

**Potlotek First Nation
Consolidated Financial Statements**

March 31, 2022

Potlotek First Nation
Consolidated Financial Statements
For the year ended March 31, 2022

	Page
Independent Auditor's Report	
Management's Responsibility for the Consolidated Financial Statements	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations and Accumulated Surplus	3
Consolidated Statement of Changes in Net Debt	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6
Schedules	
A Schedule of Education	23
B Schedule of Health	24
C Schedule of Nova Scotia Gaming Agreement	25

Independent Auditor's Report

To the Members of Potlotek First Nation

Opinion

We have audited the accompanying consolidated financial statements of Potlotek First Nation which comprise the consolidated statement of financial position as at March 31, 2022 and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Potlotek First Nation as at March 31, 2022 and the results of its consolidated financial operations, changes in 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 ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included on Pages 23 - 25 is presented for purposes of additional information and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion on the audit of consolidated financial statements as a whole.

Responsibility 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 consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility 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 decision 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:

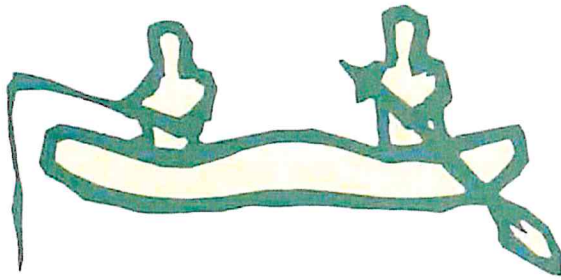
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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.

Sydney, Nova Scotia
October 22, 2024

MNP LLP

Chartered Professional Accountants



POTLOTEK FIRST NATION

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Management's Responsibility for the Consolidated Financial Statements

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

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and as such include amounts that are the best estimates and judgments of management.

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

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

The 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 consolidated financial statements and the external auditor's report.

The external auditors, MNP LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Potlotek First Nation and meet when required.

On behalf of Potlotek First Nation:


Brittany Leblanc
Chief Financial Officer

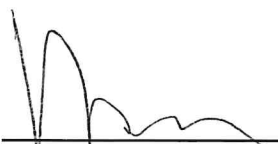
Potlotek First Nation
Consolidated Statement of Financial Position
As at March 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash	\$ 9,063,754	\$ –
Cash held by FNFA - debt reserve fund	955,234	939,599
Restricted cash – CMHC replacement reserve	410,933	408,281
Accounts receivable (note 2)	840,928	344,978
Due from federal government (note 3)	4,324,613	2,579,565
Due from provincial government (note 4)	107,649	121,937
Inventories held for resale (note 5)	113,970	165,806
Trust funds – Indigenous Services Canada (note 6)	6,595	6,595
	15,823,676	4,566,761
LIABILITIES		
Cheques issued in excess of funds on deposit	–	700,944
Accounts payable and accrued liabilities (note 7)	1,673,604	720,228
Accrued remittances payable (note 8)	7,354,999	4,949,207
Deferred revenue (note 9)	9,352,620	4,444,957
Long-term debt (note 10)	21,932,605	22,411,721
	40,313,828	33,227,057
NET DEBT	(24,490,152)	(28,660,296)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	21,380,128	22,427,668
Work in progress (note 11)	2,293,542	636,644
Intangible assets (note 12)	18,457,250	18,346,985
Inventory, prepaid expenses and other	55,335	62,022
	42,186,255	41,473,319
ACCUMULATED SURPLUS (note 13)	\$ 17,696,103	\$ 12,813,023

Contingencies (note 19)

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

On behalf of Potlotek First Nation



 Chief



 Chief Financial Officer

Potlotek First Nation
Consolidated Statement of Changes in Net Debt
For the year ended March 31, 2022

	2022		2021
	Budget	Actual	Actual
ANNUAL SURPLUS	\$ 880,000	\$ 4,883,080	\$ 1,512,434
Tangible capital assets			
Net acquisition of tangible capital assets and			
Work in progress	–	(1,939,549)	(2,903,046)
Amortization of tangible capital assets	1,000,000	1,330,191	(1,240,817)
	1,000,000	(609,358)	(1,662,229)
Acquisition of intangible assets	–	(110,265)	(17,764,985)
Other non-financial assets			
Decrease (increase) in inventory, prepaid expenses and other	–	6,687	(27,718)
CHANGE IN NET DEBT	1,880,000	4,170,144	(17,924,498)
NET DEBT, BEGINNING OF YEAR	(28,660,296)	(28,660,296)	(10,735,798)
NET DEBT, END OF YEAR	\$(26,780,296)	\$(24,490,152)	\$(28,660,296)

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

Potlotek First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2022

	2022	2021
<hr/>		
Cash provided by (used in)		
OPERATING ACTIVITIES		
Annual surplus	\$ 4,883,080	\$ 1,512,434
Add amortization of tangible capital assets	1,330,191	1,240,817
Change in non-cash operating items		
Accounts receivable	(495,950)	65,817
Due from federal government	(1,745,048)	(360,896)
Due from provincial government	14,288	(26,364)
Inventories held for resale	51,836	18,229
Inventory, prepaid expenses and other	6,687	(27,718)
Payables and accruals	3,359,168	131,789
Deferred revenue	4,907,663	856,382
	<hr/> 12,311,915	<hr/> 3,410,490
FINANCING ACTIVITIES		
Proceeds from long-term debt	365,434	18,904,856
Principal payments on long-term debt	(844,550)	(454,983)
Principal payments on operating loans	–	(231,500)
	<hr/> (479,116)	<hr/> 18,218,373
INVESTING ACTIVITIES		
Acquisition of intangible assets	(110,265)	(17,746,985)
Net additions to tangible capital assets and work in progress	(1,939,549)	(2,903,046)
	<hr/> (2,049,814)	<hr/> (20,650,031)
INCREASE IN CASH RESOURCES	<hr/> 9,782,985	<hr/> 978,832
CASH RESOURCES, BEGINNING OF YEAR	653,531	(325,301)
CASH RESOURCES, END OF YEAR	<hr/> \$ 10,436,516	<hr/> \$ 653,531
Cash resources is comprised of the following		
Cash	\$ 9,063,754	\$ –
Cash held by FNFA - debt reserve fund	955,234	939,599
Restricted cash – CMHC replacement reserve	410,933	408,281
Cheques issued in excess of funds on deposit	–	(700,944)
Trust fund – Indigenous Services Canada	6,595	6,595
	<hr/> \$ 10,436,516	<hr/> \$ 653,531

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

NATURE OF OPERATIONS

Potlotek First Nation Council is comprised of a Chief and seven councilors under the *Indian Act* of Canada. The Council is accountable to the local Mi'kmaq community members for the delivery of programs and services, management of all financial resources and planning to support future community-based self-government.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

(b) Reporting entity

The Potlotek First Nation reporting entity includes Potlotek First Nation government and all related entities which are accountable to the First Nation.

(c) Principles of consolidation

These consolidated financial statements consolidate the assets, liabilities and results of operations for the following entities which use accounting principles which lend themselves to consolidation:

- Potlotek First Nation Operating and Capital Funds
- Potlotek First Nation Trust Funds
- Canada Mortgage and Housing Corporation Fund
- Potlotek Expedition Gas and Convenience
- First Nations Fisheries Interest Group (7.14%)

(d) Fund accounting

The resources and operations of the First Nation are comprised of the operating, capital and housing funds. Transfers between funds are recorded as adjustments to the appropriate fund balance. Supporting schedules to the consolidated financial statements are included to show the financial activities and change in the balance of each fund.

(e) Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale.

Potlotek First Nation
Notes to Consolidated Financial Statements
For the year ended March 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of outstanding cheques and deposits, bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

(g) Inventories

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value.

(h) Tangible capital assets

Tangible capital assets acquired since 1987 are reported in the consolidated statement of financial position at cost net of accumulated amortization. All tangible capital assets acquired prior to 1987 have been written off. Additions are amortized on a straight-line basis over their estimated useful lives at the following rates:

Asset	Basis	Rate
Buildings	Straight-line	20-50 years
Equipment	Straight-line	5-10 years
Lagoons and water systems	Straight-line	25 - 40 years
Fishing vessels	Straight-line	20 years

A half year's amortization is taken in the year of acquisition.

Tangible 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 tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed tangible capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

(i) Intangible assets

Intangible assets consist of purchased fishing licenses and are recorded at cost. They are not amortized as they have an indefinite life.

The First Nation evaluates the carrying value of its intangible assets annually for impairment. Should an impairment be identified, the carrying value will be reduced to the realizable value with a charge against income on the consolidated statement of operations and accumulated surplus in the period the impairment occurs.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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 revenue when transfer stipulations give rise to 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 performed.

(j) Financial instruments

Measurement of financial instrument

The First Nation initially measures its financial assets and financial liabilities at fair value and subsequently measures its financial assets and financial liabilities as follows:

Financial instrument	Measurement basis
Cash/cheques issued in excess of funds on deposit	Fair value
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Operating loans	Amortized cost
Long-term debt	Amortized cost

Transaction costs related to financial assets are expensed as incurred.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in income. A previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

Unless otherwise noted, the First Nation is not subject to significant credit, market or liquidity risks arising from these instruments.

Potlotek First Nation
Notes to Consolidated Financial Statements
For the year ended March 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingencies and the reported amounts of revenues and expenses in the consolidated financial statements and accompanying notes. Items requiring the use of significant estimates and assumptions include the valuation of receivables, inventories, capital assets and intangible assets. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. ACCOUNTS RECEIVABLE

	2022	2021
Interest receivable	\$ 591,072	\$ 105,139
Members	80,570	73,360
Lottery retailers	58,769	127,889
Other	112,491	40,564
	842,902	346,952
Allowance for doubtful accounts	1,974	1,974
	\$ 840,928	\$ 344,978

3. DUE FROM FEDERAL GOVERNMENT

	2022	2021
Indigenous Services Canada	\$ 2,867,151	\$ 1,288,001
Mi'kmaq Employment/Training Secretariat Inc.	-	170,163
Mi'kmaw Kina'matnewey	204,973	18,015
Fisheries and Oceans Canada	429,178	374,316
HST	823,311	670,882
Canada Mortgage and Housing Corporation	-	58,188
	\$ 4,324,613	\$ 2,579,565

4. DUE FROM PROVINCIAL GOVERNMENT

	2022	2021
Province of Nova Scotia	\$ 107,649	\$ 121,937

Potlotek First Nation
Notes to Consolidated Financial Statements
For the year ended March 31, 2022

5. INVENTORIES HELD FOR RESALE

	2022	2021
Tobacco	\$ 89,257	\$ 93,506
Store	24,713	72,300
	\$ 113,970	\$ 165,806

6. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

Trust fund accounts arise from moneys derived from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the *Indian Act*.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Trade	\$ 1,427,581	\$ 639,053
Accrued salaries and employee benefits	246,023	81,175
	\$ 1,673,604	\$ 720,228

8. ACCRUED REMITTANCES PAYABLE

	2022	2021
CRA payroll	\$ 5,786,534	\$ 3,740,074
Workers' Compensation Board of Nova Scotia	1,568,465	1,209,133
	\$ 7,354,999	\$ 4,949,207

Potlotek First Nation
Notes to Consolidated Financial Statements
For the year ended March 31, 2022

9. DEFERRED REVENUE

	Balance March 31, 2021	Funding received/ repaid 2022	Revenue recognized 2022	Balance March 31, 2022
Federal government				
Indigenous Services Canada				
Capacity/Innovation	\$ 22,000	\$ –	\$ –	\$ 22,000
Housing renovations	778,500	520,000	65,000	1,233,500
Recovery	1,229,164	1,667,462	641,494	2,255,132
Economic development	114,986	–	–	114,986
Planning/risk management	79,248	–	–	79,248
Water treatment plant	180,661	–	–	180,661
Water systems	331,078	–	–	331,078
Covid-19	206,028	–	187,751	18,277
Asset management	40,000	–	–	40,000
Education and training	65,200	–	65,200	–
CMHC rapid housing	–	2,739,586	1,509,771	1,229,815
Communicable disease (CDC)	–	168,604	20,550	148,054
Aboriginal head start or reserve	–	198,807	85,638	113,169
Home and community care	–	355,384	144,581	210,803
	3,046,865	5,649,843	2,719,985	5,976,723
Health - ISC	852,247	2,000,000	99,952	2,752,295
Provincial government				
Nova Scotia Health Authority	160,437	138,024	–	298,461
Other	385,408	221	60,488	325,141
Total	\$ 4,444,957	\$7,788,088	\$2,880,425	\$9,352,620

Potlotek First Nation
Notes to Consolidated Financial Statements
For the year ended March 31, 2022

10. LONG-TERM DEBT

	2022	2021
Mortgages (20) payable to CMHC with mortgage rates from 0.70% - 3.95% with monthly instalments of principal and interest from \$230 - \$4,651, maturing from April 1, 2022 to September 1, 2023	\$ 2,490,403	\$ 2,354,709
Section 10 mortgage payable to Royal Bank of Canada with a mortgage rate of 2.19%, repayable in monthly instalments of principal and interest of \$1,441, maturing July 2025	55,492	71,377
Mortgages (2) payable to Royal Bank of Canada with a mortgage rate of 2.83% with monthly instalments of principal and interest of \$364 - \$673, maturing July 2023	16,330	28,134
Mortgage payable to Peace Hills Trust Company with a mortgage rate of 2% with monthly instalments from \$1,081, maturing and amortized to April 1, 2022	1,089	13,790
Loan payable to Peace Hills Trust Company with an interest rate of prime plus 4.95%, with monthly instalments of principal and interest of \$5,101, maturing and amortized to March 1, 2023	56,611	113,730
Loan payable to Peace Hills Trust Company with an interest rate of 4.5%, with quarterly instalments of principal and interest of \$5,420, maturing and amortized to April 1, 2023	26,789	47,221
Loan payable to Peace Hills Trust Company with an interest rate of 3.95%, with monthly instalments of principal and interest of \$383, maturing April 1, 2023, amortized to April 2028	24,953	28,515
Loan payable to Peace Hills Trust Company with an interest rate of 4.25%, with monthly instalments of principal and interest of \$479, maturing July 1, 2023, amortized to July 2028	32,025	36,348
Loan payable to Peace Hills Trust Company with an interest rate of 5.0%, with monthly payments of principal and interest of \$5,435, maturing and amortized to April 15, 2023	69,076	129,739
Loan payable to Peace Hills Trust Company with an interest rate of prime plus 1.5%, with monthly payments of principal and interest of \$2,988, maturing January, 2024 and amortized to December 2043	468,237	480,711
Loan payable to Peace Hills Trust Company with an interest rate of prime plus 1.5%, with monthly payments of principal and interest of \$1,526, maturing and amortized to February 1, 2024	32,976	49,239
Loan payable to Peace Hills Trust Company with an interest rate of prime plus 1.5%, with monthly payments of principal and interest of \$1,131, maturing December 15, 2023 and amortized to December 2043	48,498	59,249
	3,322,479	3,412,762

Potlotek First Nation
Notes to Consolidated Financial Statements
For the year ended March 31, 2022

10. LONG-TERM DEBT (CONTINUED)

	2022	2021
Carry forward	\$ 3,322,479	\$ 3,412,762
Loan payable to Peace Hills Trust Company with an interest rate of prime plus 1.5%, with monthly payments of principal and interest of \$1,002, maturing December 15, 2023 and amortized to December 2043	150,354	154,448
Loan advances payable to Ulnooweg Development Group Inc. with an interest rate of 4%, no payments are required until the loan is fully disbursed, maturing August, 2031	99,426	107,863
Loan payable to First Nations Finance Authority with an interest rate of 1.9%, with monthly payments of principal and interest of \$65,441, maturing June, 2030	18,305,160	18,736,648
Loan advances payable to Mi'kmaw Kina'matnewey with quarterly installments deducted from base funding received from Mi'kmaw Kina'matnewey until January 2023	55,186	-
Total long-term debt	\$ 21,932,605	\$ 22,411,721

Principal repayments for the next five years are as follows. The repayments include the amount outstanding at the maturity date of the debt instruments.

	Total
2023	\$ 1,273,000
2024	1,067,000
2025	1,015,000
2026	980,000
2027	953,000

The long-term debt in the CMHC Fund is secured by separate Indigenous Services Canada Ministerial guarantees.

Potlotek First Nation
Notes to Consolidated Financial Statements
For the year ended March 31, 2022

11. TANGIBLE CAPITAL ASSETS

	Cost				
	Opening Balance	Additions	Disposals/ Adjustments	Transfer of assets	Closing Balance
Land	\$ 463,332	\$ 60,000	\$ —	\$ —	\$ 523,332
Buildings					
Fire Hall	94,374	—	—	—	94,374
Island church	39,578	—	—	—	39,578
Band office	106,912	—	—	—	106,912
Daycare	71,588	—	—	—	71,588
Gas bar	1,309,702	—	—	—	1,309,702
Fishery Complex	650,087	—	—	—	650,087
Housing demo	199,683	—	—	—	199,683
Police station	222,849	—	—	—	222,849
Youth Centre	121,098	53,152	—	—	174,250
School (original)	3,118,499	—	—	—	3,118,499
High school	369,775	—	—	—	369,775
Medical Centre	535,722	—	—	—	535,722
School Board admin	219,445	—	—	—	219,445
Mobile homes	407,029	—	—	—	407,029
Old store	193,298	—	—	—	193,298
Investment in housing	430,699	—	—	—	430,699
Co-op	30,210	—	—	—	30,210
Elementary school	338,478	—	—	—	338,478
Food bank	55,409	—	—	—	55,409
Social housing	12,837,205	—	—	—	12,837,205
	21,351,640	53,152	—	—	21,404,792
Equipment					
Garbage trucks	202,921	—	—	—	202,921
Snowplow	113,845	—	—	—	113,845
Medical	24,299	—	—	—	24,299
Fire trucks	180,983	—	—	—	180,983
Old store	10,700	—	—	—	10,700
Co-op	130,784	—	—	—	130,784
Trucks	86,507	—	—	—	86,507
School bus	123,550	110,373	—	—	233,923
Computers	10,265	—	—	—	10,265
Backhoe	122,250	—	—	—	122,250
Minibus	72,500	—	—	—	72,500
Dump truck	288,500	—	—	—	288,500
Utility vehicle	26,800	—	—	—	26,800
Floating docks	10,169	—	—	—	10,169
Portable restrooms	29,727	—	—	—	29,727
Generator (education)	192,206	—	—	—	192,206
Floor buffer	6,500	—	—	—	6,500
Generator (gas bar)	93,600	—	—	—	93,600
Solar equipment	248,565	—	—	—	248,565
Gutter cutting machine	—	32,701	—	—	32,701
Other					
Fishing vessels	2,312,699	—	—	—	2,312,699
Sewer and water	10,965,916	—	—	—	10,965,916
Tennis courts	40,605	—	—	—	40,605
Ball fields	51,395	—	—	—	51,395
Co-op	48,786	—	—	—	48,786
Expedition Gas and Convenience	143,552	—	—	—	143,552
Fence	23,826	26,425	—	—	50,251
Roads	3,833,585	—	—	—	3,833,585
	19,395,035	169,499	—	—	19,564,534

Potlotek First Nation
Notes to Consolidated Financial Statements
For the year ended March 31, 2022

11. TANGIBLE CAPITAL ASSETS (CONTINUED)

	Cost				
	Opening Balance	Additions	Disposals/ Adjustments	Transfer of assets	Closing Balance
Carry forward	\$ 41,210,007	\$ 282,651	\$ —	\$ —	\$ 41,492,658
Work in progress					
Wharf	91,277	—	—	—	91,277
Rapid housing initiative	—	1,509,771	—	—	1,509,771
Social housing	75,178	—	—	—	75,178
Medical centre expansion	—	100,324	—	—	100,324
Greenhouse	87,477	46,803	—	—	134,280
RV Park	382,712	—	—	—	382,712
	636,644	1,656,898	—	—	2,293,542
Total	\$ 41,846,651	\$ 1,939,549	\$ —	\$ —	\$ 43,786,200

	Accumulated amortization				Net book value	
	Opening Balance	Amortization	Disposals, write-offs and other adjustments	Closing Balance	Total 2022	Total 2021
Tangible assets						
Land	\$ —	\$ —	\$ —	\$ —	\$ 523,332	\$ 463,332
Buildings						
Fire Hall	94,374	—	—	94,374	—	—
Island church	26,911	1,583	—	28,494	11,084	12,667
Band office	106,912	—	—	106,912	—	—
Daycare	71,588	—	—	71,588	—	—
Gas bar	916,792	65,485	—	982,277	327,425	392,910
Fishery Complex	527,505	24,516	—	552,021	98,066	122,582
Housing demo	191,690	7,987	—	199,677	6	7,993
Police station	169,606	8,914	—	178,520	44,329	53,243
Youth Centre	82,348	5,919	—	88,267	85,983	38,750
School (original)	2,862,730	124,740	—	2,987,470	131,029	255,769
High school	102,560	16,293	—	118,853	250,922	267,215
Medical Centre	448,610	21,429	—	470,039	65,683	87,112
School Board admin	149,416	10,972	—	160,388	59,057	70,029
Mobile homes	79,794	18,936	—	98,730	308,299	327,235
Old store	193,298	—	—	193,298	—	—
Investment in housing	372,478	17,228	—	389,706	40,993	58,221
Co-op	22,784	1,208	—	23,992	6,218	7,426
Elementary school	47,022	16,924	—	63,946	274,532	291,456
Food bank	1,385	2,771	—	4,156	51,253	54,024
Social housing	6,740,870	359,984	—	7,100,854	5,736,351	6,096,335
	13,208,673	704,889	—	13,913,562	7,491,230	8,142,967

Potlotek First Nation
Notes to Consolidated Financial Statements
For the year ended March 31, 2022

11. TANGIBLE CAPITAL ASSETS (CONTINUED)

	Accumulated amortization			Net book value		
	Opening Balance	Amortization	Disposals, write-offs and other adjustments	Closing Balance	Total 2022	Total 2021
Carry forward	\$ 13,208,673	\$ 704,889	\$ –	\$ 13,913,562	\$ 8,014,562	\$ 8,606,299
Equipment						
Garbage trucks	78,603	13,086	–	91,689	111,232	124,318
Snowplow	113,845	–	–	113,845	–	–
Medical	24,299	–	–	24,299	–	–
Fire trucks	180,983	–	–	180,983	–	–
Old store	10,700	–	–	10,700	–	–
Co-op	130,784	–	–	130,784	–	–
Truck	86,507	–	–	86,507	–	–
School bus	59,827	17,874	–	77,701	156,222	63,723
Computers	10,265	–	–	10,265	–	–
Backhoe	55,013	12,225	–	67,238	55,012	67,237
Minibus	32,625	7,250	–	39,875	32,625	39,875
Dump truck	100,975	28,850	–	129,825	158,675	187,525
Utility vehicle	9,380	2,680	–	12,060	14,740	17,420
Floating docks	7,119	2,034	–	9,153	1,016	3,050
Portable restrooms	19,127	5,945	–	25,072	4,655	10,600
Generator (education)	57,663	19,221	–	76,884	115,322	134,543
Floor buffer	1,950	650	–	2,600	3,900	4,550
Generator (gas bar)	18,720	9,360	–	28,080	65,520	74,880
Solar equipment	12,428	24,857	–	37,285	211,280	236,137
Gutter cutting machine	–	1,635	–	1,635	31,066	–
Other						
Fishing vessels	1,469,571	115,635	–	1,585,206	727,493	843,128
Sewer and water	2,427,319	250,101	–	2,677,420	8,288,496	8,538,597
Tennis courts	40,605	–	–	40,605	–	–
Ball fields	51,395	–	–	51,395	–	–
Co-op	48,786	–	–	48,786	–	–
Expedition Gas and Convenience	116,546	14,355	–	130,901	12,651	27,006
Fence	1,191	3,704	–	4,895	45,356	22,635
Roads	407,440	95,840	–	503,280	3,330,305	3,426,145
	5,573,666	625,302	–	6,198,968	13,365,566	13,821,369
Work in progress						
Wharf	–	–	–	–	91,277	91,277
Rapid housing initiative	–	–	–	–	1,509,771	–
Social housing	–	–	–	–	75,178	75,178
Medical centre expansion	–	–	–	–	100,324	–
Greenhouse	–	–	–	–	134,280	87,477
RV park	–	–	–	–	382,712	382,712
	–	–	–	–	2,293,542	636,644
Total	\$ 18,782,339	\$ 1,330,191	\$ –	\$ 20,112,530	\$ 23,673,670	\$ 23,064,312

Potlotek First Nation
Notes to Consolidated Financial Statements
For the year ended March 31, 2022

12. INTANGIBLE ASSETS

The First Nation records all purchased commercial fishing licenses as intangible assets.

13. FUND BALANCES

	2022	2021
Operating fund	\$ (1,065,204)	\$ (5,195,656)
Capital fund	19,102,538	17,710,533
Social housing fund	(667,759)	(115,448)
Trust fund	6,595	6,595
Replacement reserve (note 14)	319,933	406,999
	\$ 17,696,103	\$ 12,813,023

14. CMHC REPLACEMENT RESERVE

Under the terms of housing agreements with CMHC to construct new housing units pursuant to Section 95, certain housing account reserves are to be maintained.

A replacement reserve account is to be funded annually for each housing project in an amount determined by CMHC and these funds along with accumulated interest must be held in a separate bank account and its use restricted to expenses approved by CMHC. A subsidy reserve account may be funded to a specified maximum per housing unit out of excess federal subsidy assistance payments with the funds and accumulated interest to be held in a separate bank account with the use of these funds restricted to expenses approved by CMHC.

	2022	2021
Balance, beginning of year	\$ 406,999	\$ 437,488
Contribution from operations	47,687	47,687
Withdrawals	(134,753)	(78,176)
Balance, end of year	\$ 319,933	\$ 406,999

At March 31, 2022, funds along with interest held in these housing reserve bank savings accounts are \$410,933 (\$408,281 – 2021).

Potlotek First Nation
Notes to Consolidated Financial Statements
For the year ended March 31, 2022

15. GOVERNMENT TRANSFERS

	2022			2021		
	Operating	Capital	Total	Operating	Capital	Total
Federal government transfers						
Indigenous Services						
Canada	\$ 6,620,889	\$ 1,234,719	\$ 7,855,608	\$ 4,001,498	\$ 1,606,485	\$ 5,607,983
Mi'kmaw Kina'matnewey	3,427,143	–	3,427,143	3,073,303	–	3,073,303
Indigenous Services						
Canada - Health	1,175,393	99,952	1,275,345	1,512,397	270,682	1,783,079
METS	176,299	–	176,299	380,584	–	380,584
Fisheries and Oceans						
Canada	184,894	–	184,894	191,299	552,283	743,582
Canada Mortgage and Housing Corporation	120,224	1,509,771	1,629,995	143,651	–	143,651
Total	11,704,842	2,844,442	14,549,284	9,302,732	2,429,450	11,732,182
Provincial government transfers	96,986	–	96,986	82,149	–	82,149
	\$ 11,801,828	\$ 2,844,442	\$ 14,646,270	\$ 9,384,881	\$ 2,429,450	\$ 11,814,331

16. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2022		2021
	Budget	Actual	Actual
Salaries, wages and employee benefits	\$ 8,500,000	\$ 9,306,726	\$ 7,639,826
Professional development and travel	150,000	183,285	122,053
Supplies and services	150,000	159,479	158,185
Debt servicing	1,000,000	1,165,338	87,681
Professional services	350,000	445,538	449,882
Fees and contract services	–	–	156,404
Utilities	250,000	203,731	201,807
Expedition Gas and Convenience purchases	4,000,000	3,951,001	3,153,488
Other	2,235,000	6,043,337	5,487,303
Amortization	1,000,000	1,330,191	1,240,817
	\$ 17,635,000	\$ 22,788,626	\$ 18,697,446

Potlotek First Nation
Notes to Consolidated Financial Statements
For the year ended March 31, 2022

17. SEGMENT DISCLOSURE

	Education			Health		
	Budget	2022 Actual	2021 Actual	Budget	2022 Actual	2021 Actual
REVENUES						
Federal government						
Operating	\$ 2,750,000	\$ 3,713,685	\$ 3,121,860	\$ 1,410,000	\$ 1,175,393	\$ 1,512,398
Capital	–	–	–	–	99,952	270,682
Provincial government						
Operating	–	–	55,347	–	–	–
Other	–	74,260	270,047	–	66,000	73,361
	2,750,000	3,787,945	3,447,254	1,410,000	1,341,345	1,856,441
EXPENSES						
Salaries and benefits	2,200,000	2,471,378	2,302,996	900,000	864,923	891,244
Debt servicing	–	–	3,164	–	–	–
Other	900,000	1,157,508	1,213,891	510,000	597,614	696,804
Amortization	–	–	–	–	–	–
	3,100,000	3,628,886	3,520,051	1,410,000	1,462,537	1,588,048
ANNUAL SURPLUS (DEFICIT)						
	\$ (350,000)	\$ 159,060	\$ (72,797)	\$ –	\$ (121,192)	\$ 268,393

	Operations and Maintenance			Capital Housing and Infrastructure		
	Budget	2022 Actual	2021 Actual	Budget	2022 Actual	2021 Actual
REVENUES						
Federal government						
Operating	\$ 350,000	\$ 270,756	\$ 415,093	\$ 1,000,000	\$ 1,333,816	\$ 192,224
Capital	–	65,200	170,361	1,200,000	1,169,519	1,436,124
Provincial government						
Operating	–	–	–	–	–	–
Other	–	–	–	–	–	–
	350,000	335,956	585,454	2,200,000	2,503,335	1,628,348
EXPENSES						
Salaries and benefits	200,000	216,016	278,243	65,000	70,954	353,728
Debt servicing	–	–	–	–	–	–
Other	700,000	938,341	907,551	685,000	212,127	100,829
Amortization	–	–	–	–	–	–
	900,000	1,154,357	1,185,794	750,000	283,081	454,557
ANNUAL SURPLUS (DEFICIT)						
	\$ (550,000)	\$ (818,401)	\$ (600,340)	\$ 1,450,000	\$ 2,220,254	\$ 1,173,791

Potlotek First Nation
Notes to Consolidated Financial Statements
For the year ended March 31, 2022

17. SEGMENT DISCLOSURE (CONTINUED)

	Social Development			Band Governance		
	Budget	2022 Actual	2021 Actual	Budget	2022 Actual	2021 Actual
REVENUES						
Federal government						
Operating	\$ 2,500,000	\$ 2,749,909	\$ 2,429,358	\$ 1,200,000	\$ 499,695	\$ 546,781
Capital	–	–	–	–	–	–
Provincial government						
Operating	–	–	–	–	–	–
Other	–	–	–	–	–	–
	2,500,000	2,749,909	2,429,358	1,200,000	499,695	546,781
EXPENSES						
Salaries and benefits	300,000	357,786	379,293	810,000	1,036,451	898,159
Debt servicing	–	–	–	40,000	43,729	35,874
Other	1,200,000	1,214,789	1,380,688	400,000	422,905	571,287
Amortization	–	–	–	–	–	–
	1,500,000	1,572,575	1,759,981	1,250,000	1,503,085	1,505,320
ANNUAL SURPLUS (DEFICIT)	\$ 1,000,000	\$ 1,177,334	\$ 669,377	\$ (50,000)	\$ (1,003,390)	\$ (958,539)

	Other			Total		
	Budget	2022 Actual	2021 Actual	Budget	2022 Actual	2021 Actual
REVENUES						
Federal government						
Operating	\$ 200,000	\$ 1,961,598	\$ 1,085,018	\$ 9,410,000	\$ 11,704,852	\$ 9,302,732
Capital	–	1,509,771	552,283	1,200,000	2,844,442	2,429,450
Provincial government						
Operating	–	96,986	26,802	–	96,986	82,149
Other	7,905,000	12,885,166	8,052,141	7,905,000	13,025,426	8,395,549
	8,105,000	16,453,521	9,716,244	18,515,000	27,671,706	20,209,880
EXPENSES						
Salaries and benefits	4,025,000	4,289,218	2,536,163	8,500,000	9,306,726	7,639,826
Debt servicing	960,000	1,121,609	48,643	1,000,000	1,165,338	87,681
Other	2,740,000	6,443,087	4,858,072	7,135,000	10,986,371	9,729,122
Amortization	1,000,000	1,330,191	1,240,817	1,000,000	1,330,191	1,240,817
	8,725,000	13,184,105	8,683,695	17,635,000	22,788,626	18,697,446
ANNUAL SURPLUS (DEFICIT)	\$ (620,000)	\$ 3,269,415	\$ 1,032,549	\$ 880,000	\$ 4,883,080	\$ 1,512,434

18. PENSION PLAN

The First Nation maintains a defined contribution pension plan for its current employees. The total expense recognized in the consolidated statement of operations for the defined contribution pension plan is \$174,242 (2021 - \$114,429), which represents the total cash amount paid or payable by the First Nation to the plan during the year. There have been no changes to the plan in the current year.

19. CONTINGENCIES

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

20. INVESTMENT IN LIMITED PARTNERSHIPS

Investments in limited partnerships that are not controlled by the First Nation and not dependent on the First Nation for their continuing operations are recorded at cost and any earnings are reported as they are distributed. As at March 31, 2022, no distributions have taken place for the investments, which include:

Mi'kmaq Resource Development Partnership ("MRDP")

MRDP holds investments in two limited partnerships, Beaubassin Mi'kmaq Wind LP and Whynot's Mi'kmaq Wind LP. As at March 31, 2022, the financial statements of MRDP have not been audited and the capital account included in internal financial reporting of the First Nation was \$43,476 (2021 - \$23,035).

E'sukutimkewey Limited Partnership ("ELP")

ELP earns revenue from the surf clam industry. As at March 31, 2022, the financial statements of ELP have not been audited and the capital account of the First Nation has not been provided to management.

ANSMC Cannabis Holdings Partnership ("ANSMC")

ANSMC holds a 100% interest in ANSMC Cannabis GP Ltd. which holds a 41% interest in Growforce AC Holdings Inc. which holds a 100% interest in Atlanticann Medical Inc. As at March 31, 2022 the financial statement of ANSMC have not been audited and the capital account of the First Nation has not been provided to management.

21. FINANCIAL INSTRUMENTS

The First Nation is exposed to various risks through its financial instruments and includes the following significant risks at March 31, 2022.

Credit risk

The First Nation's credit risk results from trade accounts receivable and receivables from other levels of government.

The First Nation extends credit to members and also receives rebates from various sources. When required, the First Nation records an allowance for doubtful accounts for items where collection is no longer assured.

Amounts owing from other levels of government are based on funding agreements and subject to review by the applicable government body.

The First Nation is not exposed to significant concentration risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The First Nation's interest rate risk arises from long-term borrowings at a fixed rate that creates fair value interest rate risk. Changes in market interest rates cause the fair value of long-term debt with fixed interest rates to fluctuate but do not affect the statement of operations, as the First Nation's debt is carried at amortized cost and the carrying value does not change as interest rates change.

Liquidity risk

Liquidity risk is the risk that the First Nation will encounter difficulty in meeting obligations associated with financial liabilities. The First Nation manages this risk through the preparation of budgets and by monitoring forecasted and actual cash flows.

The First Nation's future obligations with respect to debt repayments are disclosed in note 10.

22. ECONOMIC DEPENDENCE

The Potlotek First Nation receives a major portion of its revenues pursuant to funding arrangements with Indigenous Services Canada, Mi'kmaw Kina'matnewey and ISC - Health. The continued operation of the First Nation is dependent on the continuation of this funding arrangement.

23. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Chief and Council.

Potlotek First Nation
Schedule A – Non-Consolidated Schedule of Education
For the year ended March 31, 2022
(Unaudited)

	2022		2021
	Budget	Actual	Actual
REVENUE			
Mi'kmaw Kina'matnewey	\$ 2,750,000	\$ 3,427,143	\$ 3,073,303
Indigenous Services Canada	–	286,542	48,577
Province of Nova Scotia	–	–	55,347
Other	–	74,260	270,027
	2,750,000	3,787,945	3,447,254
EXPENSES			
Band operated school	1,500,000	2,041,146	1,941,678
Counselling	30,000	–	43,692
Daily transportation	250,000	134,023	192,791
Governance	175,000	119,012	86,554
MK language initiative costs	50,000	50,462	36,914
Operating and maintenance	275,000	325,010	377,948
Post-secondary	550,000	614,940	603,131
School supplies	25,000	37,582	22,785
Service delivery	45,000	58,357	46,813
Special education	200,000	248,354	167,745
	3,100,000	3,628,886	3,520,051
Excess (deficiency) of revenues over expenses before the following	(350,000)	159,059	(72,797)
Financing and transfers			
Transfer to capital fund	–	(55,187)	(35,600)
Transfer from Band – administration and management	350,000	–	–
	–	(55,187)	(35,600)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ –	\$ 103,872	\$ (108,397)

Potlotek First Nation
Schedule B – Non-Consolidated Schedule of Health
For the year ended March 31, 2022
(Unaudited)

	2022		2021
	Budget	Actual	Actual
REVENUE			
ISC - Health			
Transitional funding	\$ 1,200,000	\$ 1,433,277	\$ 1,426,939
Set funding	210,000	214,142	365,843
Flexible funding	2,000,000	2,000,000	–
	<u>3,410,000</u>	<u>3,647,419</u>	<u>1,792,782</u>
Other		66,000	73,361
Deferred – current year	(2,000,000)	(2,372,074)	(293,939)
Deferred – prior year	–	–	284,237
	<u>1,410,000</u>	<u>1,341,345</u>	<u>1,856,441</u>
EXPENSES			
Children and Youth	225,000	149,415	111,768
Mental Health and Addictions	300,000	221,319	278,207
Chronic Disease and Injury Prevention	225,000	226,285	279,328
Health protection communicable disease	2,000	21,983	50,905
Home and Community Care	225,000	217,461	241,930
Oral Health Strategy	15,000	23,696	23,412
Health Governance & Infrastructure Support	290,000	415,673	493,749
Medical Transportation	120,000	186,705	108,749
Other	8,000	–	–
	<u>1,410,000</u>	<u>1,462,537</u>	<u>1,588,048</u>
Other expenses			
Amortization	–	13,482	1,038
	<u>–</u>	<u>1,476,019</u>	<u>1,589,086</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ –	\$ (134,674)	\$ 267,355

Potlotek First Nation
Schedule C – Non-Consolidated Schedule of Nova Scotia Gaming Agreement
For the year ended March 31, 2022
(Unaudited)

		2022	2021
	Budget	Actual	Actual
REVENUE			
Machine revenue gaming	\$ 1,550,000	\$ 1,249,424	\$ 1,256,716
Casino profits	125,000	63,236	26,802
	<u>1,675,000</u>	<u>1,312,660</u>	<u>1,283,518</u>
EXPENSES			
Atlantic Lotto share of proceeds	167,500	119,754	100,585
Site holders share of proceeds	225,000	178,763	161,145
Administration	7,500	12,511	10,618
Youth Centre expenses	15,000	11,655	5,218
Mission expenses	35,000	41,091	5,121
Assistance to band members	15,000	10,625	11,050
Works projects	275,000	212,689	120,029
Other	10,000	1,569	378
	<u>750,000</u>	<u>588,657</u>	<u>414,144</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 925,000	\$ 724,003	\$ 869,374