

**Millbrook First Nation
Consolidated Financial Statements
For the Year Ended March 31, 2025**

**Millbrook First Nation
Consolidated Financial Statements
For the Year Ended March 31, 2025**

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Millbrook First Nation are the responsibility of management and have been approved by the Chief and Council.

These 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. Management is responsible 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.

The Chief and Council are 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.

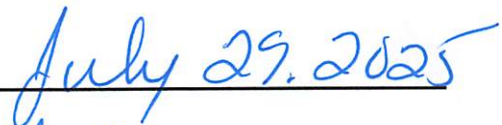
The external auditors, BDO Canada LLP, conduct an audit, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have access to management of the Millbrook First Nation and meet when required.

On behalf of Millbrook First Nation:



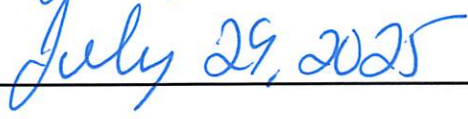
Chief

Date



Councillor

Date



Independent Auditor's Report

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, 2025, the consolidated statements of operations, changes in net debt and cash flows 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, 2025, and its consolidated results of operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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.

Other Matter

The consolidated financial statements for the year ended March 31, 2024, were audited by another auditor who expressed an unmodified opinion on those financial statements on July 24, 2024.

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 accounting standards for not-for-profit organizations, 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.



- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

BDO Canada LLP

Chartered Professional Accountants

Halifax, Nova Scotia
July 29, 2025

Millbrook First Nation

Consolidated Statement of Financial Position

March 31 2025 2024

Financial assets

Cash and cash equivalents	\$ 6,311,778	\$ 18,188,766
Restricted cash (Note 3)	16,987,292	14,657,118
Accounts receivable (Note 4)	8,085,597	5,011,138
Inventories	500,913	442,043
Funds held in trust (Note 5)	380,159	389,029
Loans receivable (Note 6)	8,113,161	8,808,602
Investments in partnerships (Note 7)	3,293,419	3,430,436
Long-term investments (Note 8)	34,853,160	2,225,387

Total financial assets \$ 78,525,479 \$ 53,152,519

Liabilities

Accounts payable and accruals	\$ 6,723,331	\$ 4,183,510
Term loans due on demand (Note 10)	-	84,862
Asset retirement obligations (Note 11)	985,090	976,000
Deferred revenue (Note 12)	4,715,717	4,537,263
Capital reserve (Note 6)	454,247	474,549
Long-term debt (Note 13)	85,073,422	52,242,424

Total financial liabilities 97,951,807 62,498,608

Net debt \$ (19,426,328) \$ (9,346,089)

Non-financial assets

Tangible capital assets (Schedule 1)	\$ 98,519,274	\$ 88,235,745
Prepaid expenses	106,226	250,376
Fishing licenses and permits (Note 14)	6,761,479	6,761,479

Total non-financial assets 105,386,979 95,247,600

Total assets \$ 85,960,651 \$ 85,901,511


Commitments (Note 21)

Contingencies (Note 22)

Subsequent Events (Note 24)

On behalf of the Council:

 Chief

 Councillor

Millbrook First Nation Consolidated Statement of Changes in Net Debt

For the year ended March 31	2025 Budget	2025	2024
Annual operating surplus	\$ 2,776,192	\$ 59,139	\$ 4,663,427
Purchases of tangible capital assets	(675,000)	(16,028,493)	(7,752,546)
Amortization and accretion of tangible capital assets	-	5,744,964	5,020,027
Purchase of fishing permit	-	-	(84,500)
Acquisition (use) of prepaid expenses	-	144,150	(200,646)
Decrease (increase) in net debt	2,101,192	(10,080,240)	1,645,762
Net debt, beginning of year	(9,346,087)	(9,346,087)	(10,991,849)
Net debt, end of the year	\$ (7,244,895)	\$ (19,426,327)	\$ (9,346,087)

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

Millbrook First Nation Consolidated Statement of Operations

For the year ended March 31	Schedules	2025 Budget	2025	2024
Revenue				
Indigenous Services Canada		\$ 15,817,337	\$ 18,696,887	\$ 21,934,764
Mi'kmaq Employment & Training Secretariat		510,369	828,410	651,088
Canada Mortgage and Housing Corporation		9,144,250	395,919	413,092
Additional government funding		2,332,696	8,001,677	6,361,261
Gaming (Note 16)		11,462,540	11,233,320	11,249,489
Fishing		5,926,430	3,780,533	2,843,604
Retail		10,365,000	8,777,101	9,774,632
Rental income		6,520,176	7,983,373	8,265,944
Taxation		851,000	1,207,587	1,057,262
Land lease		-	785,541	781,121
Interest income		996,195	3,917,561	4,403,151
Other revenue		305,197	2,507,703	1,865,637
Earnings from investment in Nation partnerships (Note 7)		-	377,282	156,697
Income from investment in Pure Casino Gaming Limited Partnership		-	633,911	-
		64,231,190	69,126,805	69,757,742
Program expenses				
Administration	4	13,833,459	15,178,581	13,425,515
Social services	5	4,102,400	3,056,265	4,634,922
Education	6	5,997,777	7,012,160	8,836,870
Health	8	2,477,429	3,086,025	2,500,603
Operating and maintenance	9	1,789,510	3,178,148	2,310,216
Housing	10	2,592,746	2,567,959	2,337,124
Rental	11	4,418,750	3,613,605	3,422,609
First Nation Economic Development	12	4,158,679	7,467,256	6,149,935
Gaming	13	6,604,640	6,718,237	6,497,606
Treaty Enterprises	14	3,097,022	3,813,603	3,600,069
Fisheries	15	4,560,970	5,968,139	3,569,514
Tobacco	16	7,814,550	7,407,688	7,809,332
		61,447,932	69,067,666	65,094,315
Operating surplus		2,783,258	59,139	4,663,427
Accumulated surplus, beginning of year		2,783,258	85,901,513	81,238,086
Accumulated surplus, end of year		\$ 5,566,516	\$ 85,960,652	\$ 85,901,513

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

Millbrook First Nation Consolidated Statement of Cash Flows

For the year ended March 31	2025	2024
Cash flows from operating activities		
Excess of revenues over expenses	\$ 59,139	\$ 4,663,427
Items not affecting cash:		
Amortization of capital assets	5,735,874	5,020,027
Earnings from investments in partnerships	(377,282)	(156,697)
Imputed interest on loan	(186,144)	(196,938)
Accretion expense	9,090	42,000
	<u>5,240,677</u>	<u>9,371,819</u>
Changes in non-cash working capital:		
Accounts receivable	(3,074,459)	5,792,327
Inventories	(58,871)	259,958
Prepaid expenses	144,150	(200,646)
Accounts payable and accrued liabilities	2,539,820	(3,494,152)
Deferred revenue	(178,454)	4,219,218
	<u>4,612,863</u>	<u>15,948,524</u>
Cash flows from investing activities		
Distributions from investments (Note 7)	514,299	461,107
Change in funds held in trust	(8,870)	1,359
Repayment of loan receivable	847,922	765,651
Decrease (increase) in restricted cash	(1,953,375)	(1,386,695)
Purchase (maturity) of investments	(32,627,772)	(36,671)
Acquisition of tangible capital assets	(16,028,493)	(7,752,546)
Acquisition of fishing license (Note 14)	-	(84,500)
	<u>(49,256,289)</u>	<u>(8,032,295)</u>
Cash flows from financing activities		
Proceeds from long-term debt	35,894,800	1,391,598
Repayment of long-term debt	(3,063,802)	(4,346,389)
Proceeds from demand loan	(84,862)	(140,324)
Change in capital reserve	20,302	134,358
	<u>32,766,438</u>	<u>(2,960,757)</u>
Net increase (decrease) in cash resources	(11,876,988)	4,955,472
Cash resources, beginning of the year	18,188,767	13,233,295
Cash resources, end of the year	\$ 6,311,779	\$ 18,188,767

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

Millbrook First Nation

Notes to Consolidated Financial Statements

March 31, 2025

1. Nature and Purpose of 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 First Nation and are controlled by the First Nation.

2. 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 partnerships.

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 Funds.
- 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 business entities, which are controlled by Millbrook Band Council are included in the consolidated financial statements. Are as follows:

- 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)
- 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)

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

2. Significant Accounting Policies (continued)

- 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 First Nation 1919 Land Claim Trust
- Millbrook Technologies Inc. (*Operations ceased in 2024*)
- We'kopekitk Entertainment Limited Partnership

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 First Nation and not the First Nation itself.

Millbrook First Nation business entities 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'Kopekwitk Service Hotel Limited Partnership
- Truro Millbrook Wind Limited Partnership
- Scotiairport Inc.

There is currently no activity within Scotiairport Inc.

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

2. Significant Accounting Policies (continued)

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.

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. Trust monies are generated primarily through land leasing transactions or interest earned on deposits held in trust.

Portfolio investments

There are no portfolio investments with prices quoted in an active market and therefore, no statement of remeasurement gains and losses is included within the consolidated financial statements.

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

2. Significant Accounting Policies (continued)

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:

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%
Land	not amortized	

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, 2025. 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.

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

2. Significant Accounting Policies (continued)

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.

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, primarily land lease revenue

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

Taxation 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

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

2. Significant Accounting Policies (continued)

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.

Retail and fisheries revenue is 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.

Measurement uncertainty - Use of estimates

The preparation of financial statements in conformity with the Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates included in these financial statements include the collectability of accounts receivable, estimated useful life of tangible capital assets, the recoverability of investments and the estimate of asset retirement obligations. Actual results could differ materially from these estimates.

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

2. Significant Accounting Policies (continued)

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

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable, accounts payable, and accrued liabilities are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

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. There are no financial instruments subsequently measured at fair value and therefore there is no statement of remeasurement gains and losses.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

2. Significant Accounting Policies (continued)

All financial instruments are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

3. Restricted Cash

	2025	2024
First Nation Finance Authority Debt Reserve Fund	\$ 2,251,587	\$ 526,152
CMHC Subsidy surplus	3,691,480	3,642,966
1919 Land Claim held in trust	11,044,225	10,488,000
	<u>\$ 16,987,292</u>	<u>\$ 14,657,118</u>

4. Accounts Receivable

	2025	2024
Trade receivable	\$ 5,866,232	\$ 3,405,348
Government funding receivable	1,682,742	1,616,140
Members	101,448	75,395
Miscellaneous receivable	561,084	90,907
	<u>8,211,506</u>	<u>5,187,790</u>
Allowance for doubtful accounts	<u>(125,909)</u>	<u>(176,652)</u>
	<u>\$ 8,085,597</u>	<u>\$ 5,011,138</u>

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

5. 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.

	<u>2025</u>	<u>2024</u>
Revenue Trust		
Balance, beginning of year	\$ 389,029	\$ 390,388
Lease revenue	785,541	781,121
Transfer to nation	<u>(794,411)</u>	<u>(782,480)</u>
Balance, end of year	<u>\$ 380,159</u>	<u>\$ 389,029</u>

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

6. Loans Receivable

Loans receivable consist of the following:

	2025 Net recoverable value	2024 Net recoverable value
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.	\$ 2,327,525	\$ 2,930,545
Discount on lease line of credit (Note 14)	(495,563)	(648,043)
5.25% term loan to We'Kopekwitk Service Hotel Limited Partnership, monthly payments of interest only, secured by a general security agreement. This loan matured during fiscal year 2024 and is being negotiated.	6,056,699	6,301,600
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
	\$ 8,113,161	\$ 8,808,602

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, 2025 is \$454,247 (2024 - \$474,549). The Limited Partnership can make an application to have any capital costs associated with the Hotel building reimbursed from this fund.

Millbrook First Nation

Notes to Consolidated Financial Statements

March 31, 2025

7. Investments in Partnerships

The First Nation has investments in the following entities:

	Opening balance	Share of earnings (loss)	Cash distribution	2025 Closing balance
Business Partnerships - Modified Equity:				
We'Kopekwitk Service Hotel Limited Partnership - 97%	1,529,336	(45,952) \$	-	1,483,384
Truro Millbrook Wind Partnership - 51%	(98,900)	423,234	(514,299)	(189,965)
Scotiaport Inc. - 50%	2,000,000	-	-	2,000,000
	3,430,436	377,282 \$	(514,299)	3,293,419

	Opening balance	Share of earnings (loss)	Cash distribution	2024 Closing balance
Business Partnerships - Modified Equity:				
We'Kopekwitk Service Hotel Limited Partnership - 97%	1,483,384	(110,790)	-	1,529,336
Truro Millbrook Wind Partnership - 51%	94,720	267,487	(461,107)	(98,900)
Scotiaport Inc. - 50%	2,000,000	-	-	2,000,000
	3,578,104	156,697 \$	(461,107)	3,430,436

The First Nation's investees have a different year-end than March 31, 2025. 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 a 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 Scotiaport Inc. was established for the purpose of developing an inland container port.

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

7. Investments in Partnerships (continued)

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

	We'Kopekwitk Service Hotel Limited Partnership As at December 31, 2024	Truro Millbrook Wind Limited Partnership As at December 31, 2024
Assets		
Cash	\$ 114,514	\$ 584,713
Accounts receivable	160,430	339,473
Prepaid expenses	132,790	-
Restricted cash	580,619	100,000
Government remittances	224,780	-
Property, plant and equipment	8,279,752	8,363,532
Investments	-	105,783
Inventory	11,024	-
Right of use assets	-	83,931
Total assets	9,503,909	9,577,432
Liabilities		
Accounts payable and accruals	1,867,028	351,549
Lease obligation	-	92,926
Government remittances payable	15,923	-
Promissory note payable	224,500	-
Long-term debt	5,884,417	8,263,237
Current portion of long term debt	254,715	747,286
Current portion of lease liability	-	8,834
Due to related parties	-	36,558
Site restoration	-	119,536
Total liabilities	8,246,583	9,619,926
Net assets (debt)	1,257,326	(42,494)
Total revenue	3,373,918	2,801,748
Total expenses	3,421,289	1,971,878
Net income (loss)	\$ (47,371)	\$ 829,870

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

7. Investments in Partnerships (continued)

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:

	2026	2027	2028	2029	2030	Thereafter	Total
We'Kopekwitk Hotel Service LP	274,715	268,414	282,850	298,062	314,092	4,700,999	6,139,132
Truro Millbrook Wind Limited Partnership	747,286	787,191	829,445	874,190	921,578	4,871,771	9,031,461
	1,022,001	1,055,605	1,112,295	1,172,252	1,235,670	9,572,770	15,170,593

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

8. Portfolio Investments

	Number of shares	2025	2024
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	11,543	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
GIC	1	24,265	1,577,552
Investment in Indigenous Gaming Partners Inc.	1	80,000	-
Investment in Pure Casino Gaming Limited Partnership	9,999	34,101,060	-
Tilray Brands Inc.	54,727	3,184	3,184
		\$ 34,853,160	\$ 2,225,388

On October 17, 2024, the First Nation became the limited partner in We'koptekitk Entertainment Limited Partnership ("WELP"), a wholly owned government entity of the First Nation.

The First Nation accounts for its investments in WELP as a government organizations on a fully consolidated basis. WELP acquired 20% of the limited partnership units in Pure Casino Gaming Limited Partnership ("Pure"), considered a portfolio investment to WELP. Distributions of \$633,911 were received from Pure during the year and recognized as investment income in WELP. Subsequent to year end, a further \$270,000 was distributed to the First Nation.

9. 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 (2024 - \$5,000,000) of which nil (2024 - nil) was drawn, renewable on an annual basis, and bearing interest at prime (2024 - 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.

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

10. Term Loans Due on Demand

	2025	2024
3.98% RBC term loan repayable on demand, matured during the year.	\$ -	\$ 84,862

11. 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 First Nation 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%.

	2025	2024
Balance, beginning of year	\$ 976,000	\$ 934,000
Accretion	9,090	42,000
Balance, end of year	\$ 985,090	\$ 976,000

Millbrook First Nation

Notes to Consolidated Financial Statements

March 31, 2025

12. Deferred Revenue

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

	Balance, beginning of year	Contributions received	Amounts recognized as revenue	Balance, end of year
Canada Mortgage and Housing Corporation	\$ 4,276,897	\$ 667,207	\$ 4,200,000	\$ 744,104
Rent	260,366	13,959	-	274,325
Indigenous Services Canada	-	22,394,175	18,696,887	3,697,288
	\$ 4,537,263	\$ 23,075,341	\$ 22,896,887	\$ 4,715,717

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

13. Long-term Debt

	2025	2024
6.62% term loan, payable on demand, maturing August 2025, principal repayments of \$12,799 monthly, secured by guarantee of Millbrook Band Council.	\$ 660,903	\$ 786,430
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.	4,890,761	5,286,763
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.	22,670,946	23,315,191
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 and secured by revenues of the Millbrook Gaming Commission.	5,401,847	5,888,367
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.	4,425,750	5,085,772
RBC lease line of credit, maturing January 2024, repayable in monthly instalments of \$56,977 and secured as described below.	2,347,673	2,915,519
Discount on lease line of credit at 5.67%.	(495,563)	(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.	7,698,462	7,866,947

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

13. Long-term Debt (continued)

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.	1,708,096	1,745,478
Promissory Note - payable to First Nations Finance Authority ("FNFA"), bearing interest at FNFA's prime lending rate and due on demand.	4,210,600	-
Debenture Payable Bond Series 2025 Issue #12 payable to First Nations Finance Authority, bearing interest at 4.30% per annum, maturing on June 1, 2035.	31,553,947	-
	\$85,073,422	\$ 52,242,424

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:

2026	\$4,074,230
2027	\$4,004,549
2028	\$3,781,329
2029	\$3,004,066
2030	\$3,010,925
Thereafter	\$67,198,323

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.

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

14. Fishing Licenses and Permits

	2025	2024
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	84,500
Area 26A Lobster License #006833	625,001	625,001
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
	<u>\$ 6,761,479</u>	<u>\$ 6,761,479</u>

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>
Lobster	35-Digby	7 tags
Lobster	32-Sheet Harbour	2 tags
Tuna	Canso	5,000 lbs
Tuna	Pictou/Canso	4 tags

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

15. 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.

	2025	2024
Operating fund		
Surplus, beginning of year	\$ 35,246,682	\$ 33,123,610
Annual surplus	59,139	4,663,427
Tangible capital assets & fishing licenses and permits	(13,356,421)	(2,541,783)
Trust Fund	8,872	1,359
Replacement reserve	-	108,762
Transfers, net	(304,146)	(108,693)
Surplus, end of year	<u>21,654,126</u>	<u>35,246,682</u>
Investment in Tangible assets & Fishing licenses and permits		
Surplus, beginning of year	50,265,781	47,723,998
Amortization	(5,735,874)	(5,020,027)
Additions	16,028,493	7,795,046
Issuance of capital debt	-	(1,391,598)
Repayment of capital debt	3,063,802	1,158,362
Surplus, end of year	<u>63,622,202</u>	<u>50,265,781</u>
Trust Fund Equity		
Surplus, beginning of year	389,029	390,388
Land lease	785,541	781,121
Transfer to operating fund	(794,411)	(782,480)
Surplus, end of year	<u>380,159</u>	<u>389,029</u>
Replacement Reserve Fund		
Surplus, beginning of year	19	88
Withdrawals from Replacement Reserve, net of interest income	-	(108,762)
Transfer from operating fund	304,146	108,693
Surplus, end of year	<u>\$ 304,165</u>	<u>\$ 19</u>

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

15. Accumulated Surplus (continued)

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.

16. Gaming Revenues, net

	2025	2024
Gaming commission	\$ 2,111,405	\$ 2,157,012
Treaty enterprises	8,644,264	8,641,702
Government of Nova Scotia Gaming	280,445	271,682
ATM service revenue	197,206	179,093
	<u>\$ 11,233,320</u>	<u>\$ 11,249,489</u>

17. Digby Lobster

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

	2025	2024
Revenue		
Digby Lobster	\$ 3,000,789	\$ 3,612,002
Expenses		
Wages	<u>(2,158,600)</u>	<u>(2,965,358)</u>
	<u>\$ 842,189</u>	<u>\$ 646,644</u>

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

18. 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, 2025, \$304,165 (2024 - \$19) has been set aside to fund this reserve. The unfunded portion at March 31, 2025 was \$304,165 (2024 - \$19).
- 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, 2025, \$82,763 (2024 - \$596,423) has been set aside to fund this reserve. The unfunded portion at March 31, 2025 was \$82,763 (2024 - \$596,423).

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.

19. 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, 2025 is \$22,080,140.

20. 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, 2025 is \$144,000 (2024 - \$255,000).

During the year, the First Nation paid out retirement allowances of \$nil (2024 - \$nil)

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

21. 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.

22. 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 entities 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.

23. 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.

24. Subsequent Event

Subsequent to year end, We'Kopekwitk Service Hotel Limited Partnership ("Hotel Partnership"), a business entity controlled by the First Nation and accounted for on a modified equity basis (Note 2), signed an Agreement of Purchase and Sale for the assets held by the Hotel Partnership for proceeds of \$10,800,000.

Millbrook First Nation Notes to Consolidated Financial Statements

March 31, 2025

25. Comparative Figures

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

26. 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 9, 2024.
