
Inventory	1,472	(152,949)
Prepaid expenses	(182,490)	(10,238)
Funds on deposit with ISC	(4,612)	(1,348)
Funds held in trust	10,899	-
Accounts payable	477,308	(258,544)
Deferred revenue	5,206,117	1,918,504
Due to minor band members	104,350	(103,200)
Interest receivable - Limited Partnership	(1,036,588)	(1,036,588)
	5,904,492	4,169,425
Capital activities		
Acquisition of tangible capital assets	(8,892,349)	(2,203,617)
(Increase) decrease in promissory notes receivable	(13,801,994)	460,555
Investment in Tidal Bore Rafting Resort	68,518	(2,717,552)
	(22,625,825)	(4,460,614)
Financing activities		
Repayment of long-term debt	(1,508,343)	(1,428,976)
Debt reserve fund	(834,852)	(117,304)
Proceeds of long-term debt	15,037,600	500,199
	12,694,405	(1,046,081)
Decrease in cash and cash equivalents	(4,026,928)	(1,337,270)
Cash and cash equivalents, beginning of year	18,727,192	20,064,462
Cash and cash equivalents, end of year	\$ 14,700,264	\$ 18,727,192

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

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 18.

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 organizations accounted for on a modified equity basis are Wallace Hill Development Inc. and 3292609 Nova Scotia Limited (Tidal Bore).

(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, 2024

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, 2024

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

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

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. and 3292609 Nova Scotia Limited, which are 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:

	2024	2023
Cash on hand	\$ 76,985	\$ 98,391
Guaranteed Investment Certificates (GIC's) at 2.25% - 4.75%, due October 2024 - May 2025	8,441,898	5,118,106
Bank balances	5,298,845	12,628,159
Externally restricted CMHC reserve GIC	882,536	882,536
	<u>\$ 14,700,264</u>	<u>\$ 18,727,192</u>

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

4. Accounts receivable

	2024	2023
Indigenous Services Canada	\$ 10,977,960	\$ 4,105,362
Wallace Hill Development Incorporated	513,798	513,798
Province of Nova Scotia	867,630	523,672
Mi'kmaw Kina'matnewey	17,375	225,778
Health Canada	-	66,698
Gaming program	172,287	172,287
METS programs	119,113	55,448
Other	567,606	290,345
Employees and other band members	33,861	31,222
Department of Fisheries and Oceans	51,602	254,972
Leases licences - fisheries	48,499	48,499
HST recoverable	765,179	511,886
Tidal Bore Rafting Resort	180,681	-
	14,315,591	6,799,967
Allowance for doubtful accounts	(415,750)	(415,750)
	\$ 13,899,841	\$ 6,384,217

5. Funds on deposit with ISC

	March 31, 2023	Additions (interest)	Withdrawals	March 31, 2024
Revenue	\$ 51,288	\$ 4,612	\$ -	\$ 55,900
Capital	40,339	-	-	40,339
	\$ 91,627	\$ 4,612	\$ -	\$ 96,239

6. Funds held in trust

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

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

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

	2024	2023
1. FNFIG Ltd Partnership promissory note receivable	\$ 34,180,882	\$ 34,664,602
2. FNFIG Ltd Partnership promissory note receivable (Sub debt Ser A)	14,285,714	-
	<u>\$ 48,466,596</u>	<u>\$ 34,664,602</u>

1. 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.

2. 8.00% loan to First Nations Fisheries Interest Group Limited Partnership, repayable in quarterly installments, interest only, maturing in fiscal 2053.

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

2025 - \$2,607,176
2026 - \$2,607,176
2027 - \$2,607,176
2028 - \$2,607,176
2029 - \$2,607,176

9. Inventory

	2024	2023
Fuel for resale	\$ 56,845	\$ 26,432
Tobacco for resale	363,412	435,246
Truckhouse inventory for resale	111,080	71,131
	<u>\$ 531,337</u>	<u>\$ 532,809</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

10. Accounts payable

	2024	2023
Trade	\$ 1,565,185	\$ 1,167,156
Receiver General	268,664	83,278
Mi'kmaw Kina'matnewey	-	370,922
Accrued payroll	342,969	28,072
Worker's compensation	92,030	85,455
Due to Health Canada	-	56,658
	\$ 2,268,848	\$ 1,791,541

11. Deferred revenue

	March 31, 2023	Funding received, 2024	Revenue recognized, 2024	March 31, 2024
Federal Government				
Indigenous Services Canada	\$ 8,014,117	\$ 20,214,267	\$ (16,216,681)	\$ 12,011,703
Health Canada	5,933,502	11,379,908	(7,556,415)	9,756,995
Mi'kmaw Kina'matnewey	3,817,929	11,238,356	(11,267,494)	3,788,791
Canada Mortgage and Housing Corp	1,388,862	717,197	(1,977,291)	128,768
Department of Fisheries and Oceans	372,077	461,868	(549,182)	284,763
Gov't of Canada	261,400	160,500	(70,000)	351,900
	19,787,887	44,172,096	(37,637,063)	26,322,920
Provincial Government				
Truth and Reconciliation	8,107	39,500	(8,107)	39,500
Other				
Ta'n Etli-tpi'tmk	-	450,003	(112,894)	337,109
Own source revenue	1,739,912	-	(1,739,912)	-
Foodbank	44,155	-	(4,155)	40,000
Youth Centre	52,166	41,638	-	93,804
LSK Staff Fund	17,285	-	(4,989)	12,296
Pow Wow	-	10,000	-	10,000
	1,853,518	501,641	(1,861,950)	493,209
	\$ 21,649,512	\$ 44,713,237	\$ (39,507,120)	\$ 26,855,629

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

12. Due to minor band members

1. 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.
2. Annually from 2019 to 2024, Council approved Christmas bonuses of \$300 to be paid to each Band member. Band members are not entitled to receive their bonus until they attain the age of 18.

	2024	2023
Balance, beginning of year (2006 to 2011 period)	\$ 426,208	\$ 476,758
Deduct: payments related to previous years (2006 to 2011 period)	(54,750)	(50,550)
Subtotal	371,458	426,208
Balance, beginning of year (2019 to 2024 period)	709,250	761,900
Add: current year bonus amounts payable	202,200	12,500
Deduct: payments related to previous years (2019 to 2024 period)	(43,100)	(65,150)
Subtotal	868,350	709,250
Balance, end of year	\$ 1,239,808	\$ 1,135,458

13. Investments

	2024	2023
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)	(1,977)
Investment in 3292609 Nova Scotia Limited (Tidal Bore)	2,649,033	2,717,552
	\$ 2,647,059	\$ 2,715,578

14. Long-term debt

	2024	2023
Royal Bank of Canada		
Section 95 housing project mortgages due between August and September 2024, bearing interest at 1.54% to 2.72%, payable in equal monthly amounts of principal and interest totaling \$2,994. Mortgages are guaranteed by the Minister of Indigenous Services Canada.	\$ 21,206	\$ 57,869

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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14. Long-term debt, continued

	2024	2023
Canada Mortgage and Housing Corporation Section 95 housing project mortgages due May 2024 to April 2029, bearing interest at 0.74% to 3.98%, payable in equal monthly amounts of principal and interest totaling \$23,993. Mortgages are guaranteed by the Minister of Indigenous Services Canada.	3,364,385	3,570,802
First Nations Finance Authority 1.90% loan, payable \$130,882 monthly including interest, due June 2030, secured by Clearwater Seafood Limited revenue stream	34,824,818	35,728,591
First Nations Finance Authority 4.28% loan, payable \$76,927 monthly including interest, due June 2034, secured by Clearwater Seafood Limited revenue stream (Sub debt Series A)	14,991,014	-
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	2,985,378	3,152,605
Royal Bank of Canada 2.85% loan, payable in equal monthly amounts of principal and interest totalling \$23,318, due August 2024, secured by Hammonds Plains entertainment centre	4,555,748	4,703,425
	60,742,549	47,213,292
Current portion	\$ 1,484,040	\$ 1,478,350

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:

2024-25	\$ 1,484,040
2025-26	1,495,855
2026-27	1,529,825
2027-28	1,564,951
2028-29	1,600,575
2029 and thereafter	53,067,304
	\$ 60,742,549

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15. Tangible Capital Assets

	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization of year	Balance, end of year	2024 net book value
	\$		\$	\$	\$	\$	\$
Land	2,241,402	841,534	3,082,936	-	-	-	3,082,936
Buildings	13,802,308	697,418	14,499,726	3,062,699	554,416	3,617,115	10,882,611
Vehicles	1,929,872	834,164	2,764,036	1,696,111	195,134	1,891,245	872,791
Community housing	21,872,506	6,115,349	27,987,855	12,675,939	696,443	13,372,382	14,615,473
Furniture and equipment	1,118,080	58,297	1,176,377	911,958	47,054	959,012	217,365
Community centre	2,958,266	-	2,958,266	2,895,293	12,595	2,907,888	50,378
Pump/gaming renovations	30,896	-	30,896	29,663	246	29,909	987
Administration building	917,433	-	917,433	832,349	8,509	840,858	76,575
Health centre	873,671	-	873,671	753,744	11,993	765,737	107,934
P-12 school	7,654,484	-	7,654,484	3,925,866	186,431	4,112,297	3,542,187
Recreational facilities	246,593	-	246,593	184,739	6,185	190,924	55,669
Infrastructure	4,246,489	10,000	4,256,489	3,437,766	65,098	3,502,864	753,625
Public works dept	1,798,116	335,587	2,133,703	1,511,825	90,817	1,602,642	531,061
Roads	1,996,384	-	1,996,384	1,177,984	65,472	1,243,456	752,928
Fishing vessels and zodiacs	2,977,831	-	2,977,831	1,389,835	238,199	1,628,034	1,349,797
	\$ 64,664,331	\$ 8,892,349	\$ 73,556,680	\$ 34,485,771	\$ 2,178,592	\$ 36,664,363	\$ 36,892,317

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	Balance, beginning of year	Cost	Accumulated amortization	2023 Net book value
	Balance, beginning of year	Balance, end of year	Balance, end of year	
		Additions	Amortization	
Land	\$ 2,241,402	\$ -	\$ -	\$ 2,241,402
Buildings	11,877,228	1,925,080	466,305	10,739,609
Vehicles	1,872,298	57,574	87,846	233,761
Community housing	21,646,558	225,948	506,686	9,196,567
Furniture and equipment	1,123,065	(4,985)	58,285	206,122
Community centres	2,958,266	-	15,743	62,973
Pump/gaming renovations	30,896	-	309	1,233
Administration building	917,433	-	9,453	85,084
Health centre	873,671	-	13,325	119,927
P-12 school	7,654,484	-	196,628	3,728,618
Recreational facilities	246,593	-	6,873	61,854
Infrastructure	4,246,489	-	70,324	808,723
Public works dept	1,798,116	-	71,573	286,291
Roads	1,996,384	-	71,166	818,400
Fishing vessels and zodiacs	2,977,831	-	280,235	1,587,996
	\$ 62,460,714	\$ 2,203,617	\$ 1,854,751	\$ 30,178,560

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16. Prepaid expenses

	2024	2023
Principal and interest - FNFA	\$ 429,219	\$ 236,015
Retainer - consulting	-	5,000
Other	2,645	8,359
	<u>\$ 431,864</u>	<u>\$ 249,374</u>

17. Due from related parties

The First Nation advanced funds to a related party with the following amount outstanding at March 31, 2024:

Wallace Hill Development Inc. - \$513,798 (2023 - \$513,798)

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.

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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 independent auditor's report.

Additionally, 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.

A civil claim was filed against Sipekne'katik on December 2, 2021 by Mi'kmaw Family and Children's Services of Nova Scotia (MFCS) seeking reimbursement for the value of a building constructed by the MFCS in the Sipekne'katik Community. Though the amount in dispute is in the \$2,000,000 - \$2,500,000 range, the precise value of the claim is unknown as is the likelihood of success by the claimant.

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 \$13,899,841 (2023 - \$6,384,217). 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.

Liquidity risk

The First Nation does have a liquidity risk in the operating loan, accounts payable and accrued liabilities of \$2,268,848 (2023 - \$1,791,541). 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.

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.

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. Revenue related to funding amendments received during the fiscal year have been added, however budgeted expenditures have not been added to the original budgeted figures.

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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 \$297,696 (2023 - \$298,330) during the year.

24. Annual Surplus Net of Capital Related Revenues and Amortization

	2024	2023
Annual surplus	\$ 6,665,068	\$ 4,005,364
Deduct: Federal government transfers for capital	(2,943,717)	(1,560,674)
Deduct: Provincial government transfers for capital	(297,678)	-
Add: Amortization expense included in annual surplus	2,178,592	1,854,750
Total adjustments	(1,062,803)	294,076
Annual surplus net of capital related revenues and amortization	\$ 5,602,265	\$ 4,299,440

25. Expenses by object

	2024	2023
Wages and benefits	\$ 16,788,695	\$ 15,218,285
Community support/disbursements	305,837	877,654
Cost of goods sold	10,620,281	9,796,824
Social program expenses	11,255,865	9,533,447
Health program expenses	697,468	1,202,027
Travel	457,889	274,139
Tuition	1,496,170	1,463,724
Supplies and services	15,176,517	13,997,812
Interest and bank charges	1,281,998	1,152,174
Professional services	736,468	655,656
Repairs	1,081,381	1,143,882
Other	5,380,843	4,663,915
Amortization	2,178,592	1,854,750
Total	\$ 67,458,004	\$ 61,834,289