



Consolidated Financial Statements

We'koqma'q First Nation

March 31, 2021

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We'koqma'q First Nation

Management's responsibility for financial reporting

The accompanying consolidated financial statements of the We'koqma'q First Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council.

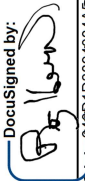
The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

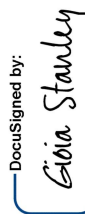
The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The First Nation is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report.

The consolidated financial statements have been audited by Grant Thornton LLP in accordance with generally accepted auditing standards on behalf of the members. Grant Thornton LLP has full and free access to the Council.

DocuSigned by:

Chief Executive Officer

DocuSigned by:

Chief Financial Officer



Independent auditor's report

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To the Chief and Councillors of the
We'koqma'q First Nation

Opinion

We have audited the consolidated financial statements of We'koqma'q First Nation ("the First Nation"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations, change in net debt and cash flow 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 financial position of We'koqma'q First Nation as at March 31, 2021, and its results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 a 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.

Independent auditor's report (continued)

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 and the organizations it controls 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.

Membertou, Canada
February 16, 2022

Grant Thornton LLP
Chartered Professional Accountants

We'koqma'q First Nation

Consolidated statement of operations

Year ended March 31	Budget (Note 18)	2021	2020
Revenues			
Fisheries	\$ 13,182,400	\$ 8,633,881	\$ 16,140,929
Commercial sales	10,326,000	11,194,204	13,951,779
Government transfers (Note 20)	13,993,000	25,818,413	16,618,913
Other revenues	<u>75,600</u>	<u>344,320</u>	<u>406,687</u>
	<u>37,577,000</u>	<u>45,990,818</u>	<u>47,118,308</u>
Expenditures			
Administration	280,230	153,150	324,114
Advertising	46,820	37,620	30,287
Amortization	672,620	3,314,001	3,179,891
Community	552,900	528,975	871,877
Core funding and benefits	679,880	708,080	652,018
Economic and employment development	71,050	46,704	142,205
Education and training	1,807,000	1,419,407	1,692,322
Fisheries	6,848,650	4,768,275	7,775,059
Health programs	448,440	306,619	361,533
Insurance	256,960	402,807	444,559
Interest	1,100,650	870,634	802,985
Municipal services	657,270	463,815	414,203
Office	243,220	254,303	225,859
Professional fees	582,760	784,855	512,385
Purchases	7,910,020	8,717,998	10,194,616
Repairs and maintenance	895,350	1,579,355	2,874,758
Salaries and benefits	11,044,600	12,731,427	11,267,777
Security	34,280	24,435	51,329
Social	1,129,000	2,213,484	1,899,258
Telephone and utilities	503,500	366,770	344,358
Training and travel	<u>269,800</u>	<u>235,425</u>	<u>421,618</u>
	<u>36,035,000</u>	<u>39,928,139</u>	<u>44,483,011</u>
Annual surplus	<u>\$ 1,542,000</u>	<u>6,062,679</u>	<u>2,635,297</u>
Accumulated surplus, beginning of year		<u>20,867,713</u>	<u>18,232,416</u>
Accumulated surplus, end of year		<u>\$ 26,930,392</u>	<u>\$ 20,867,713</u>

See accompanying notes to the consolidated financial statements.

We'koqma'q First Nation

Consolidated statement of financial position

March 31	2021	2020
Financial assets		
Receivables (Note 2)	\$ 8,197,477	\$ 4,989,725
Restricted cash (Note 3)	1,127,010	186,458
Promissory note receivable (Note 5)	17,797,026	-
Inventory (Note 4)	<u>6,487,899</u>	<u>4,322,612</u>
	<u>33,609,412</u>	<u>9,498,795</u>
Financial liabilities		
Bank indebtedness (Note 6)	437,516	1,932,446
Payables and accruals (Note 7)	<u>10,334,704</u>	<u>4,171,509</u>
HST payable (Note 8)	1,110,749	1,237,617
Deferred revenue (Note 9)	<u>3,824,661</u>	<u>3,366,374</u>
Long-term debt (Note 10)	<u>38,443,717</u>	<u>17,685,763</u>
	<u>54,151,347</u>	<u>28,393,709</u>
Net debt (Page 6)	(20,541,935)	(18,894,914)
Non-financial assets		
Prepays	327,809	180,468
Property and equipment (Note 11)	<u>47,144,518</u>	<u>39,582,159</u>
	<u>47,472,327</u>	<u>39,762,627</u>
Accumulated surplus (Page 4)	\$ 26,930,392	\$ 20,867,713

Contingencies (Note 12)

Commitments (Note 13)

On behalf of the First Nation

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Chief

Councillor

See accompanying notes to the consolidated financial statements.

We’koqma’q First Nation

Consolidated statement of changes in net debt

Year ended March 31	Budget (Note 18)	2021	2020
Excess of revenues over expenses	\$ 1,542,000	\$ 6,062,679	\$ 2,635,297
Amortization	672,620	3,314,001	3,179,891
Capital assets acquired	<u>(966,000)</u>	<u>(10,876,359)</u>	<u>(3,767,782)</u>
	1,248,620	(1,499,679)	2,047,406
Change in other non-financial assets	-	<u>(147,342)</u>	<u>(12,490)</u>
Change in net debt	\$ <u>1,248,620</u>	(1,647,021)	2,034,916
Net debt, beginning of year		<u>(18,894,914)</u>	<u>(20,929,830)</u>
Net debt, end of year		<u>\$ (20,541,935)</u>	<u>\$ (18,894,914)</u>

See accompanying notes to the consolidated financial statements.

We'koqma'q First Nation

Consolidated statement of cash flows

Year ended March 31	2021	2020
Increase in cash and cash equivalents		
Operating		
Excess of revenues over expenses	\$ 6,062,679	\$ 2,635,297
Amortization	<u>3,314,001</u>	<u>3,179,891</u>
	9,376,680	5,815,188
Change in non-cash operating working capital		
Receivables	(3,207,752)	(805,735)
Prepays	(147,342)	(12,491)
Inventory	(2,165,287)	(1,962,260)
Payables and accruals	6,163,195	(523,559)
HST payable	(126,868)	(122,291)
Deferred revenue	<u>458,287</u>	<u>1,085,967</u>
	<u>10,350,913</u>	<u>3,474,819</u>
Financing		
Advance of promissory note receivable	(17,797,026)	-
Proceeds of long-term debt	22,172,669	610,671
Repayment of long-term debt	<u>(1,414,715)</u>	<u>(1,466,153)</u>
	<u>2,960,928</u>	<u>(855,482)</u>
Capital		
Capital assets acquired	<u>(10,876,359)</u>	<u>(3,767,782)</u>
Net increase (decrease) in cash and cash equivalents	2,435,482	(1,148,445)
Cash and cash equivalents, beginning of year	<u>(1,745,988)</u>	<u>(597,543)</u>
Cash and cash equivalents, end of year	\$ 689,494	\$ (1,745,988)
Cash and cash equivalents are comprised of:		
Restricted cash	\$ 1,127,010	\$ 186,458
Bank indebtedness	<u>(437,516)</u>	<u>(1,932,446)</u>
	\$ 689,494	\$ (1,745,988)

See accompanying notes to the consolidated financial statements.

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2021

1. Summary of significant accounting policies

Reporting First Nation and principles of financial reporting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards.

The consolidated financial statements of the We'koqma'q First Nation are the representations of management prepared in accordance with Canadian generally accepted accounting principles for public sector entities, as required by the Public Sector Accounting Board (PSAB).

The focus of PSAB financial statements is on the financial position of the First Nation and the changes thereto. The consolidated statement of financial position includes all the assets and liabilities of the First Nation.

Significant aspects of the accounting policies adopted by the First Nation are as follows:

Principles of consolidation

The consolidated financial statements include the entities over which the First Nation has a controlling interest, after the elimination of inter-fund transactions and balances. The entities consolidated in these financial statements include We'koqma'q One Stop, We'koqma'q Housing Projects, and We'koqma'q Contracting Incorporated.

Government transfers

Government transfers received are recognized in the financial statements as revenue when the transfers are authorized, and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers to individuals and other entities are recognized as an expense when the transfers are authorized, and all eligibility criteria have been met.

Revenue recognition

All non-government contributions or grant revenues that are externally restricted such that they must be used for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted inflow received before the criterion has been met is reported as a liability until the resources are used for the purpose or purposes specified.

Unrestricted revenue, including commercial sales, is recognized when received or receivable if the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Rental revenue is recognized when received or receivable and collection is reasonably assured.

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.

1. Summary of significant accounting policies (continued)

Interest revenue is recognized as accrued unless it is externally restricted. Any externally restricted inflow received before the criterion has been met is reported as a liability until the resources are used for the purpose or purposes specified.

Tangible capital assets are recorded at cost less accumulated amortization and impairment.

Buildings	4% declining balance
Housing properties	25 years straight line
Fishing vessels	4% declining balance
Equipment	20% declining balance
Vehicles	30% declining balance
Community housing	4% declining balance
Subdivision	4% declining balance
Infrastructure	20% declining balance
Project haven	4% declining balance
We'koma'q One Stop	5-10 years straight line

In preparing the First Nation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2021

1. Summary of significant accounting policies (continued)

Inventory

The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present location and condition, such as freight. The cost is reduced by the value of rebates and allowances received from vendors. The First Nation estimates net realizable value as the amount that inventories are expected to be sold. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage, or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling price, the amount of the write-down previously recorded is reversed. Costs that do not contribute to bringing inventories to their present location and condition, such as storage and administrative overheads, are specifically excluded from the cost of inventories and are expensed in the period incurred.

The cost of inventory recognized as an expense during fiscal 2021 was \$8,717,998 (2020 - \$10,194,616). No write-down of inventories below their cost to their net realizable value was made in fiscal 2021. There were no reversals of inventories written down previously that are no longer estimated to sell below cost.

Trout farm inventory is recorded at market value. Market value is determined based on the cost of total fish purchased, feed purchased and provided to the fish based on a industry calculated conversion ratio and labour. The cost of the inventory is then applied to the average weight of fish per cage to determine total inventory value. No overhead is allocated to the cost of inventory.

Income taxes

The First Nation is exempt from income taxes under Section 149(l)(c) of the *Canadian Income Tax Act*.

Investments

Portfolio investments are valued at the lower of cost and net realizable value.

2. Receivables	2021	2020
Atlantic Canada Opportunities Agency	\$ 468,616	\$ -
Department of Fisheries and Oceans	354,711	-
Health Canada	11,486	-
Indigenous Services Canada	1,547,202	1,813,420
Mi'kmaq Employment and Training Secretariat	117,534	130,288
Mi'kmaq Economic Benefits Office	88,950	88,950
Mi'kmaq Kina'matnewey	228,138	18,494
Province of Nova Scotia	28,959	108,343
Trade and sundry	<u>5,351,881</u>	<u>2,947,870</u>
	8,197,477	5,107,365
Less: allowance for doubtful accounts	-	117,640
	<u>\$ 8,197,477</u>	<u>\$ 4,989,725</u>

We'koqma'q First Nation
Notes to the consolidated financial statements

March 31, 2021

3. Restricted cash	<u>2021</u>	<u>2020</u>
Funds on deposit with Indigenous Services Canada (a)	\$ 36,466	\$ 35,764
Replacement reserve (b)	<u>150,694</u>	<u>150,694</u>
First Nations Finance Authority debt reserve fund (c)	<u>939,850</u>	<u>-</u>
	<u>\$ 1,127,010</u>	<u>\$ 186,458</u>

- a) Funds on deposit with Indigenous Services Canada refers to monies that were derived from capital revenue sources as outlined in Section 32 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act and restricted for specific purposes.
- b) Under the terms of the agreement with the Canada Mortgage and Housing Corporation (CMHC), the replacement reserve account is to be increased by annual charges to equity. The charge in the current year is \$70,650 (2020 - \$73,583). These funds along with accumulated interest must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation (CDIC) or as may otherwise be approved by the CMHC from time to time. The funds, in the account may only be used as approved by the CMHC. Withdrawals are credited to interest first and then principal.
- These allocated amounts have not been fully set aside as at March 31, 2021, with a total deficiency of \$234,508 (2020 - \$163,858). Agreements have been made with the CMHC to eliminate this deficiency with a requirement for the First Nation to set aside \$25,000 per fiscal year towards this shortfall.
- c) Under the terms of the lending agreement with First Nations Finance Authority (FNFA), a debt reserve of 5% of total draw amount of \$18,796,993 is required to be established and maintained under section 84 of the Act for financing secured by Other Revenues.

4. Inventory	<u>2021</u>	<u>2020</u>
We'koqma'q One Stop	\$ 168,018	\$ 168,018
Fitness Centre	<u>1,434</u>	<u>1,434</u>
Trout farm	<u>6,318,447</u>	<u>4,153,160</u>
	<u>\$ 6,487,899</u>	<u>\$ 4,322,612</u>

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2021

5. Promissory note receivable	<u>2021</u>	<u>2020</u>
6.14% loan to First Nations Fisheries Interest Group Partnership, repayable in equal annual blended instalments of principal plus interest in the amount of \$1,303,067 payable quarterly on each of March 1, June 1, September 1, December 1, maturing in fiscal 2051	<u>\$ 17,797,026</u>	<u>\$ -</u>

Repayments in each of the next five (5) years are as follows:

2022	\$ 1,303,067
2023	\$ 1,303,067
2024	\$ 1,303,067
2025	\$ 1,303,067
2026	\$ 1,303,067

6. Bank indebtedness

We'koqma'q First Nation has an established line of credit from Peace Hills. The line of credit is in the amount of \$700,000 which bears interest at 4.75%. Amounts advanced in excess of the authorized limit bear interest at 24.00% per annum. Amounts are secured by the assignment of funding from Indigenous Services Canada and Mi'kmaw Kina'mathnewey.

We'koqma'q First Nation has another established line of credit for \$3,500,000. Amounts drawn bear interest of 3.95% per annum. The line of credit is secured by a general security agreement.

7. Payables and accruals	<u>2021</u>	<u>2020</u>
Trade		
Payroll remittances	\$ 9,787,335	\$ 3,142,510
Accrued liabilities	<u>78,241</u>	<u>95,379</u>
	<u>469,128</u>	<u>933,620</u>
	<u>\$10,334,704</u>	<u>\$ 4,171,509</u>

8. HST payable

During the fiscal year ended March 31, 2011, the First Nation was able to reach an agreement with Canada Revenue Agency (CRA) for repayment of the HST liability stemming from selling practices in the 2004 and 2005 fiscal years. The agreement with CRA states that the First Nation is required to provide the Agency with monthly installments of \$8,000 beginning April 1, 2011, to be applied against the principal owing. All interest and penalties stemming from this liability have been forgiven on the condition that returns and payments are received.

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2021

9. Deferred revenue	<u>2021</u>	<u>2020</u>
Atlantic Canada Opportunities Agency	\$ 393,695	\$ -
Canada Mortgage and Housing Corporation	488,786	-
Indigenous Services Canada	2,642,180	3,095,033
Mi'kmaq Employment Training Secretariat	-	11,341
Other	<u>300,000</u>	<u>260,000</u>
	<u>\$ 3,824,661</u>	<u>\$ 3,366,374</u>
10. Long-term debt	<u>2021</u>	<u>2020</u>
Canada Mortgage and Housing Corporation		
Housing mortgages, maturing in 2025 to 2043, bearing interest at 0.35% to 2.68%, repayable under various terms.	\$ 4,871,777	\$ 4,743,565
Royal Bank of Canada		
1.35% - 3.42% mortgages, repayable under various terms by January 2022.	55,925	87,651
2.73% term loan, maturing in March 2022 repayable in blended monthly instalments of \$902.	46,568	56,347
1.42% term loan, maturing in September 2021, repayable in blended monthly instalments of \$1,307.	68,266	82,724
3.01% term loan, maturing in January 2024, repayable in blended monthly instalments of \$427.	70,207	73,657
5.28% term loan, maturing in January 2023, repayable in blended monthly instalments of \$11,277.	1,222,019	1,253,275
3.99% term loan, maturing in November 2023, repayable in monthly instalments of \$981.	30,625	41,027
5.99% term loan, maturing May 2024, repayable in monthly instalments of \$1,113.	37,464	51,445
Peace Hills Trust		
4.45% term loan, maturing in March 2025, repayable in blended monthly instalments of \$15,348.	705,244	828,740
3.95% term loan, maturing in November 2025, repayable in blended monthly instalments of \$7,002.	952,041	997,965
3.95% term loan, maturing in June 2025, repayable in blended monthly instalments of \$1,940.	252,432	265,482

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2021

10. Long-term debt (continued)	<u>2021</u>	<u>2020</u>
3.95% term loan, maturing in December 2021, repayable in blended monthly instalments of \$8,323.	878,351	942,778
3.95% term loan, maturing in November 2025, repayable in blended monthly instalments of \$13,884.	1,899,009	1,989,825
3.95% term loan, maturing in July 2022, repayable in blended monthly instalments of \$1,070.	125,914	133,696
3.95% term loan, maturing in December 2021, repayable in blended monthly instalments of \$359.	22,244	25,285
3.95% term loan, maturing in June 2024, repayable in blended monthly instalments of \$4,062.	637,329	649,940
3.95% term loan, maturing in May 2024, repayable in blended monthly instalments of \$1,315.	47,341	60,919
3.95% term loan, maturing in April 2021, repayable in blended monthly instalments of \$3,670.	713,504	729,393
3.95% term loan, maturing in March 2025, repayable in blended monthly instalments of \$887.	89,068	96,104
4.50% term loan, maturing in June 2021, repayable in blended monthly instalments of \$13,838.	846,607	944,017
4.50% term loan, maturing in March 2025, repayable in blended monthly instalments of \$11,092.	1,283,266	1,339,637
3.95% term loan, maturity and payment terms not yet determined	2,937,617	382,250
Scotia Bank 0% term loan repaid during the year.	-	5,283
Ulnooweg Development Group Inc. 8.5% term loan, maturing in January 2028, repayable in blended monthly instalments of \$3,788.	231,585	245,791
7.25% term loan, maturing in October 2023, repayable in blended quarterly instalments of \$18,316.	48,660	48,660
6.75% term loan, maturing in June 2024, repayable in blended monthly instalments of \$14,109.	326,193	376,131

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2021

10. Long-term debt (continued)	<u>2021</u>	<u>2020</u>
Canada Emergency Business Account ("CEBA") See terms below	160,000	-
Province of Nova Scotia		
5.35% term loan, maturing in April 2037, repayable in blended monthly instalments of \$7,053	915,160	908,786
4.30% term loan, maturing in September 2022, repayable in annual principal instalments of \$100,000 and monthly interest instalments	232,425	325,390
First Nation Finance Authority		
1.90% loan payable in equal annual principal instalments of \$428,151 and semi-annual interest instalments of \$178,571, maturing June 2030	<u>18,736,876</u>	<u>-</u>
Current portion of long-term debt	38,443,717	17,685,763
Principal payments due within one year.	<u>3,934,482</u>	<u>2,324,434</u>
	<u>\$ 34,509,235</u>	<u>\$ 15,361,329</u>

As security, for the Canada Mortgage and Housing Corporation, Royal Bank of Canada and TD Canada Trust housing project mortgages, the First Nation has provided an irrevocable authorization to Indigenous Services Canada to assign all funding until all loans are repaid to the bank and a floating charge on the assets of the First Nation.

Peace Hills Trust loans are secured by the assignment of funding from Indigenous Services Canada and Mi'kmaw Kina'matnewey and has been given a general security agreement constituting a first ranking security interest in all personal property of the We'koqma'q First Nation.

For the Royal Bank of Canada and Ulnooweg Development Group Inc., the First Nation has given a general security agreement constituting a 2nd security interest in all present and future personal property of the First Nation and including specific charges over property.

We’koqma’q First Nation

Notes to the consolidated financial statements

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10. Long-term debt (continued)

In response to the COVID-19 crisis, the Government of Canada implemented the Canada Emergency Business Assistance (“CEBA”) program that provides interest-free loans of up to \$60,000 for eligible small businesses. The First Nations took advantage of this program within the Fisheries (2), Commercial enterprises (1) and Waycobah Contracting Incorporated (1) divisions and received the maximum loan allowed under the program through Ulnooweg Development Group Inc. Repaying the loan on or before December 31, 2022 will result in a forgiveness of 33% of the loan (up to \$20,000 per loan). The forgiven portion is recognized as revenue in the year the assistance is received. If the loan is not repaid by December 31, 2022, interest at an annual rate of 5% will be applied and become payable monthly until the loan is paid off in full. The loan must be fully repaid by December 31, 2023.

Principal repayments in each of the next five (5) years are due as follows:

2022	\$ 3,934,482
2023	\$ 2,959,718
2024	\$ 1,504,516
2025	\$ 2,865,775
2026	\$ 3,279,869

We'koqma'q First Nation

Notes to the consolidated financial statements

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11. Property and equipment

	Opening Cost	Additions	Disposals	Closing Cost	Opening Accumulated Depreciation	Depreciation	Accumulated Depreciation on Disposals	Closing Accumulated Depreciation	2021 Net Book Value	2020 Net Book Value
Land	\$ 35,000	\$ -	\$ -	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ 35,000	35,000
Land improvements	125,000	-	-	125,000	-	-	-	-	\$ 125,000	125,000
Buildings										
Band office	2,375,036	4,412	-	2,379,448	1,136,071	49,647	-	1,185,718	\$ 1,193,730	1,238,965
School	8,850,990	-	-	8,850,990	3,414,617	217,455	-	3,632,072	\$ 5,218,918	5,436,373
Police station	322,987	-	-	322,987	173,597	5,976	-	179,573	\$ 143,414	149,390
Fisheries	1,806,806	21,300	-	1,828,106	569,133	78,067	-	647,200	\$ 1,180,906	1,237,673
Health centre	2,379,190	-	-	2,379,190	852,995	61,048	-	914,043	\$ 1,465,147	1,526,195
Fire station/Community hall	1,678,259	-	-	1,678,259	147,425	61,233	-	208,658	\$ 1,469,601	1,530,834
Fitness centre	133,768	-	-	133,768	28,748	4,201	-	32,949	\$ 100,819	105,020
Waycobah Contracting	192,044	-	-	192,044	49,850	8,969	-	58,819	\$ 133,225	142,165
Big Falls	1,431,156	27,300	-	1,458,456	65,439	55,175	-	120,614	\$ 1,337,842	1,372,984
Equipment and furniture	3,312,150	-	-	3,312,150	2,219,389	218,552	-	2,437,941	\$ 874,209	1,092,761
Computer	25,297	-	-	25,297	21,803	1,922	-	23,725	\$ 1,572	3,494
Fishing vessels	3,113,717	533,191	-	3,646,908	471,252	106,779	-	578,031	\$ 3,068,877	2,642,465
Fish farm	5,639,814	1,925,050	-	7,564,864	1,729,569	909,516	-	2,639,085	\$ 4,925,779	3,893,846
Vehicles	1,059,901	40,718	-	1,100,619	662,793	124,854	-	787,647	\$ 312,972	406,370
Community housing	6,171,616	2,240,919	-	8,412,535	2,452,327	193,590	-	2,645,917	\$ 5,766,618	3,719,289
Subdivision	9,643,729	-	-	9,643,729	3,685,679	238,322	-	3,924,001	\$ 5,719,728	5,958,050
Infrastructure	4,921,822	1,698,846	-	6,620,668	3,736,813	192,940	-	3,929,753	\$ 2,690,915	1,184,425
Project haven	198,931	-	-	198,931	198,931	-	-	198,931	\$ -	-
We'koqma'q One Stop	3,510,757	-	-	3,510,757	1,425,821	360,901	-	1,786,722	\$ 1,724,035	2,085,417
Construction in Progress	711,950	4,384,623	-	5,096,573	-	-	-	-	\$ 5,096,573	711,950
Housing Properties	12,750,155	-	-	12,750,155	7,765,663	424,854	-	8,190,517	\$ 4,559,638	4,984,493
	<u>\$ 70,390,075</u>	<u>\$ 10,876,359</u>	<u>\$ -</u>	<u>\$ 81,266,434</u>	<u>\$ 30,807,915</u>	<u>\$ 3,314,001</u>	<u>\$ -</u>	<u>\$ 34,121,916</u>	<u>\$ 47,144,518</u>	<u>39,582,159</u>

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2021

12. Contingencies

- a) We'koqma'q First Nation has entered into funding arrangements and contribution agreements with various government departments and agencies. Funding received under these arrangements and agreements are subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.
- b) Subsidy assistance payments received through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act are subject to repayment if the housing projects fail to comply with the terms and conditions of the agreement.
-

13. Commitments

The First Nation has entered into and agreement with Premium Seafoods Limited which expires in December 2023. Under the terms of the agreement, the We'koqma'q First Nation has agreed to sell exclusively to Premium Seafoods Limited with respect to its entire fishery including all fish species, shellfish, fish products and other entitlements.

14. Accumulated surplus

The First Nation segregates its accumulated surplus into the following categories:

	<u>2021</u>	<u>2020</u>
Unallocated		
Funds on deposit with Indigenous Service Canada	\$ 26,508,725	\$ 20,517,397
Replacement reserve	<u>36,465</u>	<u>35,764</u>
	<u>385,202</u>	<u>314,552</u>
	<u>\$ 26,930,392</u>	<u>\$ 20,867,713</u>

The funds on deposits have been set aside to be spent on specific projects.

We'koqma'q First Nation

Notes to the consolidated financial statements

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15. Segmented information

We'koqma'q First Nation provides a wide range of services to its members, including training, education, social, health care and housing. For management reporting purposes We'koqma'q First Nation's operations and activities are organized and reported by divisions. The divisions were created for the purpose of recording activities to comply with specific regulations and requirements.

Divisions that have been separately disclosed in the consolidated schedules of revenues and expenditures on the following pages are:

- Social Development – social assistance provided to qualifying members.
- First Nation Government – all associated with the administration of the First Nation operations.
- Education – providing elementary, secondary and post-secondary tuition for qualifying members along with related programs and support.
- Non-subsidized housing – repairs and maintenance carried out during the year to the community buildings.
- Fisheries – management of the DFO fisheries operations and fish hatchery farm.
- Health – activity of the Health Centre which provides a variety of health care programs and support.
- Subsidized Housing – Section 95 and non-subsidized housing operation.
- Gaming – Monies received from the Province of Nova Scotia from casino profits.
- Commercial enterprises – Operating results from Rod's One Stop
- Recreation – activities relating to operation of the gymnasium.
- Waycobah Contracting Incorporated – Operating results for security company.

See the Schedule of Segment Disclosure for current year details.

16. Pension costs and obligations

The Band is required to match contributions to a group registered retirement savings plan for all full-time employees to a limit of 7.5%. Total contributions during the year amounted to \$265,929 (2020 - \$196,283).

We'koqma'q First Nation

Notes to the consolidated financial statements

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17. Budget figures

Public Sector Accounting Standards ("PSAS") require a comparison of the results for the period with those originally planned on the same basis as that used for the actual results. The fiscal plan presented in the consolidated statement of financial activities has been adjusted to be presented on a consistent with the actual results. A reconciliation of the approved and reported budgets is set out below.

	<u>2021</u>
Approved budget surplus for the year	\$ 576,000
Add:	
Capital purchases	<u>966,000</u>
PSAS adjusted budgeted surplus for the year	<u>\$ 1,542,000</u>

18. Comparative figures

Certain of the 2020 comparative figures have been adjusted to conform with the financial statement presentation adopted for the current year.

19. Government transfers

	2021			2020		
	Operating	Capital	Total	Operating	Capital	Total
Federal government transfers						
Atlantic Canada Opportunities Agency	\$ -	\$ 1,698,853	\$ 1,698,853	\$ -	\$ -	\$ -
Indigenous Services Canada	9,245,836	2,376,625	11,622,461	8,005,243	-	8,005,243
Department of Fisheries and Oceans	870,197	540,900	1,411,097	159,500	625,480	784,980
Canada Mortgage and Housing Corporation	202,008	1,654,151	1,856,159	214,506	-	214,506
Mi'kmaw Kina'matnewey	6,586,423	-	6,586,423	5,856,267	-	5,856,267
Mi'kmaw Employment Training Secretariat	361,273	-	361,273	349,010	-	349,010
Service Canada - CEWS	1,254,514	-	1,254,514	-	-	-
Other	797,918	-	797,918	663,262	540,479	1,203,741
Subtotal	\$ 19,318,169	\$ 6,270,529	\$ 25,588,697	\$ 15,247,768	\$ 1,165,959	\$ 16,413,747
Province of Nova Scotia	224,749	4,967	229,716	195,231	9,935	205,166
Total	\$ 19,542,917	\$ 6,275,496	\$ 25,818,413	\$ 15,443,019	\$ 1,175,894	\$ 16,618,913