

Millbrook First Nation
Consolidated Financial Statements
March 31, 2024



Millbrook First Nation

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For the year ended March 31, 2024

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To the Members of Millbrook First Nation:

Opinion

We have audited the consolidated financial statements of Millbrook First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statements of operations and accumulated surplus, changes 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.

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, changes in its net debt 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.

Emphasis of Matter - Comparative Information

As part of our audit of the consolidated financial statements of the First Nation for the year ended March 31, 2024, we also audited the adjustments described in Note 12 that were applied to restate the consolidated financial statements for the year ended March 31, 2023. In our opinion, such adjustments are appropriate and have been properly applied.

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 unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

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

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 consolidated financial statements.

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

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

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.

Truro, Nova Scotia

July 25, 2024

MNP LLP

Chartered Professional Accountants

MNP

Millbrook First Nation
Consolidated Statement of Financial Position
As at March 31, 2024

	2024	2023 (Restated - Note 12)
Financial assets		
Cash and cash equivalents	18,188,766	13,233,295
Restricted cash (Note 4)	14,657,118	13,270,153
Accounts receivable (Note 5)	5,011,138	10,803,465
Inventory for resale	442,043	702,001
Funds held in trust (Note 6)	389,029	390,388
Loans receivable (Note 7)	8,808,602	10,222,297
Investments in partnerships (Note 8)	3,430,436	3,734,846
Investments (Note 9)	2,225,388	2,188,678
Total financial assets	53,152,520	54,545,123
Liabilities		
Accounts payable and accruals	4,183,510	7,677,662
Term loans due on demand (Note 11)	84,862	225,186
Asset retirement obligations (Note 12)	976,000	934,000
Deferred revenue (Note 13)	4,537,263	318,045
Capital reserve (Note 7)	474,549	340,191
Long-term debt (Note 14)	52,242,424	56,042,196
Total financial liabilities	62,498,608	65,537,280
Net debt	(9,346,088)	(10,992,157)
Commitments (Note 22)		
Contingencies (Note 23)		
Subsequent events (Note 25)		
Non-financial assets		
Tangible capital assets (Note 1)	88,235,745	85,503,227
Prepaid expenses	250,376	50,037
Fishing licenses and permits (Note 15)	6,761,479	6,676,979
Total non-financial assets	95,247,600	92,230,243
Accumulated surplus (Note 16)	85,901,512	81,238,086

Approved on behalf of the Council



Chief



Councilor

Millbrook First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2024

	<i>Schedules</i>	<i>2024 Budget (Note 28)</i>	<i>2024</i>	<i>2023 (Restated – Note 12)</i>
Revenue				
Indigenous Services Canada		14,155,025	21,934,764	19,978,353
M'ikmaq Employment Training Secretariat		502,895	651,088	707,464
Canada Mortgage and Housing Corporation		4,075,000	413,092	465,739
Additional government funding		4,069,377	6,361,261	2,225,144
Gaming (Note 17)		9,267,000	11,249,489	9,441,491
Fisheries operations (Note 18)		6,679,428	2,843,604	5,139,512
Retail		10,767,881	9,774,632	10,881,844
Rental income		6,594,460	8,265,944	7,232,243
Taxation		1,732,881	1,057,262	1,036,207
Land lease		-	781,121	762,020
Interest income		3,213,374	4,403,151	2,573,516
Other revenue		2,000,717	1,865,637	1,433,329
Earnings from investment in Nation partnerships		-	156,697	15,710
		63,058,038	69,757,742	61,892,572
Program expenses				
Administration	4	13,550,828	13,425,515	11,562,878
Social Services	5	3,397,455	4,634,922	4,846,442
Education	6	5,879,653	8,836,870	5,718,578
Health	8	3,466,294	2,500,603	2,347,717
Operating and Maintenance	9	1,281,150	2,310,216	2,756,375
Housing	10	2,078,155	2,337,124	2,037,608
Rental	11	2,317,423	3,422,609	2,645,017
First Nation Economic Development	12	6,114,888	6,149,935	6,988,918
Gaming	13	6,557,140	6,497,606	6,551,187
Treaty Enterprises	14	3,098,534	3,600,070	3,272,383
Fisheries	15	4,657,669	3,569,514	3,838,912
Tobacco	16	6,921,063	7,809,332	7,145,592
		59,320,252	65,094,316	59,711,607
Operating surplus		3,737,786	4,663,426	2,180,965
Accumulated surplus, beginning of year		81,238,086	81,238,086	79,057,121
Accumulated surplus, end of year		84,975,872	85,901,512	81,238,086

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

Millbrook First Nation
Consolidated Statement of Change in Net Debt
For the year ended March 31, 2024

	2024 <i>Budget</i> (Note 28)	2024	2023 <i>(Restated -</i> Note 12)
Annual operating surplus	3,737,786	4,663,426	2,180,965
Purchases of tangible capital assets	(1,330,250)	(7,752,546)	(11,589,156)
Amortization of tangible capital assets	-	5,020,027	4,348,222
Purchase of fishing permit	-	(84,500)	-
Asset retirement obligations	-	-	(934,000)
	(1,330,250)	(2,817,019)	(8,174,934)
Acquisition (use) of prepaid expenses	-	(200,338)	202,142
Decrease (increase) in net debt	2,407,536	1,646,069	(5,791,827)
Net debt, beginning of year	(10,058,157)	(10,992,157)	(5,200,330)
Net debt, end of year	(7,650,621)	(9,346,088)	(10,992,157)

Millbrook First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2024

	2024	2023
	<i>(Restated - Note 12)</i>	
Cash provided by (used for) the following activities		
Operating activities		
Operating surplus	4,663,426	2,180,965
Non-cash items		
Amortization	5,020,027	4,348,222
Earnings from investment in partnerships	(156,697)	(15,710)
Imputed interest on loan	(196,938)	-
Accretion expense	42,000	-
	9,371,818	6,513,477
Changes in working capital accounts		
Accounts receivable	5,792,327	(4,637,103)
Inventory for resale	259,958	(189,942)
Prepaid expenses	(200,646)	202,143
Accounts payable and accruals	(3,494,152)	34,198
Deferred revenue	4,219,218	(15,839)
	15,948,523	1,906,934
Financing activities		
Advances of long-term debt	1,391,598	23,405,000
Repayment of long-term debt	(4,346,389)	(2,924,017)
Repayment of term loans due on demand	(140,324)	(135,802)
Change in capital reserve	134,358	11,052
	(2,960,757)	20,356,233
Capital activities		
Purchases of tangible capital assets	(7,752,546)	(11,589,156)
Purchase of fishing license	(84,500)	-
	(7,837,046)	(11,589,156)
Investing activities		
Distributions from investments	461,107	503,900
Change in funds held in trust	1,359	958,783
Repayment of loan receivable	765,651	595,650
Decrease (increase) in restricted cash	(1,386,695)	21,747
Purchase of investments	(36,671)	(3,489,241)
	(195,249)	(1,409,161)
Increase in cash resources	4,955,471	9,264,850
Cash resources, beginning of year	13,233,295	3,968,445
Cash resources, end of year	18,188,766	13,233,295

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

Millbrook First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

1. Operations

The Millbrook First Nation (the "First Nation") is located in the province of Nova Scotia, and provides various services to its members. Millbrook First Nation includes the Nation's members, government and all related entities that are accountable to the Nation and are controlled by the Nation.

2. Change in accounting policy

Revenue

Effective April 1, 2023, the First Nation adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of revenue under PS 3400 *Revenue*. The new standard establishes when to recognize and how to measure revenue, and provides the related financial statement presentation and disclosure requirements. Pursuant to these recommendations, the change was applied prospectively.

Under the new standard, revenue is differentiated between revenue arising from transactions that include performance obligations, referred to as "exchange transactions", and transactions that do not have performance obligations, referred to as "non-exchange transactions".

There was no material impact on the consolidated financial statements from the prospective application of the new accounting recommendations.

3. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Reporting entity consolidated

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for government business entities. Trusts administered on behalf of third parties by Millbrook First Nation are excluded from the First Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenue and expenses of its principal operating entities, which are both incorporated and unincorporated. The unincorporated entities are as follows:

- Millbrook Band Council which reports the general activities of the First Nation including Administration, Social Services, Education, Health, Operating and Maintenance and Trust Fund.
- Millbrook Band Housing Projects which reports the social housing assets of the First Nation, together with related activities.
- Millbrook Tobacco Store which reports on the First Nation's retail tobacco store operations.
- Millbrook Rental Authority which provides on-reserve housing to members.
- Millbrook Gaming Commission which reports the First Nation's gaming activities.
- Millbrook Treaty Enterprises operation which reports the First Nation's retail commercial operations.
- Millbrook First Nation Aboriginal Fisheries which reports the First Nation's commercial fishing operations.

Incorporated and unincorporated business entities, which are controlled by Millbrook Band Council are included in the consolidated financial statements. These are:

- 3031611 Nova Scotia Limited (Land holding).
- 3050587 Nova Scotia Limited (Sheet Harbour wharf).
- 3051802 Nova Scotia Limited (Aquaculture).
- 3051803 Nova Scotia Limited (Caldwell Glen apartments).

Millbrook First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

3. Significant accounting policies (Continued from previous page)

Reporting entity (Continued from previous page)

- 3061881 Nova Scotia Limited (Joggins Wharf).
- 3151517 Nova Scotia Limited (Mill Mel partnership holding).
- 3336402 Nova Scotia Limited (Hampton Inn holding).
- 3288180 Nova Scotia Limited (Millbrook Cultural & Heritage Centre).
- 3288613 Nova Scotia Limited (Millbrook Finance Authority).
- 3043339 Nova Scotia Limited (Von Dutch Marine).
- 3269804 Nova Scotia Limited (Truro Millbrook Wind Limited Partnership holding).
- 3233312 Nova Scotia Limited (Aquaculture sublease).
- 3310689 Nova Scotia Limited (Cheese Curds & Habaneros franchise).
- 3338113 Nova Scotia Limited (125 Millbrook Ave).
- Mill Mel Residential Developments Partnership.
- Millbrook First Nation Economic Development Corporation Limited.
- Millbrook Technologies Inc.
- Millbrook First Nation 1919 Land Claim Trust.

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific segment.

The Millbrook First Nation Children's Trust is not included in the consolidated financial statements as the trust is administered and controlled by the Trustee for the benefit of members of the Nation and not the Nation itself.

Millbrook First Nation business entities, owned or controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the government business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- We'Kopekwit Service Hotel Limited Partnership.
- Truro Millbrook Wind Limited Partnership.
- Scotiabank Inc.

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Millbrook First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

3. Significant accounting policies (Continued from previous page)

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 normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets, prepaid expenses, deferred development costs and fishing licenses and permits.

Net financial assets (net debt)

The First Nation's financial statements are presented so as to highlight net financial assets (net debt) as the measurement of financial position. The net financial assets (net debt) of the First Nation is determined by its financial assets less its liabilities. Net financial assets (net debt) combined with non-financial assets comprise a second indicator of financial position, accumulated operating surplus.

Segments

The First Nation conducts its business through fourteen reportable segments: Administration, Social Services, Education, Health, Operating and Maintenance, Housing, Rental, First Nation Economic Development, Gaming, Treaty Enterprises, Fisheries, Tobacco, Trust Fund and 1919 Land Claim. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Administration fees have been apportioned based on a percentage of budgeted revenue, where permitted by the funder.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements. Inter-segment transfers are recorded at their exchange amount.

Cash and cash equivalents

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Inventory for resale

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Funds held in Trust

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in the statement of operations. Trust moneys consist of:

- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Portfolio investments

Portfolio investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment.

Millbrook First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

3. Significant accounting policies (Continued from previous page)

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution.

When conditions indicate that a tangible capital asset no longer contributes to the First Nation's ability to provide goods and services, or that the value of future economic benefits associated with a tangible capital asset is less than its net book value, the First Nation reduces the cost of the asset to reflect the decline in its value. Write-downs of tangible capital assets are not reversed.

Amortization

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	Rate
Buildings	straight-line	2.5, 4 and 5 %
Buildings	straight-line	15 years
Equipment	declining balance	20-30 %
Equipment	straight-line	10-20 %
Roads	straight-line	4-10 %
Water tower	straight-line	4 %
Land improvements	straight-line	6.67 %
Boats	straight-line	10 %
Vehicles	declining balance	10-30 %
Wharf	straight-line	5 %

Purchased fishing licenses and permits

The First Nation records all purchased commercial fishing licenses and permits as intangible assets. All other permits and licenses owned by Millbrook First Nation Aboriginal Fisheries have been granted for a nil consideration and therefore have not been capitalized.

Asset retirement obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the First Nation to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at March 31, 2024. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. The First Nation recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Millbrook First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

3. Significant accounting policies (Continued from previous page)

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2024.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Revenue recognition

Government Transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Externally restricted revenue

The First Nation recognizes externally restricted inflows as revenue in the period the resources are used for the purpose specified in accordance with an agreement or legislation. Until this time, the First Nation records externally restricted inflows in deferred revenue.

Funds held in Ottawa Trust Fund

Due to measurement uncertainty, revenue related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

Tax revenue

The First Nation recognizes taxes as assets and revenue when they meet the definition of an asset; are authorized by a legislature, council, or legislative convention; and the taxable event has occurred.

Tax revenue is initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with tax legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition. At each financial statement date, the First Nation evaluates the tax receivable for collectability and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

Other revenues

Rental revenue is recognized in the period it is earned as agreed to by the rental entities and their tenants.

Revenue from business operations are recorded as revenue when earned at the point of sale.

Interest and other revenues are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Net gaming revenue from video lottery net of corresponding direct expenses are recognized at the time of play and are recorded net of commissions and credits paid out. Other gaming revenues are recognized as earned when received or receivable as long as collection is reasonably assured.

Employee future benefits

The First Nation's employee future benefit programs consist of a defined contribution pension plan. First Nation contributions to the defined contribution plan are expensed as incurred.

Millbrook First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

3. Significant accounting policies (Continued from previous page)

Measurement uncertainty - Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Investment impairments are based on the net recoverable value of the investment.

A liability for asset retirement obligations reflects management's best estimate of the amount required to retire the related tangible capital asset (or component thereof). The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future asset retirement.

Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the consolidated financial statements of changes in such estimates and assumptions in future years could be significant. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the years in which they become known.

Financial instruments

The First Nation recognizes its financial instruments when the First Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the First Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The First Nation has not made such an election during the year.

The First Nation subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. Interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating operating surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years, recent collection experience for the loan, such as a default or delinquency in interest or principal payments, etc. in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Millbrook First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

4. Restricted cash

	2024	2023
First Nation Finance Authority ("FNFA") holds a 5% deposit on loans	526,152	513,730
CMHC Subsidy surplus	3,642,966	2,764,469
1919 Land Claim held in trust	<u>10,488,000</u>	<u>9,991,954</u>
	14,657,118	13,270,153

5. Accounts receivable

	2024	2023
Trade receivable	3,630,802	7,426,281
Government funding receivable	1,391,438	3,249,840
Members	75,395	72,055
Miscellaneous	90,155	55,289
	5,187,790	10,803,465
Less: Allowance for doubtful accounts	<u>176,652</u>	<u>-</u>
	5,011,138	10,803,465

6. Funds held in trust

Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the First Nation's Council.

	2024	2023
Capital Trust		
Balance, beginning of year	-	4,349
Transfers to nation	-	(4,349)
Balance, end of year	-	-
Revenue Trust		
Balance, beginning of year	390,388	1,344,822
Interest	-	23,128
Lease revenue	781,121	736,343
Transfers to Nation	(782,480)	(1,713,905)
Balance, end of year	389,029	390,388

Millbrook First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

7. Loans receivable

Loans receivable consist of the following:

	<i>Principal</i>	<i>Allowance</i>	<i>2024 Net recoverable value</i>	<i>2023 Net recoverable value</i>
8.0% leasehold allowance reimbursement loan to OnX Enterprise Solutions, monthly principal and interest payments of \$67,973, secured by specific equipment to which the receivable relates.	2,930,545	-	2,930,545	3,487,300
Discount on lease line of credit (Note 14)	(648,043)	-	(648,043)	-
5.25% term loan to We'Kopekwitk Service Hotel Limited Partnership, monthly payments of interest only, maturing fiscal 2024, secured by a general security agreement.	6,301,600	-	6,301,600	6,510,497
6.00% demand loan to We'Kopekwitk Service Hotel Limited Partnership, with interest calculated and payable quarterly, no set terms for principal repayment.	224,500	-	224,500	224,500
	8,808,602	-	8,808,602	10,222,297

The First Nation waived principal and interest payments commencing June 1, 2020 until January 1, 2023 on the loans to We'Kopekwitk Service Hotel Limited Partnership as a result of the COVID-19 pandemic.

We'Kopekwitk Service Hotel Limited Partnership, is required to pay 4% of the gross revenue on a monthly basis to the First Nation as a capital reserve. The balance of the capital reserve as at March 31, 2024 is \$474,549 (2023 - \$340,191). The Limited Partnership can make an application to have any capital costs associated with the Hotel building reimbursed from this fund.

8. Investments in partnerships

The First Nation has investments in the following entities:

	<i>Opening balance</i>	<i>Share of earnings (loss)</i>	<i>Cash distribution</i>	<i>2024 Closing balance</i>
Business Partnerships – Modified Equity:				
We'Kopekwitk Service Hotel Limited Partnership - 97%	1,640,126	(110,789)	-	1,529,337
Truro Millbrook Wind Partnership - 51%	94,720	267,487	(461,108)	(98,901)
Scotiabank Inc. - 50%	2,000,000	-	-	2,000,000
	3,734,846	156,698	(461,108)	3,430,436
	<i>Opening balance</i>	<i>Share of earnings (loss)</i>	<i>Cash distribution</i>	<i>2023 Closing balance</i>
Business Partnerships – Modified Equity:				
We'Kopekwitk Service Hotel Limited Partnership - 97%	2,078,865	(438,739)	-	1,640,126
Truro Millbrook Wind Partnership - 51%	143,955	454,452	(503,687)	94,720
Scotiabank Inc. - 50%	2,000,000	-	-	2,000,000
	4,222,820	15,713	(503,687)	3,734,846

Millbrook First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

8. Investments in partnerships *(Continued from previous page)*

The First Nation's investees have a different year-end than March 31, 2024. The First Nation uses the investees' year-end financial statements to account for its investment.

The investment in We'Kopekwitk Service Hotel Limited Partnership was established for the purpose of developing and operating the hotel in a manner which provides long-term returns for the Partners.

The investment in Truro Millbrook Wind Limited Partnership was established for the purpose of developing and operating wind turbines in a manner which provides long-term returns for the Partners.

The investment in Scotiabank Inc. was established for the purpose of developing an inland container port. Net assets consist of land recorded at cost of \$4,000,000. This project is still in the planning and development stage.

Summary financial information for each business partnership, accounted for using the modified equity method, for their respective year-end is as follows:

	<i>We'Kopekwitk Service Hotel Limited Partnership As at December 31, 2023</i>	<i>Truro Millbrook Wind Limited Partnership As at December 31, 2023</i>
Assets		
Cash	506,367	289,597
Accounts receivable	148,984	319,939
Prepaid expenses	114,249	-
Restricted cash	437,419	100,000
Government remittances	211,819	-
Property, plant and equipment	8,503,287	9,203,462
Investments	-	99,252
Inventory	4,530	-
Right of use assets	-	95,858
Total assets	9,926,655	10,108,108
Liabilities		
Accounts payable and accruals	1,962,413	350,485
Lease obligation	-	101,760
Government remittances payable	24,198	-
Promissory note payable	224,500	-
Long-term debt	6,139,132	9,006,850
Current portion of long term debt	241,715	721,057
Current portion of lease liability	-	8,329
Due to related parties	-	2,089
Site restoration	-	112,611
Total liabilities	8,591,958	10,303,181
Net assets (debt)	1,334,697	(195,073)
Total revenue	3,340,225	2,570,043
Total expenses	3,454,442	2,045,558
Net income (loss)	(114,217)	524,485

Millbrook First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

8. Investments in partnerships (Continued from previous page)

Principal repayments on long-term debt of the First Nation's business enterprises in each of the next five years assuming long-term debt subject to refinancing is renewed, are estimated as follows:

	2025	2026	2027	2028	2029	Thereafter	Total
Long-term debt owed by business partnerships							
We'Kopekwitk Hotel Service LP	261,715	254,715	268,414	282,850	314,092	4,999,061	6,380,847
Truro Millbrook Wind Limited Partnership	721,057	747,286	787,191	829,445	874,190	5,793,349	9,752,518

9. Portfolio investments

	Number of shares	2024	2023
Measured at cost:			
Deer Lake Express Hotel Limited	192,000	300,000	300,000
Melford International Terminal Incorporated	250,000	333,105	333,105
Holloway Lodging Real Estate Investment Trust	5,750	11,544	11,544
ANSMC Cannabis GP	1	1	1
Beaubassin Mi'Kmaq Wind Management Ltd.	1	1	1
FN Offshore Clam Resource Sharing	1	1	1
	644,652	644,652	
Measured at fair value:			
Tilray Brands Inc.	54,727	3,184	55,000
GIC bearing interest at 4.7%, matures January 2025	-	1,577,553	1,489,025
	1,580,737	1,544,025	
	2,225,389	2,188,677	

10. Line of credit

The First Nation has a consolidated banking agreement with Royal Bank of Canada which provides an operating line of credit of \$5,000,000 (2023 - \$5,000,000) of which nil (2023 - nil) was drawn, renewable on an annual basis, and bearing interest at prime (2023 - prime).

As security, the First Nation has provided a general security agreement with a first ranking security interest in all property of the Band. Band Council resolutions have been provided to authorize specific borrowing.

11. Term loans due on demand

	2024	2023
3.98% RBC term loan repayable on demand, maturing October 2024, principal payments of \$12,272 monthly, secured as described in Note 14.	84,862	225,186

Principal repayments on long-term debt in each of the next two years

2025	2026
	84,862

Millbrook First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

12. Asset retirement obligations

The First Nation has buildings older than 1996 which contain hazardous materials to be remediated over the next few years. The First Nation recognized a liability for the asset retirement obligation and a corresponding amount has been capitalized as an asset retirement cost and added to the carrying value of the buildings. The asset retirement cost is amortized on a straight-line basis over the useful life of the buildings.

The Organization estimated the amount of the liability using the undiscounted future expenditures estimated for testing, abatement and remediation. The significant assumptions used to determine the best estimate of the liability include:

- A discount rate of 7.20%

	2024	2023
	<i>(Restated)</i>	
Balance, beginning of year		
Liabilities incurred	934,000	934,000
Accretion	42,000	-
Balance, end of year	976,000	934,000

During the year, the First Nation determined that the asset retirement obligations, as described above, were not reflected as a liability upon adoption of *PS 3280 Asset Retirement Obligations* for the year ended March 31, 2023. For 2024 and 2023 the impact of this correction has resulted in an increase in tangible capital assets of \$934,000 and increase in asset retirement obligations of \$934,000. There was no impact to opening accumulated surplus from the correction.

13. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Amounts recognized as revenue</i>	<i>Balance, end of year</i>
Canada Mortgage and Housing Corporation	33,107	9,219,250	4,975,460	4,276,897
Rent	284,938	-	24,572	260,366
	318,045	9,219,250	5,000,032	4,537,263

CMHC Housing Accelerator Fund

During the year, the First Nation recorded revenue of \$71,125 and a liability of \$549,375 related to its receipt of a capital transfer from Canada Mortgage and Housing Corporation ("CMHC"). The capital transfer agreement requires the First Nation to spend the funding on five specific initiatives over the next four years. As at March 31, 2024, the project was started.

CMHC National Housing Co-Investment Fund

During the year, the First Nation recorded revenue of \$496,358 and a liability of \$3,703,642 related to its receipt of a capital transfer from CMHC. The capital transfer agreement requires the First Nation to spend the funding on repair and/or renovation of affordable housing units on First Nation land. As at March 31, 2024, the housing project has been started.

CMHC Rapid Housing Initiative

During the year, the First Nation recorded revenue of \$4,398,750 a liability of \$NIL related to its receipt of a capital transfer from CMHC. The capital transfer agreement requires the First Nation to spend the funding on building at least 34 new affordable housing units for First Nation members. As at March 31, 2024, approximately 44 homes were under construction or substantially complete.

Millbrook First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

14. Long-term debt

	2024	2023
6.62% term loan, payable on demand, maturing August 2025, principal repayments of \$12,799 monthly, secured by guarantee of Millbrook Band Council	786,430	553,027
CMHC mortgages payable in monthly instalments of \$42,073 interest payable between 0.79%-3.96% per annum, due for renewal between August 2024 and July 2028 and maturing between April 25 and July 2048, secured by a ministerial guarantee by ISC.	5,286,763	4,842,332
Royal Bank of Canada mortgages, bearing interest between 2.94% and 5.78% per annum, repayable in blended monthly payments of \$137,029 maturing between December 2025 and November 2053, and is secured by buildings with a net book value of \$24,579,797 and a general assignment of rents and leases.	23,315,191	23,390,774
2.95% First Nations Finance Authority - Bond Series debt, repayable in monthly fixed principal payments of \$26,051 and interest payments of \$20,300, adjusted annually for actuarial adjustments, due for renewal June 1, 2025; secured by revenues of the Millbrook Gaming Commission.	5,888,367	6,265,028
Royal Bank of Canada loans, bearing interest between 3.98% and 6.76% per annum, repayable in blended monthly payments of \$125,178 maturing between April 2024 and April 2028 and secured as described below.	5,085,772	6,755,888
RBC lease line of credit, maturing January 2024, repayable in monthly instalments of \$56,977 and secured as described below.	2,915,519	4,480,145
Discount on lease line of credit at 5.67%	(648,043)	-
Royal Bank of Canada term loan, bearing interest at 5.15%, repayable in blended monthly payments of \$47,484, maturing in May 2027, and secured by a general assignment of rents, a guarantee and postponement of claim in the amount of \$9,775,000 signed by Millbrook Band Council supported by a Band council resolution, letter of undertaking signed by Millbrook Band Council and a certificate of fire insurance	7,866,947	-
Royal Bank of Canada term loan, bearing interest at 5.15%, repayable in blended monthly payments of \$10,535, maturing in May 2027, and secured by a general assignment of rents, a guarantee and postponement of claim in the amount of \$9,775,000 signed by Millbrook Band Council supported by a Band council resolution, letter of undertaking signed by Millbrook Band Council and a certificate of fire insurance	1,745,479	-
Retired construction loan.	-	9,755,000
	52,242,425	56,042,194

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

	Total
2025	2,844,865
2026	2,593,723
2027	2,436,746
2028	2,318,237
2029	2,118,352

Millbrook First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

14. Long-term debt (Continued from previous page)

The Royal Bank of Canada demand loan and term loans are secured by a general security agreement constituting a first ranking security interest in all personal property of the First Nation, a guarantee and postponement of claim of \$25,600,000 from Millbrook First Nation supported by a Band council resolution, assignment of fire insurance and rents on specific properties, leasehold mortgages of \$37,150,000 on specific properties and a letter of undertaking signed by Millbrook First Nation agreeing to cover any debt servicing shortfalls.

15. Fishing Licenses and Permits

	2024	2023
District 35 Lobster License #111601	2,300,000	2,300,000
District 35 Lobster License #112025	2,300,000	2,300,000
Lobster License #2371	84,500	-
Area 26A Lobster License #006833	625,000	625,000
Area 23 Snow Crab Allocation Permit #152701	225,000	225,000
Area 23 Snow Crab Allocation Permit #152716	806,978	806,978
Area 24 Snow Crab Allocation Permit #152739	210,000	210,000
Area 24 Snow Crab Allocation Permit #152741	210,000	210,000
	6,761,478	6,676,978

The First Nation records purchased commercial fishing licenses as intangible assets. Any permits that are contributed or obtained in a method other than purchase, have been allocated a value of nil and have not been recorded as capital expenditures as a result. These licenses and permits have been disclosed below.

<u>Species</u>	<u>Area</u>	<u># of Tags/Quota</u>
Ground-Fish	Digby	35,000 lbs
Lobster	35-Digby	7 tags
Lobster	32-Sheet Harbour	2 tags
Tuna	Canso	5,000 lbs
Tuna	Pictou/Canso	4 tags

16. Accumulated Surplus

The First Nation designates and tracks separately the following funds and reserves in accordance with internal management policies. These funds are designated to assist with fund management and to comply with legislation.

	2024	2023
Operating fund		
Surplus, beginning of year	33,123,610	17,969,982
Annual surplus	4,663,428	2,180,963
Tangible capital assets & fishing licenses and permits	(2,541,783)	11,958,988
Trust Fund	1,359	(759,471)
Replacement reserve	108,762	159,897
Transfers, net	(108,693)	1,613,251
 Surplus, end of year	35,246,683	33,123,610

Millbrook First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2024

16. Accumulated Surplus (Continued from previous page)

	2024	2023
Investment in Tangible assets & Fishing licenses and permits		
Surplus, beginning of year	47,723,998	59,682,986
Amortization	(5,020,027)	(4,348,222)
Additions	7,795,046	13,589,156
Issuance of capital debt	(1,391,598)	(23,405,000)
Repayment of capital debt	1,158,362	2,205,078
Surplus, end of year	50,265,781	47,723,998
Trust Fund Equity		
Surplus, beginning of year	390,388	1,349,170
Land lease	766,700	759,471
Transfer to operating fund	(768,059)	(1,718,253)
Surplus, end of year	389,029	390,388
Replacement Reserve Fund		
Surplus, beginning of year	88	54,983
Withdrawals from Replacement Reserve, net of interest income	(108,762)	(159,897)
Transfer from operating fund	108,693	105,002
Surplus, end of year	19	88

The operating fund represents amounts available to offset future operational revenue requirements. The investment in tangible capital assets fund represents amounts available to finance capital projects. The trust fund equity represents funds held in trust by the Government of Canada for land leasing transactions. The replacement reserve fund represents amounts set aside under the terms of the agreement with CMHC to ensure repair and maintenance of buildings financed by CMHC.

17. Gaming revenues, net

	2024	2023
VLT Cash in	54,674,507	43,769,291
VLT Cash out	(43,696,700)	(34,747,757)
Province of Nova Scotia Gaming Agreement	271,682	266,734
Other lottery revenues	-	153,223
Surplus, end of year	11,249,489	9,441,491

18. Digby Lobster

Millbrook Fisheries records Digby Lobster revenue on a net basis, gross amounts are shown below.

	2024	2023
Revenue		
Digby Lobster	3,612,002	2,407,423
Expenses		
Wages	(2,965,358)	(1,885,112)
Surplus, end of year	646,644	522,311

Millbrook First Nation
Notes to the Consolidated Financial Statements
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19. Replacement reserve

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the Nation established the following:

- A replacement reserve has been established for replacement of capital equipment and for major repairs to the houses. At March 31, 2024, \$19 (2023 - \$88) has been set aside to fund this reserve. The unfunded portion at March 31, 2024 was \$19 (2023 - \$88).
- A subsidy surplus reserve established by retaining excess federal assistance payments received for Post 1996 housing projects. Reserve funds may be used to meet future subsidy requirements of income tested occupants, over and above the maximum federal assistance. At March 31, 2024, \$596,423 (2023 - \$587,322) has been set aside to fund this reserve. The unfunded portion at March 31, 2024 was \$596,423 (2023 - \$587,322).

In accordance with terms of the agreements, CMHC reserve moneys must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

20. Millbrook First Nation Children's Trust

The First Nation established trust accounts to control member allowances for children under the age of nineteen. The principal and interest are held in trust by an independent financial institution. Upon turning nineteen years of age, the principal and accumulated interest are paid to the individual Band member. The fair value of the investments held in Trust as at March 31, 2024 is \$20,672,582.

21. Retirement service awards

The First Nation has a policy which provides its Chief and Council members, upon retirement an award in recognition of service, equal to \$1,000 for each year of service for Chief and Council. The liability at March 31, 2024 is \$255,000 (2023 - \$243,000).

During the year, the First Nation paid out retirement allowances of nil (2023 - nil).

22. Commitments

On August 1, 1987, the First Nation entered into a tuition agreement with Chignecto-Central Regional School Board respecting the provision of education services to Indigenous children. The cost to the First Nation is based on the net operating expenditures of the school board prorated by the Indigenous student ratio enrolment in the schools administered by the School Board.

23. Contingencies

The First Nation entered into a ten year funding agreement with Indigenous Services Canada, effective April 1, 2019, to be renewed April 1, 2029. These funds are to be used to provide certain programs and services to band members and recipients as defined in the agreement.

The First Nation has entered into contribution agreements with various government departments. Funding received under these contribution agreements are subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

One of the First Nation's incorporated companies has provided a guarantee of \$67,800 for an outstanding loan of Amherst 8 Motel Limited.

The First Nation may, from time to time, be involved in legal proceedings, claims and litigation that arise in the normal course of business, which the First Nation believes would not reasonably be expected to have a material adverse effect on its financial position.

The First Nation has issued guarantees for third-party loans to band members participating in its on-reserve housing program, with a total guarantee limit of up to \$2,000,000.

Millbrook First Nation
Notes to the Consolidated Financial Statements
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24. Economic dependence

Millbrook First Nation receives a significant portion of its revenue from Indigenous Services Canada as a result of Treaties entered into with the Government of Canada. These treaties are administered by Indigenous Services Canada under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

25. Subsequent events

Subsequent to year-end, the First Nation entered into a contract for the construction of residential real estate in the amount of \$25 million.

Subsequent to year-end, the First Nation entered into a contribution agreement for \$1 million for a solar power generation project.

26. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

27. Budget information

The disclosed budget information has been approved by the Chief and Council of the Millbrook First Nation at the council meeting held on April 25, 2023.