

Kebaowek First Nation
Consolidated financial statements
March 31, 2024

Kebaowek First Nation

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Management's Statement of Responsibility

The consolidated financial statements of Kebaowek First Nation as at March 31, 2024, 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 the Canadian public sector accounting standards ("PSAS") and, as such, include amounts that are the best estimates and judgments of management.

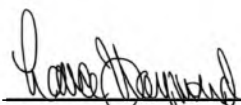
Management is responsible for the integrity and objectivity of these consolidated financial statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and are ultimately responsible for reviewing and approving the consolidated financial statements.

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

The external auditor, MNP LLP, conducts an independent examination, in accordance with Canadian auditing standards, and expresses its opinion on the consolidated financial statements. The external auditor has full and free access to financial management of Kebaowek First Nation and meets when required.

On behalf of Kebaowek First Nation:



Signature and title
for Kebaowek First Nation

October 25, 2024

Independent Auditor's Report

To the Chief and Council of
Kebaowek First Nation

Qualified Opinion

We have audited the consolidated financial statements of Kebaowek First Nation (the "Organization"), which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statements of operations, cumulative operating surplus, net investment in capital assets and changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, except for the implications of the situations described in section «Basis for Qualified Opinion», the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2024, and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Qualified Opinion

The Organization did not consolidate the financial information of the controlled entities (Kebaowek Land Management inc, Kitika Nijwaswi L.P and Amik Nikewin Development inc). As mentioned on Note 2, the investments in those controlled entities has been accounted for by the modified equity method, which is a derogation to the PSAS. According to the PSAS, those controlled entities should have been considered as government units and to be consolidated on the consolidated financial statements because it does not answer all the characteristics of government businesses enterprises. Had those controlled entities been consolidated, many elements in the consolidated financial statements would have been affected. The effects of the non-consolidation on the year ended March 31, 2024 and 2023 have not been determined, but the Organization provided information in note 4. Our audit opinion on the consolidated financial statements for the year ended March 31, 2023 was modified because of the effects of this departure from Canadian public sector accounting standards.

In addition, in connection with the April 1, 2022 application of CPA Canada Public Sector Accounting Handbook Section PS 3280, "Asset Retirement Obligations", the Organization did not identify and measure its liabilities for asset retirement obligations as at April 1, 2023 and 2022 and March 31, 2024 and 2023 which constitutes a departure from the PSAS. The First Nation should have identified the assets or components at risk of an asset retirement obligation liability, estimated and recorded the amount of this liability, and provided disclosures about the obligations. Since the identification, estimation, recognition and disclosure of the obligations have been performed, we were unable to determine whether any adjustments might be required to the capital assets, liabilities for asset retirement obligations as at March 31, 2024 and 2023, consolidated surplus for the year and consolidated cash flows from operating activities, as well as to the change in net consolidated financial assets and disclosures of the obligations for the years ended March 31, 2024 and 2023. Our audit opinion on the consolidated financial statements for the year ended March 31, 2023 was modified because of the effects of this departure from the PSAS.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the 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 qualified opinion.

Emphasis of Matter

We draw attention to the fact that the Organization includes, in its consolidated financial statements, certain financial information that is not required by the PSAS. This information, prepared in accordance with the requirements of Indigenous Services Canada ("ISC"), addresses the conciliation to ISC financial reporting requirements on page 2. The Organization also choose to present a consolidated statement of cumulative operating surplus on page 3, a consolidated statement of net investment in capital assets on page 4. We also draw attention to the fact that no budget are presented. Our qualified opinion is not modified in respect of these matters.

Responsibility 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 PSAS, and for such internal control as management determines is necessary to enable the preparation of the 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 GAAS 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 GAAS, 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 qualified 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 Organization'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 Organization'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 Organization 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 Organization 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.

A handwritten signature in black ink that reads "MNP LLP". The letters are stylized and cursive.

MNP LLP

Amos, Québec
October 25, 2024

Kebaowek First Nation

Consolidated statement of operations

Year ended March 31, 2024

| | 2024 | 2023 |
|---|-------------------|-------------------|
| Revenues | | |
| Sales | 3,566,011 | 3,245,138 |
| Indigenous Services Canada (ISC) - Flexible contribution | 3,229,823 | 4,408,376 |
| ISC - Grant contribution | 6,224,108 | - |
| ISC - Fixed contribution | 4,698,229 | 11,576,864 |
| ISC - Set contribution | 566,162 | 498,000 |
| ISC - Block contribution | 28,329 | 5,057,739 |
| Administration fees | 1,356,409 | 899,782 |
| Canada Mortgage and Housing Corporation (CMHC) | 805,349 | 270,083 |
| Federal contribution - other | 941,607 | 11,784,386 |
| First Nations Education Council (FNEC) | 58,598 | 73,521 |
| First Nations of Quebec and Labrador Health and Social Services Commission (FNQLHSSC) | 261,374 | 146,798 |
| Government of Quebec | 5,314,957 | 198,081 |
| First Nations Human Resources Development Commission of Quebec (FNHRDCQ) | 419,573 | 369,787 |
| Interest | 903,725 | 76,361 |
| Land management | 100,000 | 105,000 |
| Ministère des Forêts, de la Faune et des Parcs | 270,000 | - |
| Refundable surplus (recoverable deficit) to ISC | 19,638 | (40,251) |
| Provincial and federal police | 6,547,026 | 6,313,775 |
| Recreation revenues | 42,068 | 32,072 |
| Rent revenues | 351,524 | 344,428 |
| Review letter | - | (6,665) |
| Secrétariat aux Relations avec les Premières Nations et les Inuit | 2,421,554 | 273,047 |
| Special activities revenues | 163,310 | 122,263 |
| Other revenues | 604,093 | 1,063,205 |
| Withdrawal from replacement reserve | 149,766 | 15,441 |
| ISC - Unexpended contribution from previous year | 22,213,224 | 11,792,112 |
| ISC - Unexpended contribution to following year | (7,719,082) | (22,213,224) |
| Deferred revenue from previous year | 16,785,332 | 2,158,782 |
| Deferred revenue to following year | (21,025,541) | (16,785,332) |
| | 49,297,166 | 21,779,569 |

Kebaowek First Nation
Consolidated statement of operations

Year ended March 31, 2024

| | 2024 | 2023 |
|---|---------------------|--------------------|
| Expenses (Note 19) | | |
| Administration and band government | 1,444,289 | 1,210,069 |
| Human resources development | 147,809 | 158,283 |
| Social assistance | 670,163 | 562,425 |
| Education | 1,554,908 | 1,566,488 |
| Health | 3,677,554 | 3,536,247 |
| Public works | 2,477,392 | 1,951,734 |
| Police security | 951,113 | 1,027,089 |
| Fire protection | 132,751 | 100,375 |
| Housing | 1,434,746 | 1,764,828 |
| Economic development | 6,675,281 | 4,204,026 |
| Natural resources, recreation and cultural | 2,117,267 | 1,790,120 |
| | 21,283,273 | 17,871,684 |
| Surplus for the year before surplus (deficit) in controlled entities | 28,013,893 | 3,907,885 |
| Net surplus (deficit) in controlled entities | 504,172 | (303,019) |
| Surplus for the year | 28,518,065 | 3,604,866 |
| Conciliation to ISC financial reporting requirements | | |
| Surplus for the year | 28,518,065 | 3,604,866 |
| Proceeds from long-term debt | 14,800 | - |
| Reimbursement of long-term debt | (194,414) | (327,607) |
| Acquisition of capital assets | (25,058,328) | (4,676,260) |
| Surplus (deficit) under ISC financial reporting requirements⁽¹⁾ | 3,280,123 | (1,399,001) |

⁽¹⁾ The operating surplus under ISC financial reporting requirements before amortization/loss/proceeds from disposal of capital assets and transfer to tenants is \$4,793,153 (deficit of \$50,148 in 2023).

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

Kebaowek First Nation
Consolidated statement of cumulative operating surplus
Year ended March 31, 2024

| | 2024 | 2023 |
|--|---------------------|-------------|
| Balance at beginning of year | 8,635,629 | 8,112,312 |
| Surplus for the year | 28,518,065 | 3,604,866 |
| Transfer to net investment in capital assets | | |
| Acquisition of capital assets | (25,058,328) | (4,676,260) |
| Amortization/loss/proceeds from disposal of capital assets and transfer to tenants | 1,513,030 | 1,348,853 |
| Proceeds from long-term debt | 14,800 | - |
| Reimbursement of long-term debt | (194,414) | (327,607) |
| Allocation from the economic investment deficit | (364,664) | 509,959 |
| Allocation to band rental, single apartment building and multiplex reserves | (30,000) | (30,000) |
| Use of fire reserve | - | 130,712 |
| Allocation to Staff Development reserve | - | (46,126) |
| Adjustment to reserved funds - Article 95 | 11,000 | 8,920 |
| Transfer to the reserve for ISC grant funding | (1,833,108) | - |
| Legally enforceable right to set-off between a loan and an account receivable | (1,110,144) | - |
| Balance at end of year | 10,101,866 | 8,635,629 |

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

Kebaowek First Nation
Consolidated statement of net investment in capital assets

Year ended March 31, 2024

| | 2024 | 2023 |
|--|--------------------|-------------|
| Net investment in capital assets at beginning of year | 32,230,259 | 28,566,163 |
| Variation of net investment in capital assets | | |
| Plus: | | |
| Acquisition of capital assets | 25,058,328 | 4,676,260 |
| Reimbursement of long-term debt | 194,414 | 327,607 |
| Reimbursement of Residential Rehabilitation Assistance - Program On-Reserve (RRAP) | 3,700 | 9,082 |
| Legally enforceable right to set-off between a loan and an account receivable | 1,110,144 | - |
| | 26,366,586 | 5,012,949 |
| Less: | | |
| Proceeds from long-term debt | (14,800) | - |
| Amortization/loss/proceeds from disposal of capital assets and transfer to tenants | (1,513,030) | (1,348,853) |
| | (1,527,830) | (1,348,853) |
| Net investment in capital assets at end of year | 57,069,015 | 32,230,259 |

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

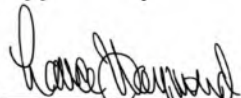
Kebaowek First Nation
Consolidated statement of financial position
March 31, 2024

| | 2024 | 2023 |
|--|-------------------|-------------------|
| Financial assets | | |
| Cash | 8,122,858 | 6,817,512 |
| Accounts receivable (Note 3) | 28,135,948 | 30,934,125 |
| Short-term investments (prime rate, renewable in January 2025) | 5,000,000 | 5,009,863 |
| Long-term investments (Note 4) | 4,264,499 | 3,441,168 |
| Restricted cash and deposits (Note 5) | 426,880 | 410,583 |
| | 45,950,185 | 46,613,251 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 8,801,380 | 2,957,698 |
| Deferred revenue (Note 7) | 21,025,541 | 16,785,332 |
| ISC - Unexpended funding (Note 8) | 7,719,082 | 22,213,224 |
| Deferred governmental assistance | 277,843 | 292,466 |
| Long-term debt (Note 9) | 2,015,503 | 3,308,961 |
| | 39,839,349 | 45,557,681 |
| Net financial assets | 6,110,836 | 1,055,570 |
| Non-financial assets | | |
| Capital assets (Note 6) | 59,070,359 | 35,525,060 |
| Inventories | 154,330 | 185,340 |
| Prepaid expenses | 525,625 | 421,104 |
| | 59,750,314 | 36,131,504 |
| Accumulated surplus (Note 12) | 65,861,150 | 37,187,074 |

Contingencies and guarantees (Note 15)

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

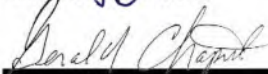
Approved by the First Nation's Council



Council's Member



Council's Member



Council's Member

Kebaowek First Nation
Consolidated statement of changes in net financial assets

Year ended March 31, 2024

| | 2024 | 2023 |
|--|---------------------|-------------|
| Surplus for the year | 28,518,065 | 3,604,866 |
| Changes in capital assets | | |
| Acquisition of capital assets | (25,058,328) | (4,676,260) |
| Amortization/loss/proceeds from disposal of capital assets and transfer to tenants | 1,513,030 | 1,348,853 |
| | (23,545,298) | (3,327,407) |
| Changes in other non-financial assets | | |
| Change in inventories | 31,010 | (38,290) |
| Changes in prepaid expenses | (104,521) | 8,783 |
| | (73,511) | (29,507) |
| Changes in non-operational surpluses and reserves | | |
| Adjustment to reserved funds - Article 95 | 11,000 | 8,920 |
| Variation of replacement reserves, operating reserve fund and reserves for acquisition of capital assets | 141,289 | 105,098 |
| Increase in in-trust fund | 21 | 15 |
| Variation of RRAP loans | 3,700 | 9,082 |
| | 156,010 | 123,115 |
| Changes in net financial assets | 5,055,266 | 371,067 |
| Net financial assets at beginning of year | 1,055,570 | 684,503 |
| Net financial assets at end of year | 6,110,836 | 1,055,570 |

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

Kebaowek First Nation
Consolidated statement of cash flows

Year ended March 31, 2024

| | 2024 | 2023 |
|---|------------------|--------------------|
| Operating activities | | |
| Surplus for the year | 28,518,065 | 3,604,866 |
| Items not affecting cash | | |
| Amortization of capital assets | 1,496,564 | 1,339,384 |
| Amortization of deferred governmental assistance | (14,623) | (15,395) |
| (Surplus) deficit in controlled entities | (504,172) | 303,019 |
| Loss on disposal of capital assets | 5,466 | 1,969 |
| | 29,501,300 | 5,233,843 |
| Changes in non-cash operating working capital items (Note 13) | (2,795,729) | 4,532,669 |
| | 26,705,571 | 9,766,512 |
| Investing activities | | |
| Acquisition of capital assets | (25,058,328) | (4,676,260) |
| Proceeds from disposal of capital assets | 11,000 | 7,500 |
| Increase in restricted cash and deposits | (16,297) | (3,923) |
| Variation of short-term investments | 9,863 | (5,009,863) |
| Variation of long-term investments | (319,159) | (897,128) |
| | (25,372,921) | (10,579,674) |
| Financing activities | | |
| Variation of RRAP loans | 3,700 | 9,082 |
| Adjustment to reserved funds - Article 95 | 152,289 | 114,018 |
| Increase in in-trust fund | 21 | 15 |
| Proceeds from long-term debt | 14,800 | - |
| Reimbursement of long-term debt and RRAP loans | (198,114) | (336,689) |
| | (27,304) | (213,574) |
| Net increase (decrease) in cash and cash equivalents | 1,305,346 | (1,026,736) |
| Cash and cash equivalents, beginning of year | 6,817,512 | 7,844,248 |
| Cash and cash equivalents, end of year | 8,122,858 | 6,817,512 |

See additional information presented in Note 13.

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

Kebaowek First Nation

Notes to the consolidated financial statements

March 31, 2024

1. Description of the organization

Kebaowek First Nation (the "First Nation" or "Organization") is an unincorporated legal body as defined in the Indian Act. A band council is considered a form of local government consisting of a Chief and two or more councillors who are chosen by election or band custom to carry out the functions of government for the First Nation.

2. Accounting policies

The consolidated financial statements have been prepared in accordance with the Canadian public sector accounting standards except for the investments in certain government units which are not consolidated.

Change in accounting policies

PS 3400 - Revenue

Effective April 1, 2023, the First Nation adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of revenue under PS 3400 Revenue. The new standard establishes when to recognize and how to measure revenue, and provides the related financial statement presentation and disclosure requirements. Pursuant to these recommendations, the change was applied prospectively, and prior periods have not been restated.

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

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

Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include cash, bank overdraft, bank loan and short-term investments with a term to maturity of three months or less at the date of acquisition.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale.

Financial instruments

On initial recognition, all financial instruments are initially recognized at fair value, and are classified as either financial instruments measured at cost or amortized cost, or as financial instruments measured at fair value. Transactions that are not contractual in nature do not generate items considered as financial instruments.

Kebaowek First Nation

Notes to the consolidated financial statements

March 31, 2024

2. Accounting policies (continued)

Financial instruments (continued)

Cash and cash equivalents, accounts receivable (excluding commodity taxes receivable), loans receivable, short-term investments and other receivables are classified as financial assets at cost or amortized cost. Financial assets are measured at cost or amortized cost using the effective interest method. Accounts payable and accrued liabilities, excluding commodity taxes payable and employee benefits payable, and debts are classified as financial liabilities measured at cost or amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to its carrying amount.

Transaction costs are added to the carrying amount of financial instruments measured at cost or amortized cost on initial recognition.

All financial assets are tested annually for impairment. Management takes into consideration whether the issuing company has suffered continuous losses over a number of years, recent experience in collecting the receivable, such as a default or delay in interest or principal payments, and so on. Any impairment that is not considered temporary is recognized in the income statement. Reductions in the value of financial assets measured at cost and/or amortized cost to reflect impairment losses are not reversed for subsequent increases in value. Reversals of any net revaluation of financial assets measured at fair value are recognized in the statements of revaluation gains and losses. When the carrying value of a portfolio investment in shares quoted on an active market has been reduced to reflect an other-than-temporary impairment in value, the accumulated balance of unrealized losses recognized in the statement of remeasurement gains and losses is reclassified to the consolidated statement of income.

Capital assets

Capital assets are accounted for at cost. Amortization is calculated using the following methods at the following rates and over the following periods:

| | Methods | Rates and periods |
|---|-------------------|-------------------|
| Community buildings | Declining balance | 2.5% |
| Private housing | Straight-line | 25 years |
| Water and sanitation systems | Declining balance | 2.5% |
| Roadway system | Declining balance | 2.5% |
| Motorized equipment | Declining balance | 10.0% to 20.0% |
| Building Migizy Odenaw Inc. | Declining balance | 5.0% |
| Equipment Migizy Odenaw Inc. | Declining balance | 10.0% |
| Restaurant equipment Migizy Odenaw Inc. | Declining balance | 20.0% |
| Office and other equipment | Declining balance | 20.0% |

Assets under construction are not depreciated since they are not in use.

Impairment of long-lived assets

Capital assets are written down when conditions indicate that they no longer contribute to the First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

2. Accounting policies (continued)

Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenues or unexpended funds when transfer stipulations give rise to a liability. Transfer revenue is recognized in the consolidated statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service is performed.

Revenue from transactions with performance obligations is recognized when the First Nation satisfies a performance obligation by providing the promised goods or services to a payor. The performance obligation is evaluated as being satisfied either over a period of time or at a point in time.

Other revenues are recognized when persuasive evidence of an arrangement exists, price is fixed or determinable and collection is reasonably assured.

Use of estimates

The preparation of consolidated financial statements in conformity with PSAS 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The critical estimates relate to the provision for doubtful accounts in respect of receivables and long-term investments, the cost and net realizable value of inventories, the useful lives of long-lived assets, the potential impairment of long-term investments, the deferred revenues, the ISC unexpended funding, certain accrued liabilities and liabilities under legal contingencies. Actual results could differ from these estimates.

Principle of consolidation

The consolidated financial statements include the accounts of the First Nation and a government unit under its control, Migizy Odenaw Inc.

As at March 31, 2024, the financial information available for the operations of Migizy Odenaw Inc. was taken from its respective year-end (September 30, 2023).

Transactions concluded between these enterprises and reciprocal balances are eliminated. The reciprocal balances have not been eliminated in the segment disclosure (Note 20).

2. Accounting policies (continued)

Investments in government business enterprises

Government business enterprises are accounted for in the consolidated financial statements using the modified equity method, when they meet the four characteristics of government business enterprises.

Under this accounting method, only net income, the First Nation's investment in the public enterprise and other changes in capital are recognized. No adjustment is made for the difference between the accounting policies of the enterprise and those of the First Nation.

When the nature of a government organization changes such that it no longer meets the definition of a government business enterprise, the organization would become a governmental unit and would be consolidated in government consolidated financial statements.

During the fiscal year ending March 31, 2023, the circumstances affecting Kebaowek Land Management Inc., Kitika Nijwaswi L.P. and Amik Nikewin Development Inc. and their controlled entities Mitikon L.P. and Mikan Transport L.P. (the "Companies") have changed so that they no longer meet the definition of a public enterprise. Failure to meet one of the four characteristics of the definition of a government enterprise would have required a change in the company's status as a government unit. The First Nation had chosen to continue using the modified equity method in 2023 and 2024 to recording investment in these companies even though they no longer met the definition of a government business enterprise, which constituted a departure from the PSAS.

The government business enterprises recorded according to the modified equity method are:

- Kebaowek Land Management Inc. (wholly owned by the First Nation) - Dissolved during the year
- Amik Nikewin Development Inc. (wholly owned by the First Nation)
- Kitika Nijwaswi L.P. (99.99% of the parts owned by the First Nation and 0.01% by Amik Nikewin Development Inc.)

Moreover, Kitika Nijwaswi L.P. owns 99.99% of the parts in the enterprises Mikan Transport L.P. and Mitikon L.P. Amik Nikewin Development Inc. owns 0.01% of the parts in the enterprises Mikan Transport L.P. and Mitikon L.P.

Revenues and expenses related to the acquisition of capital assets

Revenues and expenses related to the acquisition of capital assets are recorded in the net investment in capital assets when the related capital expenses are recorded, provided that the First Nation meets the eligibility criteria.

Pension plan

The cost of the defined pension plan is equal to the pension plan expense.

The pension plan is a multiemployer defined benefit pension plan that is accounted for as a defined contribution plan.

Loans

Loans with significant concessionary terms are presented at fair value discounted by the amount of the grant portion.

Kebaowek First Nation
Notes to the consolidated financial statements

March 31, 2024

3. Accounts receivable

| | 2024 | 2023 |
|--|-------------------|-------------------|
| ISC receivable | 3,632,074 | 12,140,764 |
| FNHRDCQ receivable | 1,616 | 5,418 |
| FNEC receivable | 5,668 | 5,432 |
| FNQLHSSC receivable | 268,553 | 84,160 |
| CMHC receivable | 88,088 | 347,158 |
| GST, QST and tobacco tax receivable | 57,882 | 36,717 |
| Forestry contracts receivable | 105,000 | 50,000 |
| SRPNI receivable | 1,808,407 | 784,234 |
| Ministère des Forêts, de la Faune et des Parcs | 270,000 | 55,000 |
| Public security receivable | 7,904,223 | 5,135,108 |
| Other administration accounts receivable | 155,384 | 123,052 |
| Canadian Nuclear Laboratories receivable | 421,070 | 294,026 |
| Accounts receivable (housing) | 1,290,016 | 1,229,202 |
| Water and garbage receivable | 69,170 | 58,389 |
| Other accounts receivable | 992,077 | 1,112,377 |
| Expenses to be reimbursed (housing) | 105,385 | 111,710 |
| Quebec Tourism receivable | 2,010,000 | - |
| Green and Inclusive Community Buildings Program receivable | 8,872,190 | 8,969,796 |
| Canada Economic Development receivable | 631,514 | 831,105 |
| | 28,688,317 | 31,373,648 |
| Allowance for doubtful accounts | (552,369) | (439,523) |
| | 28,135,948 | 30,934,125 |

4. Long-term investments

| | 2024 | 2023 |
|---|------------------|------------------|
| Kebaowek Land Management Inc. - Subsidy (100.00%) | | |
| Investment | - | 100 |
| Equity pick-up (accumulated deficit) | - | (45,642) |
| Advance, no interest and repayment terms | - | 379,585 |
| | - | 334,043 |
| Amik Nikewin Development Inc. - Subsidy (100.00%) (General partner of Kitika Nijwaswi L.P.) | | |
| Investment | 100 | 100 |
| Equity pick-up (accumulated deficit) | (155) | (206) |
| | (55) | (106) |
| Kitika Nijwaswi L.P. (parts of 99.99%) | | |
| Investment | 99 | 99 |
| Equity pick-up (accumulated deficit) | (1,557,795) | (2,064,551) |
| Advances, no interest and repayment terms | 5,353,230 | 5,171,683 |
| | 3,795,534 | 3,107,231 |
| Énergie renouvelable Onimiki S.E.C. (parts of 20.00%) | | |
| Investment | 469,020 | - |
| | 4,264,499 | 3,441,168 |

Kebaowek First Nation
Notes to the consolidated financial statements
March 31, 2024

4. Long-term investments (continued)

Summary of the financial information - Mikan Transport L.P. as at March 31, 2024

| | 2024 | 2023 |
|--|------------------|-------------|
| Statement of financial position | | |
| Financial assets | | |
| Cash | 367,174 | 39,389 |
| Accounts receivable | 494,647 | 537,954 |
| | 861,821 | 577,343 |
| Non-financial assets | | |
| Inventories | 111,964 | 218,683 |
| Capital assets | 2,236,625 | 2,114,526 |
| Goodwill | - | 485,135 |
| | 2,348,589 | 2,818,344 |
| Liabilities | | |
| Short-term liabilities | 562,628 | 738,705 |
| Long-term liabilities | 3,058,622 | 3,604,902 |
| | 3,621,250 | 4,343,607 |
| Net debt | 2,759,429 | 3,766,264 |
| Accumulated deficit | 410,840 | 947,920 |
| Statement of operations | | |
| Revenues - Sales | 2,732,538 | 2,488,020 |
| Expenses | | |
| Salaries and fringe benefits | 746,984 | 1,002,568 |
| Amortization of capital assets | 260,221 | 275,090 |
| Gas | 228,111 | 280,932 |
| Interest on long-term debt | 94,025 | 90,274 |
| Material and supplies | 597,293 | 271,001 |
| Repairs and maintenance | 223,441 | 439,980 |
| Other expenses | 232,579 | 388,162 |
| | 2,382,654 | 2,748,007 |
| Surplus (deficit) from operations | 349,884 | (259,987) |
| Other income and expenses | | |
| Subsidies from Kebaowek First Nation | 712,162 | - |
| Depreciation of goodwill | (485,135) | - |
| Loss on disposal of capital assets | (39,831) | (21,268) |
| | 187,196 | (21,268) |
| Net income (loss) | 537,080 | (281,255) |
| Statement of cash flows | | |
| Operating activities | 1,346,485 | (542,282) |
| Investing activities | (422,152) | (267,134) |
| Financing activities | (596,548) | 620,189 |

Kebaowek First Nation

Notes to the consolidated financial statements

March 31, 2024

4. Long-term investments (continued)

The amount of long-term debt of Mikan Transport L.P. is \$1,018,121 as at March 31, 2024. Principal payments required in each of the next four years are as follows:

| | \$ |
|------|---------|
| 2025 | 471,032 |
| 2026 | 355,642 |
| 2027 | 144,789 |
| 2028 | 46,658 |

Related party transactions - Mikan Transport L.P.

During the year, the First Nation invoiced revenues to Mikan Transport L.P. for \$17,304 (\$700 in 2023). The amount receivable on these transactions is nil as at March 31, 2024 (nil as at March 31, 2023). The First Nation transferred subsidies to Mikan Transport L.P. for \$712,162 (nil in 2023). The First Nation also purchased goods and services for \$490,501 (\$119,371 in 2023) from Mikan Transport L.P. The amount payable on these transactions included in the accounts payable and accrued liabilities as at March 31, 2024 is \$225,515 (nil as at March 31, 2023). Mikan Transport L.P. also owes an amount of \$2,462,006 to the First Nation as advances as at March 31, 2024 (\$2,132,465 as at March 31, 2023).

Moreover, during the year Mikan Transport L.P. invoiced revenues to Mitikon L.P. for \$276,816 (\$1,097,805 in 2023) and the amount receivable on these transactions is \$105,914 as at March 31, 2024 (\$365,813 as at March 31, 2023).

Summary of the financial information - Mitikon L.P. as at March 31, 2024

| | 2024 | 2023 |
|--|------------------|------------------|
| Statement of financial position | | |
| Financial assets | | |
| Cash | 229,508 | 132,788 |
| Accounts receivable | 515,615 | 917,444 |
| | <u>745,123</u> | <u>1,050,232</u> |
| Non-financial assets | | |
| Inventories | - | 98,085 |
| Capital assets | 1,323,422 | 1,471,003 |
| | <u>1,323,422</u> | <u>1,569,088</u> |
| Liabilities | | |
| Short-term liabilities | 347,414 | 873,255 |
| Long-term liabilities | 2,868,234 | 2,862,894 |
| | <u>3,215,648</u> | <u>3,736,149</u> |
| Net debt | 2,470,525 | 2,685,917 |
| Accumulated deficit | 1,147,103 | 1,116,829 |

Kebaowek First Nation
Notes to the consolidated financial statements
March 31, 2024

4. Long-term investments (continued)

| | 2024 | 2023 |
|--------------------------------------|------------------|-------------|
| Statement of operations | | |
| Revenues - Sales | 700,319 | 4,429,056 |
| Expenses | | |
| Salaries and fringe benefits | 124,821 | 731,102 |
| Amortization of capital assets | 147,581 | 188,870 |
| Contracts | 477,220 | 2,637,349 |
| Gas | 20,972 | 550,406 |
| Interest on long-term debt | 19,128 | 28,121 |
| Material and supplies | 120,121 | 82,628 |
| Repairs and maintenance | 35,151 | 150,058 |
| Other expenses | 77,598 | 361,753 |
| | 1,022,592 | 4,730,287 |
| Deficit from operations | (322,273) | (301,231) |
| Other income and expenses | | |
| Subsidies from Kebaowek First Nation | 292,000 | 338,263 |
| Loss on disposal of capital assets | - | (58,796) |
| | 292,000 | 279,467 |
| Net loss | (30,273) | (21,764) |
| Statement of cash flows | | |
| Operating activities | 135,136 | 406,969 |
| Investing activities | 5,068 | (186,913) |
| Financing activities | (43,484) | (307,898) |

The amount of long-term debt of Mitikon L.P. is \$160,967 as at March 31, 2024. Principal payments required in each of the next two years are as follows:

| | |
|------|---------|
| | \$ |
| 2025 | 136,346 |
| 2026 | 24,621 |

Related party transactions - Mitikon L.P.

During the year, the First Nation did not invoice revenues to Mitikon L.P. (\$17,925 in 2023). The amount receivable on these transactions is nil as at March 31, 2024 (nil as at March 31, 2023). The First Nation transferred subsidies to Mitikon L.P. for \$292,000 (\$338,263 in 2023). The First Nation made purchases of goods and services for \$459,614 (\$55,000 in 2023) from Mitikon L.P. The amount payable on these transactions included in the accounts payable and accrued liabilities as at March 31, 2024 is \$329,607 (\$295,919 as at March 31, 2023). Mitikon L.P. also owes an amount of \$2,891,224 to the First Nation as advances as at March 31, 2024 (\$3,039,218 as at March 31, 2023).

Moreover, during the year Mitikon L.P. invoiced revenues to Mikan Transport L.P. for \$12,441 (\$197,607 in 2023) and the amount receivable on these transactions is nil as at March 31, 2024 (\$83,176 as at March 31, 2023).

Kebaowek First Nation
Notes to the consolidated financial statements

March 31, 2024

5. Restricted cash and deposits

| | 2024 | 2023 |
|--|----------------|-------------|
| In-trust surplus | 641 | 620 |
| Operating and replacement reserves (Note 14) | 426,239 | 409,963 |
| | 426,880 | 410,583 |

6. Capital assets

| | Cost | Accumulated amortization | 2024 Net book value | 2023 Net book value |
|---|-------------------|-------------------------------------|------------------------------------|------------------------------------|
| Assets under construction | 19,693,854 | - | 19,693,854 | 922,477 |
| Lands | 315,769 | - | 315,769 | 300,000 |
| Community buildings | 7,538,072 | 1,670,846 | 5,867,226 | 5,686,061 |
| Private housing | 11,152,692 | 6,135,736 | 5,016,956 | 5,183,807 |
| Water and sanitation systems | 17,915,120 | 3,217,553 | 14,697,567 | 15,074,428 |
| Roadway system | 11,204,376 | 940,432 | 10,263,944 | 5,742,942 |
| Motorized equipment | 4,208,475 | 2,013,298 | 2,195,177 | 1,835,642 |
| Building Migizy Odenaw Inc. | 662,331 | 409,109 | 253,222 | 266,549 |
| Equipment Migizy Odenaw Inc. | 530,954 | 405,745 | 125,209 | 139,121 |
| Restaurant equipment Migizy Odenaw Inc. | 71,642 | 55,845 | 15,797 | 15,827 |
| Office and other equipment | 2,009,522 | 1,383,884 | 625,638 | 358,206 |
| | 75,302,807 | 16,232,448 | 59,070,359 | 35,525,060 |

Kebaowek First Nation

Notes to the consolidated financial statements

March 31, 2024

7. Deferred revenue

| | 2024 | 2023 |
|--|-------------------|-------------------|
| Consolidated Revenues Fund | 21,779 | 11,084 |
| FNHRDCQ - Other | 43,492 | - |
| FNEC - Science & Technology / Youth Employment Project | 11,612 | 8,738 |
| FNEC - Language and Culture | 10,343 | 134,154 |
| FNEC Land based teaching | 72,814 | 35,227 |
| FNQLHSSC - Day care | 103,429 | - |
| FNQLHSSC - Family violence | - | 8,265 |
| FNQLHSSC - Sport participation | - | 14,946 |
| FNQLHSSC - Cancer prevention | 2,171 | 7,252 |
| FNQLHSSC - Antiracism | 30,758 | - |
| FNQLHSSC - Community Mobilization | 122,154 | - |
| Kebaowek Police Operations | 818,778 | 542,936 |
| Police Infrastructure | 3,355,262 | 4,467,925 |
| Police Conjugal | 10,805 | 51,656 |
| Bilateral Federal | 317,180 | 383,287 |
| Construction - Hilarie Lariviere | 31,792 | - |
| CMHC - RRAP - 122 Migizy Street | 447 | - |
| Community Opportunities (Tourism) | 16,660 | - |
| Comprehensive Planning | 21,808 | - |
| Matamec | 19,560 | 33,675 |
| Cultural Center - Construction | 13,892,449 | 8,972,477 |
| Cultural Center - Strategic Planning | - | 736,208 |
| Radio Station | 50,000 | - |
| Land Management (MFFP) | 143,134 | - |
| Land Management (Forestry) | 690,000 | - |
| Land Management (Reforestation) | 100,000 | - |
| SRPNI - Consultations | 170,321 | - |
| Sugarbush | 28,694 | 10,990 |
| Moose Project | 10,000 | - |
| Nuclear Laboratories | - | 14,131 |
| Temiskaming Dam - Environmental assessments | 69,189 | 79,119 |
| Wasamac | 20,050 | 20,050 |
| Nature Conservancy (AIKI-SIBI) | 52,222 | 91,080 |
| ASFAR | 22,219 | 22,219 |
| Tripartite | 156,982 | 180,775 |
| NRCAN | 50,000 | - |
| ESAP Energy Services | 72,976 | - |
| IAAC (CEAA) RIMNET | 75,711 | 96,696 |
| Canadian Nuclear Laboratories | - | 176,598 |
| CNL/NSDF | - | 8,262 |
| Forestry Conservation | 100,528 | 260,000 |
| CNSN Global First Power | 90,000 | 90,000 |
| CNSC - ISCF | 66,070 | - |
| CNL - NPD - AECL | 52,456 | - |
| Culture - Coordinator | - | 76,358 |
| Cultural Activities | 1,500 | - |
| Language Coordinator | 100,196 | 251,224 |
| | 21,025,541 | 16,785,332 |

Kebaowek First Nation
Notes to the consolidated financial statements

March 31, 2024

8. ISC - Unexpended funding

| | 2024 | 2023 |
|--|------------------|-------------|
| Community Development Plan | 94,352 | 141,871 |
| ISC Block - Unexpended funding | 2,129,995 | 3,321,027 |
| Covid EMAP Phase 3 | - | 36,950 |
| Estates Management | 23,819 | 97,368 |
| Inflation Relief | - | 35,669 |
| Adult Education | - | 50,170 |
| Health Canada - Health Career Summer Student | - | 3,255 |
| Mental wellness Team | - | 120,703 |
| Victims of Family Violence | - | 10,959 |
| First Line Services | 1,733,007 | 1,029,674 |
| Canadian Oral Hygiene Initiative | 10,356 | 17,120 |
| New Health Center | 1,863,850 | 6,749,651 |
| Traditional Healers | - | 6,130 |
| Covid Communicable Disease | - | 3,780 |
| Covid Assisted Living | - | 8,894 |
| First Line (CHRT) | - | 2,060,418 |
| Jordan's Principal - Support | 20,218 | 8,399 |
| Jordan's Principal | 887,204 | 377,036 |
| O&M Eco-Center | 55,006 | 155,227 |
| Waste Management | - | 102,721 |
| O & M Garbage Truck | 61,759 | 145,223 |
| O & M Roll off Truck | 8,097 | 61,935 |
| Infrastructure - Water System | 5,066 | - |
| Extension Amik Street | - | 36,982 |
| Eco-Center | 76,471 | 101,347 |
| Sewage Repair | 702,213 | 5,381,830 |
| Asset Management (CQJ90) | 39,304 | 39,539 |
| Makwa Street | - | 125,000 |
| Rapid House Initiative 2023 | 8,365 | - |
| Comprehensive Planning | - | 21,808 |
| Cultural Center - Construction | - | 1,393,038 |
| Forestry | - | 569,500 |
| | 7,719,082 | 22,213,224 |

Kebaowek First Nation
Notes to the consolidated financial statements
March 31, 2024

9. Long-term debt

| | 2024 | 2023 |
|--|------------------|-------------|
| Loan, 3.07%, secured by ISC, payable by monthly instalments of \$391, capital and interest, maturing in 2025 | 1,128 | 5,707 |
| Loan, 3.07%, secured by ISC, payable by monthly instalments of \$317, capital and interest, maturing in 2025 | 915 | 4,629 |
| Loan, 2.95%, secured by ISC, payable by monthly instalments of \$495, capital and interest, maturing in 2030 | 31,651 | 36,570 |
| Loan, 3.81%, secured by ISC, payable by monthly instalments of \$1,380, capital and interest, maturing in 2033 | 119,575 | 130,987 |
| Loan, 3.52%, secured by ISC, payable by monthly instalments of \$596, capital and interest, maturing in 2034 | 56,236 | 61,212 |
| Loan, 1.50%, secured by ISC, payable by monthly instalments of \$1,591, capital and interest, maturing in 2033 | 158,080 | 174,471 |
| Loan, 3.75%, secured by ISC, payable by monthly instalments of \$1,018, capital and interest, maturing in 2037 | 124,874 | 131,901 |
| Loan, 0.71%, secured by ISC, payable by monthly instalments of \$553, capital and interest, maturing in 2036 | 74,315 | 80,354 |
| Loan, 3.04%, secured by ISC, payable by monthly instalments of \$1,274, capital and interest, maturing in 2028 | 45,070 | 58,655 |
| Loan, 4.66%, secured by ISC, payable by monthly instalments of \$714, capital and interest, maturing in 2032 | 52,881 | 58,997 |
| Loan, 2.22%, secured by ISC, payable by monthly instalments of \$1,030, capital and interest, maturing in 2041 | 179,160 | 187,452 |
| Loan, 2.22%, secured by ISC, payable by monthly instalments of \$389, capital and interest, maturing in 2042 | 67,574 | 70,702 |
| Loan, 1.13%, secured by ISC, payable by monthly instalments of \$552, capital and interest, maturing in 2036 | 72,902 | 78,595 |
| Loan, 3.12%, secured by ISC, payable by monthly instalments of \$1,284, capital and interest, maturing in 2044 | 222,345 | 230,196 |
| Loan, 1.69%, secured by ISC, payable by monthly instalments of \$244, capital and interest, maturing in 2030 | 14,741 | 17,379 |
| Loan, 0.71%, secured by ISC, payable by monthly instalments of \$530, capital and interest, maturing in 2027 | 14,187 | 20,408 |
| Loan from CMHC (RRAP) (1) | 11,100 | - |
| Loan, 3.95%, secured by ISC, payable by monthly instalments of \$181, capital and interest, maturing in 2042 | 14,445 | 16,005 |
| Loan, 1.87%, secured by ISC, payable by monthly instalments of \$1,115, capital and interest, maturing in 2045 | 225,200 | 233,937 |
| Loan, 1.75%, secured by ISC, payable by monthly instalments of \$514, capital and interest, maturing in 2045 | 106,839 | 110,948 |
| Loan, 1.73%, secured by ISC, payable by monthly instalments of \$718, capital and interest, maturing in 2045 | 151,516 | 157,246 |
| Amounts to be carried forward | 1,744,734 | 1,866,351 |

Kebaowek First Nation

Notes to the consolidated financial statements

March 31, 2024

9. Long-term debt (continued)

| | 2024 | 2023 |
|--|------------------|------------------|
| Amounts carried forward | 1,744,734 | 1,866,351 |
| Loan, 6.00%, reimbursed during the year | - | 48,541 |
| Loan in progress, 5.75%, payable by bi-annual instalments of \$81,959 by Secr tariat aux Relations avec les Prem res Nations et les Inuit, capital and interest and offset by a receivable due to a legally enforceable right to set-off between the loan and the receivable | - | 1,110,144 |
| Loan, 3.69%, secured by motorized equipment of a net book value of \$33,852, payable by monthly instalments of \$859, capital and interest, maturing in 2027 | 22,232 | 30,775 |
| Loan, 3.52%, secured by ISC, payable by monthly instalments of \$729, capital and interest, maturing in 2049 | 143,094 | 145,750 |
| Loan, 3.52%, secured by ISC, payable by monthly instalments of \$537, capital and interest, maturing in 2049 | 105,443 | 107,400 |
| | 2,015,503 | 3,308,961 |
| Current portion | 148,261 | 193,844 |
| | 1,867,242 | 3,115,117 |

Capital payments due within each of the next five years are as follows:

| | \$ |
|------|---------|
| 2025 | 148,261 |
| 2026 | 150,011 |
| 2027 | 140,356 |
| 2028 | 127,105 |
| 2029 | 129,183 |

⁽¹⁾ Under this program, an agreement has been reached by the First Nation and the CMHC concerning the cumulative contributions for the major repairs of houses located on the First Nation's territory (RRAP).

Should all the conditions of the agreement be met by the First Nation, the amortization of these loans will be made by remission instalments based on a straight-line method of amortization of three to five years. Should the conditions not be respected by the First Nation, the outstanding balance of these loans will be repaid by the First Nation as a usual mortgage (subject of interest charges).

10. Reserves for acquisition of capital assets

The First Nation has reserved funds for the future acquisition of capital assets in accordance with funding agreements. Here is the detail of these reserves as at March 31, 2024:

| | 2024 | 2023 |
|---------------------------|----------------|----------------|
| School bus | 144,082 | 44,082 |
| Public works equipment | 250,000 | 200,000 |
| Single apartment building | 89,551 | 83,551 |
| Band rental | 67,625 | 52,625 |
| Public security | 284,610 | 284,610 |
| | 835,868 | 664,868 |

Kebaowek First Nation

Notes to the consolidated financial statements

March 31, 2024

11. Cumulative operating and funds balances

The cumulative operating and funds balances as at March 31, 2024, do not take into consideration possible modifications following the review and analysis of the present consolidated financial statements by ISC, CMHC, FNEC, FNHRDCQ, FNQLHSSC and Secrétariat aux Relations avec les Premières Nations et les Inuit. Any adjustment resulting from these analyses will be recorded in the current year as an adjustment of funds balances or in the results as indicated by ISC, CMHC, FNEC, FNHRDCQ, FNQLHSSC or Secrétariat aux Relations avec les Premières Nations et les Inuit.

12. Accumulated surplus

The accumulated surplus of the First Nation is divided among several surpluses and reserves, as detailed below:

| | 2024 | 2023 |
|--|-------------------|-------------------|
| Reserves for acquisition of capital assets (Note 10) | 835,868 | 664,868 |
| Economic investment deficit | (4,644,982) | (5,009,646) |
| In-trust surplus | 641 | 620 |
| Operating reserve fund - Article 95 | 62,825 | 73,825 |
| Replacement reserve fund - Article 95 | 440,683 | 438,393 |
| Replacement reserve - Multiplex | 116,000 | 107,000 |
| Net investment in capital assets | 57,069,015 | 32,230,259 |
| Staff Development Reserve | 46,126 | 46,126 |
| Reserve for ISC grant funding | 1,833,108 | - |
| Cumulative operating surplus | 10,101,866 | 8,635,629 |
| | 65,861,150 | 37,187,074 |

13. Additional information relating to the consolidated statement of cash flows

| | 2024 | 2023 |
|--|--------------------|------------------|
| <i>Changes in non-cash operating working capital items</i> | | |
| Accounts receivable | 1,688,033 | (20,792,937) |
| Inventories | 31,010 | (38,290) |
| Prepaid expenses | (104,521) | 8,783 |
| ISC - Unexpended funding | (14,494,142) | 10,421,112 |
| Accounts payable and accrued liabilities | 5,843,682 | 307,451 |
| Deferred revenue | 4,240,209 | 14,626,550 |
| | (2,795,729) | 4,532,669 |

Non-cash transaction

During the year, the First Nation compensates an account receivable of an amount of \$1,110,144 against a long-term debt due to the legally enforceable right to set-off in accordance with a tripartite agreement between Native Commercial Credit Corporation, SRPNI and the First Nation.

14. Replacement reserve

Under the terms of the agreement with CMHC, the replacement reserve fund - Article 95 is to be credited annually. These funds along with accumulated interest must be held in a separate bank account and/or invested only in accounts or instruments insured by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then capital.

Kebaowek First Nation

Notes to the consolidated financial statements

March 31, 2024

15. Contingencies and guarantees

The First Nation is a guarantor for personal housing mortgages to residents of the community for the amount of \$1,578,580 as at March 31, 2024 (\$1,338,502 as at March 31, 2023).

Moreover, the First Nation is also a guarantor for loans in Mikan Transport L.P. and Mitikon L.P. for respectively the amount of \$623,453 and \$39,290 as at March 31, 2024.

16. Financial instruments

Interest rate risk

The long-term debt bears interest at fixed rates. Consequently, the cash flows exposure is not significant. However, the fair value of loans having fixed rates of interest could fluctuate because of changes in market interest rates. The short-term loans represent a limited exposure to interest rate risk due to their short-term maturity.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Main risks are on cash, accounts receivable and short-term and long-term investments.

The credit risk associated with cash and short-term investments is considered negligible, since the counterparties are financial institutions with a high credit rating assigned by recognized rating agencies.

The First Nation provides credit to its tenants in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for potential credit losses. The First Nation also provides advances to controlled entities and maintains provisions for potential depreciation of these investments.

Credit facility (bank loan)

An authorized line of credit of \$400,000, bearing interest at prime rate (7.20% as at March 31, 2024) plus 1.00%, is available. The loans are repayable on demand and fluctuate regularly. The credit line is renewable on an annual basis and guaranteed by a first ranking hypothec of \$750,000 on all borrower's present and future claims. No amount was used as at March 31, 2024.

An authorized credit card of \$150,000, bearing interest at 19.99%, is also available. An amount of \$52,782 included under the accounts payable and accrued liabilities was used as at March 31, 2024.

Fair value of financial assets and liabilities

The fair value represents approximately the amounts of the financial instruments that would be exchanged between the consenting parties, according to the current market value of instruments which the risk, capital and duration are the same. Certain estimates and decisions were required to arrive at the fair value of financial instruments which was based upon actualization and other evaluation methods which depend largely on hypothesis of estimated cash flows and the actualization rate depending on different degrees of risk.

The fair value of cash, accounts receivable, restricted cash and deposits, short-term investments and accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

16. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the First Nation will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset.

The First Nation is exposed to that risk mainly on accounts payable and accrued items, excluding commodity taxes payable and employee benefits payable and debt.

The First Nation manages this risk by taking into account its operational needs and by using its credit facilities. The First Nation establishes cash flow forecasts to ensure that it has the necessary funds to meet its obligations.

17. Pension plan

The First Nation supports a contributory defined benefit pension plan for substantially all of its employees (except for the police department which is described below). It is a multiemployer plan that is administered by the Native Benefits Plan. The pension for native employees is 8.50% of the gross salary and the employer contributes 1.82 times the employee's contribution. For the non-native employees, it is 6.80% of the gross salary and the employer contributes 1.82 times the employee's contribution.

For the police department, the rate is 9.50% of the gross salary for the native employees and 8.00% for the non-native employees. The employer contributes 2.00 times the employee's contribution.

The First Nation also offers a voluntary pension plan for employees not covered by ISC, ISC - Health Branch and police activities. The contribution by the employees is 5.00% and the First Nation contributes the same amount.

For the current fiscal year, the pension plan expenses amounted to \$348,636 (\$291,604 in 2023).

18. Comparative figures

Certain figures for 2023 have been reclassified to conform to the presentation adopted in 2024.

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Notes to the financial statements
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19. Expenses

| | 2024 | 2023 |
|--|-------------------|-------------|
| Cost of goods sold | 3,215,538 | 3,032,105 |
| Advertising | 650 | 1,414 |
| Salaries and fringe benefits | 5,011,997 | 4,264,844 |
| Allocations | 848,947 | 843,021 |
| Administration fees | 1,101,038 | 868,048 |
| Contracts | 906,870 | 697,718 |
| Amortization of deferred governmental assistance | (14,623) | (15,395) |
| Amortization of capital assets | 1,496,564 | 1,339,384 |
| Doubtful accounts | 112,846 | 63,173 |
| Management expenses | 59,453 | 63,182 |
| Energy | 143,754 | 160,727 |
| Membership fees | 13,004 | 15,308 |
| Gas | 96,645 | 105,399 |
| Insurances | 257,073 | 247,039 |
| Interest and bank charges | 73,044 | 57,724 |
| Interest on long-term debt | 64,735 | 54,548 |
| Licenses and permits | 93,442 | 36,327 |
| Maintenance expenses | 206,973 | 202,150 |
| Material and supplies | 1,010,284 | 894,711 |
| Pension plan | 348,636 | 291,604 |
| Professional fees | 2,668,717 | 1,815,595 |
| Purchase of equipment | - | 121,274 |
| Rental | 158,899 | 121,271 |
| Room and board | 199,592 | 365,987 |
| Telephone | 82,132 | 89,849 |
| Training expenses | 71,201 | 117,623 |
| Transfer to Migizy Odenaw Childcare Center | 1,301 | 309,724 |
| Transfer to the replacement reserve | 285,750 | 125,550 |
| Transportation expenses | 314,770 | 205,278 |
| Travel | 184,101 | 299,742 |
| Tuition fees | 588,438 | 637,878 |
| Water, garbage and sewer expenses | - | 6,912 |
| Workshops expenses | 486,329 | 375,001 |
| Transfer to economic development businesses | 1,189,707 | 55,000 |
| Loss on disposal of capital assets | 5,466 | 1,969 |
| | 21,283,273 | 17,871,684 |

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Notes to the financial statements
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20. Segment disclosure

| | Administration and band government | | Human resources development | |
|----------------------------------|---|-------------|------------------------------------|-------------|
| | 2024 | 2023 | 2024 | 2023 |
| Revenues | | | | |
| Federal government transfers | 1,879,869 | 326,950 | 365,386 | 447,467 |
| Other revenues | 2,256,994 | 1,105,149 | (217,577) | (289,184) |
| | 4,136,863 | 1,432,099 | 147,809 | 158,283 |
| Expenses | | | | |
| Salaries and fringe benefits | 602,560 | 496,061 | 16,721 | 30,593 |
| Amortization | 45,762 | 31,183 | - | - |
| Other expenses | 795,967 | 682,825 | 131,088 | 127,690 |
| | 1,444,289 | 1,210,069 | 147,809 | 158,283 |
| | 2,692,574 | 222,030 | - | - |
| | | | | |
| | Social assistance | | Education | |
| | 2024 | 2023 | 2024 | 2023 |
| Revenues | | | | |
| Federal government transfers | 878,014 | 815,552 | 1,900,825 | 1,843,601 |
| Other revenues | 2,845 | 4,475 | 6,572 | (8,623) |
| | 880,859 | 820,027 | 1,907,397 | 1,834,978 |
| Expenses | | | | |
| Salaries and fringe benefits | 33,393 | 29,894 | 261,702 | 256,033 |
| Amortization | - | - | 11,614 | 12,966 |
| Other expenses | 636,770 | 532,531 | 1,281,592 | 1,297,489 |
| | 670,163 | 562,425 | 1,554,908 | 1,566,488 |
| | 210,696 | 257,602 | 352,489 | 268,490 |
| | | | | |
| | Health | | Public works | |
| | 2024 | 2023 | 2024 | 2023 |
| Revenues | | | | |
| Federal government transfers | 14,329,046 | 4,139,472 | 6,633,126 | 3,752,684 |
| Provincial governments transfers | 65,000 | 46,500 | 15,957 | (5,600) |
| Other revenues | (34,822) | (36,851) | 487,210 | 248,094 |
| | 14,359,224 | 4,149,121 | 7,136,293 | 3,995,178 |
| Expenses | | | | |
| Salaries and fringe benefits | 1,362,916 | 1,212,139 | 761,033 | 595,288 |
| Amortization | 45,335 | 38,492 | 715,863 | 621,289 |
| Other expenses | 2,269,303 | 2,285,616 | 1,000,496 | 735,157 |
| | 3,677,554 | 3,536,247 | 2,477,392 | 1,951,734 |
| | 10,681,670 | 612,874 | 4,658,901 | 2,043,444 |

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Notes to the financial statements
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20. Segment disclosure (continued)

| | Fire protection | | Police security | |
|----------------------------------|--------------------------|------------------|-----------------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Revenues | | | | |
| Federal government transfers | 124,459 | 90,577 | 4,008,308 | 469,394 |
| Provincial governments transfers | - | - | 3,482,497 | 762,087 |
| Other revenues | 16,442 | - | - | - |
| | 140,901 | 90,577 | 7,490,805 | 1,231,481 |
| Expenses | | | | |
| Salaries and fringe benefits | - | - | 507,578 | 405,870 |
| Amortization | - | - | 94,154 | 60,687 |
| Other expenses | 132,751 | 100,375 | 349,381 | 560,532 |
| | 132,751 | 100,375 | 951,113 | 1,027,089 |
| | 8,150 | (9,798) | 6,539,692 | 204,392 |
| | | | | |
| | Housing | | Economic development | |
| | 2024 | 2023 | 2024 | 2023 |
| Revenues | | | | |
| Federal government transfers | 1,309,264 | 310,770 | (1,023,673) | 1,528,503 |
| Provincial governments transfers | - | - | 6,452,304 | 93,422 |
| Other revenues | 467,791 | 971,574 | 3,692,725 | 3,473,143 |
| | 1,777,055 | 1,282,344 | 9,121,356 | 5,095,068 |
| Expenses | | | | |
| Salaries and fringe benefits | 342,074 | 417,257 | 641,752 | 452,812 |
| Interest on long-term debt | 61,744 | 47,646 | 2,002 | 5,585 |
| Amortization | 405,185 | 415,529 | 153,593 | 133,270 |
| Other expenses | 625,743 | 884,396 | 5,877,934 | 3,612,359 |
| | 1,434,746 | 1,764,828 | 6,675,281 | 4,204,026 |
| | 342,309 | (482,484) | 2,446,075 | 891,042 |
| | | | | |
| | Natural resources | | Others | |
| | 2024 | 2023 | 2024 | 2023 |
| Revenues | | | | |
| Federal government transfers | (164,958) | 850,658 | 331,587 | 67,036 |
| Provincial governments transfers | 1,393,750 | 226,806 | 79,500 | 110,000 |
| Other revenues | 221,558 | 155,140 | 337,167 | 280,773 |
| | 1,450,350 | 1,232,604 | 748,254 | 457,809 |
| Expenses | | | | |
| Salaries and fringe benefits | 326,855 | 319,342 | 155,413 | 49,555 |
| Interest on long-term debt | 989 | 1,316 | - | - |
| Amortization | 18,941 | 22,758 | 6,117 | 3,211 |
| Other expenses | 1,113,101 | 1,065,674 | 495,851 | 328,264 |
| | 1,459,886 | 1,409,090 | 657,381 | 381,030 |
| | (9,536) | (176,486) | 90,873 | 76,779 |

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20. Segment disclosure (continued)

| | Total | |
|----------------------------------|-------------------|-------------|
| | 2024 | 2023 |
| Revenues | | |
| Federal government transfers | 30,571,253 | 14,642,664 |
| Provincial governments transfers | 11,489,008 | 1,233,215 |
| Other revenues | 7,236,905 | 5,903,690 |
| | 49,297,166 | 21,779,569 |
| Expenses | | |
| Salaries and fringe benefits | 5,011,997 | 4,264,844 |
| Interest on long-term debt | 64,735 | 54,547 |
| Amortization | 1,496,564 | 1,339,385 |
| Other expenses | 14,709,977 | 12,212,908 |
| | 21,283,273 | 17,871,684 |
| | 28,013,893 | 3,907,885 |

The segment disclosure is presented before the net surplus (deficit) in the controlled entities and before elimination of revenue and expenses for consolidation purpose.