

# Consolidated Financial Statements

We'koqma'q First Nation

March 31, 2023

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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:

*Gioia Usher*

Chief Executive Officer

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*kyrie Usher*

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, 2023, 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, 2023, 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.

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  
November 29, 2023

*Grant Thornton LLP*  
Chartered Professional Accountants

# We'koqma'q First Nation

## Consolidated statement of operations

Year ended March 31	Budget	2023	2022
<b>Revenues</b>			
Fisheries	\$ 21,089,944	<b>\$ 14,329,263</b>	\$ 16,132,024
Commercial sales	12,967,348	<b>17,686,351</b>	14,367,144
Government transfers (Note 20)	13,932,313	<b>25,108,667</b>	23,695,111
Proceeds on sale of assets	-	<b>3,252,325</b>	-
Other revenues	48,300	<b>1,842,018</b>	1,840,229
	<u>48,037,905</u>	<u><b>62,218,624</b></u>	<u>56,034,508</u>
<b>Expenditures</b>			
Administration	224,997	<b>587,495</b>	823,281
Advertising	5,400	<b>344,471</b>	41,413
Amortization	838,147	<b>3,919,363</b>	3,659,003
Bad debt	-	-	500,846
Community	828,424	<b>979,165</b>	647,691
Core funding and benefits	660,000	<b>695,617</b>	704,445
Economic and employment development	146,335	<b>169,414</b>	114,566
Education and training	2,477,338	<b>1,836,949</b>	1,679,905
Health programs	423,895	<b>239,026</b>	282,218
Insurance	413,281	<b>939,027</b>	665,578
Interest	446,131	<b>1,782,140</b>	1,544,307
Municipal services	453,681	<b>637,186</b>	826,964
Office	155,373	<b>289,614</b>	300,844
Professional fees	1,299,615	<b>1,568,322</b>	1,347,804
Purchases - Fisheries	6,699,062	<b>5,281,703</b>	10,991,034
Purchases - Retail	9,830,002	<b>14,010,573</b>	11,549,820
Repairs and maintenance	1,463,036	<b>1,879,646</b>	1,587,710
Salaries and benefits	17,177,606	<b>16,156,398</b>	15,237,859
Security	41,400	<b>32,938</b>	51,898
Social	2,000,000	<b>2,104,449</b>	1,891,224
Telephone and utilities	423,996	<b>572,268</b>	573,916
Training and travel	260,774	<b>363,522</b>	397,588
	<u>46,268,493</u>	<u><b>54,389,286</b></u>	<u>55,419,914</u>
<b>Annual surplus</b>	<u>\$ 1,769,412</u>	<u><b>7,829,338</b></u>	<u>614,594</u>
Accumulated surplus, beginning of year		<u><b>27,544,986</b></u>	<u>26,930,392</u>
<b>Accumulated surplus, end of year</b>	<u><b>\$ 35,374,324</b></u>	<u><b>\$ 27,544,986</b></u>	

See accompanying notes to the consolidated financial statements.

# We'koqma'q First Nation

## Consolidated statement of financial position

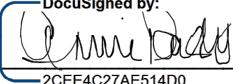
March 31	2023	2022
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<b>Financial assets</b>		
Cash	\$ 609,923	\$ 2,961,953
Receivables (Note 3)	<u>13,046,724</u>	10,615,966
Restricted cash (Note 4)	<u>2,311,623</u>	1,593,122
Promissory note receivable (Note 6)	<u>17,350,084</u>	17,580,361
Inventory (Note 5)	<u>3,230,319</u>	2,240,969
	<u>36,548,673</u>	<u>34,992,371</u>
<b>Financial liabilities</b>		
Payables and accruals (Note 8)	<u>9,080,862</u>	10,137,158
Deferred revenue (Note 9)	<u>4,065,669</u>	4,052,228
Capital lease obligations (Note 10)	<u>31,006</u>	51,975
Long-term debt (Note 11)	<u>58,345,114</u>	<u>46,155,735</u>
	<u>71,522,651</u>	<u>60,397,096</u>
<b>Net debt (Page 6)</b>	<b>(34,973,978)</b>	<b>(25,404,725)</b>
<b>Non-financial assets</b>		
Prepays	<u>673,027</u>	730,527
Purchased fishing licenses and permits (Note 13)	<u>13,700,000</u>	-
Property and equipment (Note 12)	<u>55,975,275</u>	<u>52,219,184</u>
	<u>70,348,302</u>	<u>52,949,711</u>
<b>Accumulated surplus (Note 15)</b>	<b><u>\$ 35,374,324</u></b>	<b><u>\$ 27,544,986</u></b>

Contingencies (Note 14)

Commitments (Note 15)

On behalf of the First Nation

 DocuSigned by: 2CEE4C27AE514D0...	Chief	 DocuSigned by: 85C3CDC137D14EC...	Councillor
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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	2023	2022
Excess of revenues over expenses	\$ 1,769,412	\$ 7,829,338	\$ 614,594
Amortization	838,147	3,919,363	3,659,003
Purchased fishing licenses acquired	-	(13,700,000)	-
Capital assets acquired	<u>(7,555,000)</u>	<u>(7,675,453)</u>	<u>(8,733,669)</u>
	4,947,441	(9,626,752)	(5,074,666)
Change in other non-financial assets	-	57,499	(402,718)
Change in net debt	<u>\$ (4,947,441)</u>	<u>(9,569,253)</u>	<u>(4,862,790)</u>
Net debt, beginning of year		<u>(25,404,725)</u>	<u>(20,541,935)</u>
Net debt, end of year		<u>\$ (34,973,978)</u>	<u>\$ (25,404,725)</u>

See accompanying notes to the consolidated financial statements.

# We'koqma'q First Nation

## Consolidated statement of cash flows

Year ended March 31

2023

2022

Increase (decrease) in cash and cash equivalents

### Operating

Excess of revenues over expenses	\$ 7,829,338	\$ 614,594
Amortization	<u>3,919,363</u>	<u>3,659,003</u>
	<u>11,748,701</u>	<u>4,273,597</u>
Change in non-cash operating working capital		
Receivables	(2,430,758)	(2,418,489)
Prepays	57,500	(402,718)
Inventory	(989,350)	4,246,930
Payables and accruals	(994,300)	(1,187,724)
HST payable	(61,996)	(120,571)
Deferred revenue	<u>13,441</u>	<u>227,567</u>
	<u>7,343,238</u>	<u>4,618,592</u>

### Financing

Repayment of capital lease obligations	(20,969)	(19,482)
Proceeds of long-term debt	<u>14,636,695</u>	<u>10,081,863</u>
Repayment of long-term debt	(2,447,317)	(2,298,388)
Receivable from First Nation Fisheries Interest Group	<u>230,277</u>	<u>216,665</u>
	<u>12,398,686</u>	<u>7,980,658</u>

### Investing

Purchased fishing licenses acquired	(13,700,000)	-
Capital assets acquired	<u>(7,675,453)</u>	<u>(8,733,669)</u>
	<u>(21,375,453)</u>	<u>(8,733,669)</u>

Net increase (decrease) in cash and cash equivalents (1,633,529) 3,865,581

Cash and cash equivalents (bank indebtedness), beginning of year	<u>4,555,075</u>	<u>689,494</u>
Cash and cash equivalents, end of year	<u>\$ 2,920,546</u>	<u>\$ 4,555,075</u>

Cash and cash equivalents are comprised of:

Restricted cash	\$ 2,311,623	\$ 1,593,122
Cash	<u>609,923</u>	<u>2,961,953</u>
	<u>\$ 2,921,546</u>	<u>\$ 4,555,075</u>

See accompanying notes to the consolidated financial statements.

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# We'koqma'q First Nation

## Notes to the consolidated financial statements

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March 31, 2023

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### 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.

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# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2023

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### 1. Summary of significant accounting policies (continued)

#### **Revenue recognition** (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**

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

Rates and bases of depreciation applied to write off the cost of property and equipment over their estimated lives are as follows:

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
Intangibles	5% declining balance
Project haven	4% declining balance
We'koma'q One Stop	5-10 years straight line

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 the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. The net write-downs of tangible capital assets are accounted for as expenses in the statement of operations and such write-downs are not reversed.

#### **Use of estimates**

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.

#### **Purchased fishing licenses and permits**

Purchased fishing licenses and permits assets are intangible capital assets. These indefinite-lived fishing licenses and permits are recognized at cost and are not amortized.

The First Nation's evaluates the carrying value of its licenses and permits annually for impairment. Should a permanent impairment be identified, the impairment will be recognized as a reduction in the carrying value and as a charge against income on the statement of operations in the period the impairment occurred.

The First Nation's also owns other communal fishing licenses and permits which were not purchased by the First Nation but were given to or granted to the First Nation.

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# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2023

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### 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 2023 was \$19,292,276 (2022 - \$22,540,854). No write-down of inventories below their cost to their net realizable value was made in fiscal 2023. There were no reversals of inventories written down previously that are no longer estimated to sell below cost.

Trout farm inventory is recorded at cost. Cost 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.

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# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2023

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### 2. Change in accounting policy

#### Asset retirement obligation

On April 1, 2022, the First Nation adopted Public Sector Accounting Standards Section PS 3280 – *Asset retirement obligations* (“PS 3280”). The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, including the removal and remediation of contaminants in retired buildings by public sector entities. The standard was adopted on the prospective basis at the date of adoption as the event giving rise to the obligation arose prior to April 1, 2022 and the obligation has not been previously recognized. Under the prospective adoption, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard. As a result of this adoption, no adjustments were necessary to these financial statements.

#### Financial instruments

As well, effective April 1, 2022, the First Nation adopted new Public Sector Accounting Standards Section PS 3450 *Financial Instruments* and Section 1201 *Financial Statement Presentation*. New Section PS 3450 requires the fair value measurement of derivatives and portfolio investments in equities quoted in an active market. All other financial assets and liability are measured at cost or amortized cost (using the effective method), or by policy choice, at fair value when the First Nation defines and implements a risk management or investment strategy to manage and evaluate the performance of a group of financial assets, financial liabilities or both on a fair value basis. The adoption of these new standards did not have a significant impact on the financial results of the First Nation.

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3. Receivables	<u>2023</u>	<u>2022</u>
Atlantic Canada Opportunities Agency	\$ 108,807	\$ 675,000
Department of Fisheries and Oceans	42,474	332,540
Canada Mortgage and Housing Corporation	-	500,000
Health Canada	11,486	11,486
Indigenous Services Canada	2,357,855	2,627,650
Mi'kmaq Employment and Training Secretariat	27,108	151,192
Mi'kmaq Economic Benefits Office	111,002	105,950
Mi'kmaq Kina'matnewey	238,689	268,410
Province of Nova Scotia	157,757	154,524
Trade and sundry	10,492,392	6,290,060
	<u>13,547,570</u>	<u>11,116,812</u>
Less: allowance for doubtful accounts	<u>500,846</u>	<u>500,846</u>
	<u><u>\$ 13,046,724</u></u>	<u><u>\$ 10,615,966</u></u>

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# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2023

4. Restricted cash	<u>2023</u>	<u>2022</u>
Funds on deposit with Indigenous Services Canada (a)	\$ 38,337	\$ 37,175
Replacement reserve (b)	<u>150,694</u>	150,694
First Nations Finance Authority debt reserve fund (c)	<u>2,122,592</u>	<u>1,405,253</u>
	<u><b>\$ 2,311,623</b></u>	<u><b>\$ 1,593,122</b></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 \$69,250 (2022 - \$569,700). 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, 2023, with a total deficiency of \$873,458 (2022 - \$804,208). 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 \$40,418,473 is required to be established and maintained under section 84 of the Act for financing secured by Other Revenues.

5. Inventory	<u>2023</u>	<u>2022</u>
We'koqma'q One Stop	\$ 168,018	\$ 168,018
Fitness Centre	<u>1,434</u>	<u>1,434</u>
Trout farm	<u>3,060,867</u>	<u>2,071,517</u>
	<u><b>\$ 3,230,319</b></u>	<u><b>\$ 2,240,969</b></u>

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# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2023

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### 6. Promissory note receivable

	<u>2023</u>	<u>2022</u>
<b>First Nations Fisheries Interest Group Partnership</b> 6.14% loan receivable in equal quarterly blended instalments of principal plus interest in the amount of \$1,303,067 payable quarterly maturing in fiscal 2051	<u>\$ 17,350,084</u>	<u>\$ 17,580,361</u>

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

2024	\$ 241,860
2025	\$ 259,942
2026	\$ 276,273
2027	\$ 293,631
2028	\$ 309,383

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### 7. 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 \$500,000 which bears interest at prime plus 1.00%. 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'matnewey.

We'koqma'q First Nation has two other established line of credits for \$3,500,000 and \$750,000. Amounts drawn bear interest of prime plus 0.75% per annum and prime plus 0.95% per annum. The two line of credit's are secured by a general security agreement. As of March 31, 2023, Peace Hills prime rate was 6.70%.

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### 8. Payables and accruals

	<u>2023</u>	<u>2022</u>
Trade	<u>\$ 7,461,300</u>	<u>\$ 8,617,530</u>
Payroll remittances	<u>52,451</u>	<u>1,665</u>
Commodity taxes	<u>929,900</u>	<u>990,178</u>
Accrued liabilities	<u>637,211</u>	<u>527,785</u>
	<u><b>\$ 9,080,862</b></u>	<u><b>\$ 10,137,158</b></u>

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# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2023

## 9. Deferred revenue

Indigenous Services Canada ("ISC") represents funds received for specific operational projects and capital improvements. In fiscal 2023, \$14,080,274 (2022 - \$640,634) has been recognized as revenues by the First Nation.

Other deferred revenues represent funds received from Premium Seafood Group, who pays an upfront amount for snow crab sales before the season begins each year. In fiscal 2023, \$250,000 (2022 - \$300,000) has been recognized as revenues by the First Nation.

	ISC	Other	Total
Balance, beginning of year	\$ 3,757,907	\$ 294,321	\$ 4,052,228
Contributions	13,969,513	374,202	14,343,715
Amounts recognized as revenue	(14,080,274)	(250,000)	(14,330,274)
Balance, end of year	\$ 3,647,146	\$ 418,523	\$ 4,065,669

## 10. Capital lease obligations

**Canso Ford**

5.99% financial lease, maturing March 2025, repayable in blended monthly instalments of \$728.

\$ 16,427 \$ 23,931

Tantramar Chevrolet

6.09% financial lease, maturing March 2024, repayable in blended monthly instalments of \$754.

8.723 16.963

## Xyntax

11.5% financial lease, maturing March 2024, repayable in blended monthly instalments of \$519.

**5,856** 11,081

31.006 51.975

### Less current portion

22 546 20 968

Due beyond one year

22 546 20 968

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# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2023

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### 10. Capital lease obligations (continued)

Repayment in each of the next three (2) years are as follows:

2024	\$ 24,008
2025	<u>8,734</u>
Total future lease payments	32,742
Less amount representing interest	<u>1,736</u>
Present value of net lease payments	31,006
Less current portion	<u>22,546</u>
	<u>\$ 8,460</u>

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11. Long-term debt	<u>2023</u>	<u>2022</u>
<b>Canada Mortgage and Housing Corporation</b> Housing mortgages, maturing in 2025 to 2043, bearing interest at 1.57% to 4.75%, repayable under various terms.	\$ 4,263,717	\$ 4,568,721
<b>Royal Bank of Canada</b> 1.70% term loan, maturing in October 2023, repayable in blended monthly instalments of \$1,081.	17,180	33,927
3.37% term loan, maturing in March 2024 repayable in blended monthly instalments of \$936.	26,081	36,243
6.06% term loan, maturing in September 2023, repayable in blended monthly instalments of \$1,426.	38,405	53,308
3.01% term loan, maturing in January 2024, repayable in blended monthly instalments of \$427.	64,013	67,156
3.99% term loan, maturing in November 2023, repayable in monthly instalments of \$981.	8,691	19,877
5.99% term loan, maturing May 2024, repayable in monthly instalments of \$1,113.	15,028	27,085
8.70% term loan, maturing in January 2024, repayable in blended monthly instalments of \$15,799.	1,069,486	1,149,507
5.99% term loan, maturing in March 2026, repayable in blended monthly instalments of \$850.	27,967	-

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# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2023

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11. Long-term debt (continued)	<u>2023</u>	<u>2022</u>
5.69% term loan, maturing in March 2027, repayable in blended monthly instalments of \$734.	<b>30,848</b>	-
6.36% term loan, maturing in January 2024, repayable in blended monthly instalments of \$993.	<b>43,484</b>	-
1.59% term loan, maturing in January 2024, repayable in monthly instalments of \$1,014.	<b>68,659</b>	-
<b>Peace Hills Trust</b>		
7.20% term loan, maturing in March 2025, repayable in blended monthly instalments of \$15,843.	<b>378,769</b>	543,232
3.50% term loan, maturing in November 2025, repayable in blended monthly instalments of \$4,703.	<b>898,900</b>	923,799
3.95% term loan, maturing in June 2025, repayable in blended monthly instalments of \$1,940.	<b>224,466</b>	238,722
3.29% term loan, maturing in December 2026, repayable in blended monthly instalments of \$8,004.	<b>740,182</b>	811,051
3.95% term loan, maturing in November 2025, repayable in blended monthly instalments of \$13,884.	<b>1,706,366</b>	1,804,571
3.929 term loan, maturing in July 2027, repayable in blended monthly instalments of \$1,104.	<b>108,586</b>	117,822
3.29% term loan, maturing in December 2026, repayable in blended monthly instalments of \$349.	<b>15,076</b>	18,727
3.95% term loan, maturing in June 2024, repayable in blended monthly instalments of \$4,062.	<b>587,616</b>	612,959
4.15% term loan, maturing in May 2024, repayable in blended monthly instalments of \$1,315.	<b>18,454</b>	33,194
3.50% term loan, maturing in April 2026, repayable in blended monthly instalments of \$4,099.	<b>663,991</b>	689,759
3.95% term loan, maturing in March 2025, repayable in blended monthly instalments of \$887.	<b>74,147</b>	81,753
4.50% term loan, maturing in June 2026, repayable in blended monthly instalments of \$15,175.	<b>550,183</b>	703,759
7.20% term loan, maturing in March 2025, repayable		

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in blended monthly instalments of \$11,520. **1,127,079** 1,200,451

## **We'koqma'q First Nation**

### **Notes to the consolidated financial statements**

March 31, 2023

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#### **11. Long-term debt (continued)**

6.70% term loan, maturing in September 2025, repayable in blended quarterly instalments of \$77,054	<b>3,332,769</b>	3,440,151
6.70% term loan, maturing in April 2024, no set principal repayment terms.	<b>1,740,037</b>	-
<b>Ulnooweg Development Group Inc.</b>		
8.50% term loan, maturing in January 2028, repayable in blended monthly instalments of \$3,788.	<b>177,678</b>	206,669
7.25% term loan repaid during the year.	-	16,353
6.75% term loan, maturing in June 2024, repayable in blended monthly instalments of \$14,109.	<b>123,314</b>	227,913
Canada Emergency Business Account ("CEBA") See terms below	<b>31,945</b>	256,945
<b>Province of Nova Scotia</b>		
5.35% term loan, maturing in April 2037, repayable in blended monthly instalments of \$7,053	<b>838,958</b>	878,064
4.30% term loan repaid during the year.	-	116,212
<b>Kubota Canada Ltd.</b>		
0.00% term loan, maturing in February 2029, repayable in monthly instalments of \$971.	<b>69,924</b>	-
<b>First Nation Finance Authority</b>		
1.90% loan payable in equal annual principal instalments of \$428,151 and semi-annual interest instalments of \$178,571, maturing June 2030	<b>17,864,296</b>	18,305,161
3.06% loan payable in equal annual principal instalments of \$204,759 and semi-annual interest instalments of \$137,539, maturing June 2032	<b>8,766,819</b>	8,972,644
1.75 – 6.00% interim financing, due on demand.	<b>12,632,000</b>	-
	<b>58,345,114</b>	46,155,735
Current portion of long-term debt		
Principal payments due within one year.	<b>18,489,040</b>	7,357,820
	<b>\$ 39,856,074</b>	<b>\$ 38,797,915</b>

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# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2023

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### 11. Long-term debt (continued)

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'kmaq 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 Ulnooweeq Development Group Inc., the First Nation has given a general security agreement constituting a 2<sup>nd</sup> security interest in all present and future personal property of the First Nation and including specific charges over property.

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 Nation took advantage of this program within the Fisheries (3), Commercial enterprises (1), Waycobah Contracting Incorporated (1), Gaming (1) and Band Government (1) divisions and received the maximum loan allowed under the program through Ulnooweg Development Group Inc. Repaying the loan on or before December 31, 2023 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 January 18, 2024, 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, 2025.

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

2024	\$ 18,489,040
2025	\$ 4,054,374
2026	\$ 6,289,897
2027	\$ 4,328,433
2027	\$ 1,709,050

**We'koqma'q First Nation**  
**Notes to the consolidated financial statements**  
March 31, 2023

**12. Property and equipment**

	<u>Opening Cost</u>	<u>Additions</u>	<u>Disposals</u>	<u>Closing Cost</u>	<u>Opening Accumulated Depreciation</u>	<u>Depreciation</u>	<u>Closing Accumulated Depreciation</u>	<u>Accumulated Depreciation on Disposals</u>	<u>Closing Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>2022 Net Book Value</u>
Land	\$ 35,000	\$ -	\$ -	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ 35,000	35,000	
Land improvements	125,000	-	-	125,000	-	-	-	-	\$ 125,000	125,000	
Buildings											
Band office	2,385,369	-	-	2,385,369	1,233,586	46,073	-	1,279,659	\$ 1,105,710	1,151,783	
School	8,850,990	-	-	8,850,990	3,840,829	200,406	-	4,041,235	\$ 4,809,755	5,010,161	
Police station	322,987	-	-	322,987	185,310	5,507	-	190,817	\$ 132,170	137,677	
Fisheries	1,828,106	201,249	-	2,029,355	716,944	66,477	-	783,421	\$ 1,245,934	1,111,162	
Health centre	2,379,190	-	-	2,379,190	972,649	56,262	-	1,028,911	\$ 1,350,279	1,406,541	
Fire station/Community hall	1,678,259	-	-	1,678,259	267,442	56,433	-	323,875	\$ 1,354,384	1,410,817	
Fitness centre	133,768	-	-	133,768	36,982	3,871	-	40,853	\$ 92,915	96,786	
Waycobah Contracting	192,044	-	-	192,044	66,285	6,370	-	72,655	\$ 119,389	125,759	
Big Falls	1,608,092	607,355	-	2,215,447	177,120	69,386	-	246,506	\$ 1,968,941	1,430,972	
Equipment and furniture	3,400,194	229,047	-	3,629,241	2,621,565	179,036	-	2,800,601	\$ 828,640	778,629	
Computer	94,248	38,540	-	132,788	43,551	38,565	-	82,116	\$ 50,672	50,697	
Fishing vessels	5,892,674	416,585	-	6,309,259	745,318	213,843	-	959,161	\$ 5,350,098	5,147,356	
Fish farm	9,702,788	1,520,877	-	11,223,665	3,776,160	1,281,402	-	5,057,562	\$ 6,166,103	5,926,628	
Vehicles	1,327,233	289,483	-	1,596,716	915,011	163,462	-	1,078,473	\$ 518,243	412,222	
Community housing	10,632,939	6,326,430	-	16,959,369	2,920,990	435,007	-	3,355,997	\$ 13,603,372	7,711,949	
Subdivision	9,643,729	-	-	9,643,729	4,152,790	219,638	-	4,372,428	\$ 5,271,301	5,490,939	
Infrastructure	7,036,209	199,477	-	7,235,686	4,141,224	208,394	-	4,349,618	\$ 2,886,068	2,894,985	
Project haven	198,931	-	-	198,931	198,931	-	-	198,931	\$ -	-	
Leased Assets	79,770	-	-	79,770	11,178	22,042	-	33,220	\$ 46,550	68,592	
We'koqma'q One Stop	3,510,756	-	-	3,510,756	2,155,606	208,871	-	2,364,477	\$ 1,146,279	1,355,150	
Construction in Progress	5,165,110	(2,153,368)	-	3,011,742	-	-	-	-	\$ 3,011,742	5,165,110	
Housing Properties	13,776,717	19,779	-	13,796,496	8,601,448	438,318	-	9,039,766	\$ 4,756,730	5,175,269	
	<u>\$ 90,000,103</u>	<u>\$ 7,675,454</u>	<u>\$ -</u>	<u>\$ 97,675,557</u>	<u>\$ 37,780,919</u>	<u>\$ 3,919,363</u>	<u>\$ -</u>	<u>\$ 41,700,282</u>	<u>\$ 55,975,275</u>	<u>52,219,184</u>	

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# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2023

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13. Purchased fishing licenses and permits	<u>2023</u>	<u>2022</u>
Purchased fishing licenses and permits	<u>\$ 13,700,000</u>	\$ -

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

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### 14. 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.

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### 15. Commitments

The First Nation has entered into an 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.

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### 16. Accumulated surplus

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

	<u>2023</u>	<u>2022</u>
Unallocated	<u>\$ 34,311,835</u>	\$ 26,552,909
Funds on deposit with Indigenous Service Canada	<u>38,337</u>	37,175
Replacement reserve	<u>1,024,152</u>	954,902
	<u><b>\$ 35,374,324</b></u>	<u><b>\$ 27,544,986</b></u>

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

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### 17. Pension costs and obligations

The First Nation 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 \$342,177 (2022 - \$291,925).

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# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2023

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### 18. 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.

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### 19. Comparative figures

Certain of the 2022 comparative figures have been adjusted to conform with the financial statement presentation adopted for the current year.

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# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2023

### 20. Government transfers

	2023			2022		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
<b>Federal government transfers</b>						
Atlantic Canada Opportunities Agency	\$ -	\$ 108,807	\$ 108,807	\$ -	\$ 1,001,609	\$ 1,001,609
Indigenous Services Canada	11,460,798	2,619,476	14,080,274	10,668,734	1,789,750	12,458,484
Department of Fisheries and Oceans	870,541	500,000	1,370,541	211,852	817,333	1,029,185
Canada Mortgage and Housing Corporation	286,452	-	286,452	277,833	988,786	1,266,619
Mi'kmaq Kina'matnewey	7,331,723	-	7,331,723	6,900,733	-	6,900,733
Mi'kmaq Employment Training Secretariat	481,185	-	481,185	365,384	-	365,384
Other	452,715	11,344	464,059	279,497	1,000	280,497
<b>Subtotal</b>	<b>\$ 20,883,414</b>	<b>\$ 3,239,627</b>	<b>\$ 24,123,041</b>	<b>\$ 18,704,033</b>	<b>\$ 4,598,478</b>	<b>\$ 23,302,511</b>
<b>Provincial government transfers</b>						
Province of Nova Scotia	\$ 447,139	\$ -	\$ 447,139	\$ 170,545	\$ -	\$ 170,545
Union of Nova Scotia Mi'kmaq	538,487	-	538,487	222,055	-	222,055
<b>Subtotal</b>	<b>\$ 985,626</b>	<b>\$ -</b>	<b>\$ 985,626</b>	<b>\$ 392,600</b>	<b>\$ -</b>	<b>\$ 392,600</b>
<b>Total</b>	<b>\$ 21,869,040</b>	<b>\$ 3,239,627</b>	<b>\$ 25,108,667</b>	<b>\$ 19,096,633</b>	<b>\$ 4,598,478</b>	<b>\$ 23,695,111</b>

### 21. Investments

2023

E'sukutimkewey Limited Partnership \$ 1 \$ 1

The First Nation, together with 12 other First Nation entities in the Province of Nova Scotia, has entered into the above limited partnerships. No First Nation within the group controls the Partnerships, as such the investments are accounted for as portfolio investments and are carried at cost in these financial statements. Revenue is recorded only to the extent that distributions are received or receivable. During the year, the First Nation received \$85,988 from E'sukutimkewey Limited Partnership which has been included in other revenue.