



Consolidated Financial Statements

Potlotek First Nation

March 31, 2024

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Potlotek First Nation

Management's responsibility for financial reporting

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

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

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

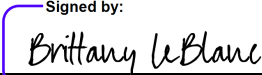
The First Nation is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

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

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

DocuSigned by:

Chief Executive Officer

Signed by:

Chief Financial Officer



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Independent auditor's report

To the Chief and Councilors of the
Potlotek First Nation

Opinion

We have audited the consolidated financial statements of Potlotek First Nation ("the Entity"), which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statements of operations, change in net debt and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Potlotek First Nation as at March 31, 2024, and its results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Emphasis of matter – restated comparative information

We draw attention to note 13 which describes certain comparative information for the year ended March 31, 2023, that has been restated. The consolidated financial statements for the year ended March 31, 2023, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on October 31, 2024. Our opinion has not been modified in respect of this matter.

Independent auditor's report (continued)

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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

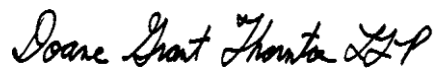
Independent auditor's report (continued)

the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Membertou, Canada
September 9, 2025



Chartered Professional Accountants

Potlotek First Nation Consolidated statement of operations

Year ended March 31	Budget	2024	Restated (Note 13) 2023
Revenues			
Commercial sales	\$ 6,726,288	\$ 7,199,555	\$ 7,354,047
Government transfers (Note 12)	18,147,389	17,878,195	20,379,707
Fisheries	2,003,575	1,712,558	3,292,009
Interest revenue	-	1,478,548	1,073,310
Other revenues	320,572	332,466	1,628,074
	<u>27,197,824</u>	<u>28,601,322</u>	<u>33,727,147</u>
Expenditures			
Band administration	1,431,125	1,813,341	1,963,493
Amortization	1,144,900	1,391,673	1,456,337
Community	1,000,000	1,058,865	1,279,985
Economic and employment development	85,868	437,170	552,680
Education and training	3,949,905	3,995,152	3,754,017
Health programs	1,614,309	1,631,478	1,707,703
Insurance	150,000	133,156	13,731
Interest	800,000	613,069	834,929
Office	300,000	287,498	629,135
Professional fees	500,000	446,753	373,226
Purchases – fisheries	2,000,000	1,712,444	3,005,436
Purchases – retail	6,000,000	5,896,227	5,332,573
Repairs and maintenance	500,000	384,632	2,236,212
Salaries and benefits	1,500,000	1,047,962	1,447,443
Social	2,217,350	2,978,022	1,738,406
Housing	3,896,856	745,793	611,342
Loss on disposal	-	7,550,522	-
	<u>27,090,313</u>	<u>32,123,757</u>	<u>26,936,648</u>
Annual (deficit) surplus	<u>\$ 107,511</u>	<u>(3,522,435)</u>	<u>6,790,499</u>
Accumulated surplus, beginning of year			
As previously stated		25,347,540	18,499,932
Restated comparative information (Note 13)		<u>(1,055,058)</u>	<u>(997,949)</u>
As restated		24,292,482	17,501,983
Accumulated surplus, end of year		<u>\$ 20,770,047</u>	<u>\$ 24,292,482</u>

See accompanying notes to the consolidated financial statements.

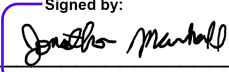
Potlotek First Nation

Consolidated statement of financial position

March 31	2024	Restated (Note 13) 2023
Financial assets		
Cash	\$ 7,499,873	\$ 6,203,005
Restricted cash (Note 2)	1,875,932	1,459,819
Receivables (Note 3)	7,968,212	5,759,182
Promissory note receivable (Note 4)	24,233,299	17,332,300
Interest receivable	2,352,705	1,551,085
Inventory	<u>318,723</u>	<u>250,261</u>
	<u>44,248,744</u>	<u>32,555,652</u>
Financial liabilities		
Payables and accruals (Note 5)	12,625,906	11,819,804
Deferred revenue (Note 6)	8,239,700	6,339,033
Asset retirement obligation (Note 7)	549,805	528,659
Long-term debt (Note 8)	<u>28,340,821</u>	<u>20,998,463</u>
	<u>49,756,232</u>	<u>39,685,959</u>
Net debt (Page 7)	(5,507,488)	(7,130,307)
Non-financial assets		
Prepays	169,585	10,595
Intangible assets (Note 9)	670,000	670,000
Tangible capital assets (Note 10)	<u>25,437,950</u>	<u>30,742,194</u>
	<u>26,277,535</u>	<u>31,422,789</u>
Accumulated surplus (Note 11)	<u>\$ 20,770,047</u>	<u>\$ 24,292,482</u>

On behalf of the First Nation

Signed by: 
 _____ Chief
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Signed by: 
 _____ Councillor
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See accompanying notes to the consolidated financial statements.

Potlotek First Nation

Consolidated statement of changes in net debt

Year ended March 31	Budget	2024	Restated (Note 13) 2023
Annual (deficit) surplus	\$ 107,511	\$ (3,522,435)	\$ 6,790,499
Loss on disposal of tangible capital assets	-	7,550,522	-
Proceeds on disposal of tangible capital assets	-	457,999	-
Amortization	1,144,900	1,391,673	1,456,337
Purchase of tangible capital assets	-	(4,095,950)	(8,594,861)
	<u>1,144,900</u>	<u>5,304,244</u>	<u>(7,138,524)</u>
Change in other non-financial assets	-	(158,990)	44,740
Change in net debt	<u>\$ 1,252,411</u>	1,622,819	(303,285)
Net debt, beginning of year (restated – Note 13)		<u>(7,130,307)</u>	<u>(6,827,022)</u>
Net debt, end of year		<u>\$ (5,507,488)</u>	<u>\$ (7,130,307)</u>

See accompanying notes to the consolidated financial statements.

Potlotek First Nation Consolidated statement of cash flows

Year ended March 31	2024	Restated (Note 13) 2023
Increase (decrease) in cash and cash equivalents		
Operating		
Annual (deficit) surplus	\$ (3,522,435)	\$ 6,790,499
Amortization	1,391,673	1,456,337
Accretion expense	21,146	-
Loss on disposal of tangible capital assets	<u>7,550,522</u>	<u>-</u>
	5,440,906	8,246,836
Change in non-cash operating working capital		
Receivables	(2,209,030)	(485,992)
Interest receivable	(801,620)	(716,617)
Prepays	(158,990)	44,740
Inventory	(68,462)	(136,291)
Payables and accruals	806,102	2,025,179
Deferred revenue	<u>1,900,667</u>	<u>(2,981,481)</u>
	4,909,573	5,996,374
Capital		
Proceeds on disposal of tangible capital assets	457,999	-
Purchase of tangible capital assets	<u>(4,095,950)</u>	<u>(8,066,202)</u>
	(3,637,951)	(8,066,202)
Financing		
Change in restricted cash	(416,113)	(87,057)
Proceeds of long-term debt	8,061,896	-
Principal repayments on long-term debt	<u>(719,538)</u>	<u>(934,142)</u>
	6,926,245	(1,021,199)
Investing		
Advances of promissory note receivable	(7,142,858)	-
Receipt of promissory note repayment	<u>241,859</u>	<u>230,278</u>
	(6,900,999)	230,278
Net increase (decrease) in cash and cash equivalents	1,296,868	(2,860,749)
Cash and cash equivalents, beginning of year	<u>6,203,005</u>	<u>9,063,754</u>
Cash and cash equivalents, end of year	\$ 7,499,873	\$ 6,203,005

See accompanying notes to the consolidated financial statements.

Potlotek First Nations

Notes to the consolidated financial statements

March 31, 2024

1. Summary of significant accounting policies

Reporting First Nation and principles of financial reporting

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

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

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

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

Principles of consolidation

The consolidated financial statements include the entities over which the First Nation has a controlling interest, after the elimination of inter-fund transactions and balances. The entities consolidated in these financial statements include Potlotek First Nation, Potlotek Housing Projects and Potlotek Expedition Gas and Convenience.

Government transfers

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

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

Revenue recognition

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

Revenues earned from transactions with performance obligations include fisheries and convenience store revenue (included in commercial revenue) and are recognized when the performance obligation is satisfied by providing the promised goods and/or services to the payor. Revenue from transactions with no performance obligations, if any, are recognized when the entity has the authority to claim or retain the revenue and identifies a past transaction or event that gives rise to an asset.

Commercial revenue includes gaming revenue from video lottery net of corresponding direct expenses are recognized at the time of play and are recorded net of commissions and credits paid out. Other gaming revenues are recognized as earned when received or receivable as long as collection is reasonably assured.

Potlotek First Nation

Notes to the consolidated financial statements

March 31, 2025

1. Summary of significant accounting policies (continued)

Revenue recognition (continued)

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

Tangible capital assets

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

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

Buildings	20 – 50 years straight line
Equipment	5 -10 years straight line
Lagoons and water systems	25 – 40 years straight line
Fishing vessels	40 years straight line

When conditions indicate that a tangible capital asset no longer contributes to the First Nation's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. The net write-downs of tangible capital assets are accounted for as expenses in the statement of operations and such write-downs are not reversed.

Assets under construction are not amortized until the asset is available to be put in service.

Use of estimates

In preparing the First Nation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Items requiring the use of estimates and assumptions include the valuation of receivables, inventories, useful lives capital assets and asset retirement obligations. Actual results could differ from these estimates.

Purchased fishing licenses and permits

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

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

Potlotek First Nation

Notes to the consolidated financial statements

March 31, 2025

1. Summary of significant accounting policies (continued)

Inventory

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

The cost of inventory recognized as an expense during fiscal 2024 was \$5,896,227 (2023 - \$5,332,573). No write-down of inventories below their cost to their net realizable value was made in fiscal 2024. There were no reversals of inventories written down previously that are no longer estimated to sell below cost.

Income taxes

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

Asset retirement obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- a) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- b) The past transaction or event giving rise to the liability has occurred;
- c) It is expected that future economic benefits will be given up; and
- d) A reasonable estimate of the amount can be made.

The liability associated with the remediation of contaminants present within a number of buildings owned by the First Nation has been recognized based on estimated future expenses of remediation.

Potlotek First Nation

Notes to the consolidated financial statements

March 31, 2025

1. Summary of significant accounting policies (continued)

Financial Instruments

All financial instruments are recorded at their cost or amortized cost, including portfolio investments not traded in an active market (Note 4).

Transaction costs related to financial instruments measured at cost or amortized cost are added to the carrying value of the financial instrument.

Financial liabilities (or part of a financial liability) are removed from the statement of financial position when, and only when, they are discharged or cancelled or expire.

2. Restricted cash	<u>2024</u>	<u>2023</u>
CHMC replacement reserve (a)	\$ 454,263	\$ 451,589
First Nations Finance Authority debt reserve fund (b)	<u>1,421,669</u>	<u>1,008,230</u>
	<u>\$ 1,875,932</u>	<u>\$ 1,459,819</u>

- a) Under the terms of the agreement with the Canada Mortgage and Housing Corporation (CMHC), the replacement reserve account is to be increased by annual charges to equity. These funds along with accumulated interest must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation (CDIC) or as may otherwise be approved by the CMHC from time to time. The funds, in the account may only be used as approved by the CMHC. Withdrawals are credited to interest first and then principal.
- b) Under the terms of the lending agreement with First Nations Finance Authority (FNFA), a debt reserve is required to be established and maintained under section 84 of the Act for financing secured by Other Revenues.
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Potlotek First Nation

Notes to the consolidated financial statements

March 31, 2024

3. Receivables	<u>2024</u>	<u>2023</u> (Restated – Note 13)
Indigenous Services Canada	\$ 4,675,086	\$ 3,567,822
Jordan's Principle	1,570,020	931,433
Department of Fisheries and Oceans	491,106	701,661
Province of Nova Scotia	285,636	174,115
Mi'kmaw Kina'matnewey	58,080	70,550
Clearwater Fisheries	256,620	-
Mi'kmaq Employment Training Secretariat	76,973	-
Other	<u>554,691</u>	<u>313,601</u>
	<u>\$ 7,968,212</u>	<u>\$ 5,759,182</u>

4. Promissory note receivable	<u>2024</u>	<u>2023</u> (Restated – Note 13)
First Nations Fisheries Interest Group Partnership		
6.14% loan receivable in equal quarterly blended instalments of principal plus interest in the amount of \$1,303,067 payable quarterly maturing in fiscal 2051	\$ 17,090,441	\$ 17,332,300
8% loan receivable with no set terms of repayment	<u>7,142,858</u>	-
	<u>\$ 24,233,299</u>	<u>\$ 17,332,300</u>

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

2025	\$ 259,942
2026	\$ 276,274
2027	\$ 293,632
2028	\$ 309,383
2029	\$ 331,518

The entity has a portfolio investment, not traded in an active market, in First Nations Fisheries Interest Group recognized at \$nil cost.

5. Payables and accruals	<u>2024</u>	<u>2023</u> (Restated – Note 13)
Trade	\$ 1,214,052	\$ 594,092
Payroll remittances in arrears	10,754,618	10,754,618
Payroll remittances	428,152	328,799
Other	<u>229,084</u>	<u>142,295</u>
	<u>\$ 12,625,906</u>	<u>\$ 11,819,804</u>

Potlotek First Nation

Notes to the consolidated financial statements

March 31, 2024

5. Payables and accruals (continued)

Payroll remittances in arrears relates to amounts owing to the Canada Revenue Agency (“CRA”) and Workers’ Compensation Board of Nova Scotia (“WCB”) relating to years prior to 2024, including interest and penalties. The First Nation has made an application to waive the penalties and interest relating to this balance and the CRA and WCB has not charged any additional penalties and interest on the accounts of the First Nation since the appeal was initiated in May 2024. The outcome and timing of the appeal is uncertain, including whether the First Nation will incur any additional penalties and interest. As such, any potential recovery of the penalties and interest previously charged, nor any potential additional costs have been accrued in these consolidated financial statements.

6. Deferred revenue

	<u>ISC</u>	<u>Other</u>	<u>Total 2024</u>	Total <u>2023</u> (Restated Note 13)
Balance, beginning of year	\$ 4,762,816	\$ 1,576,217	\$ 6,339,033	\$ 9,352,620
Contributions	5,093,686	1,373,711	6,467,397	3,074,236
Amounts recognized as Revenue	<u>(3,591,106)</u>	<u>(975,624)</u>	<u>(4,566,730)</u>	<u>(6,087,823)</u>
Balance, end of year	<u>\$ 6,265,396</u>	<u>\$ 1,974,304</u>	<u>\$ 8,239,700</u>	<u>\$ 6,339,033</u>

The Band has entered into contribution agreements with various government departments. Funding received under these contribution agreements is subject to repayment if the band fails to comply with the terms and conditions of the agreements.

7. Asset retirement obligation

The First Nation’s asset retirement obligation consists of the liability for the remediation of contaminants present within a number of buildings and petroleum storage tanks owned by the First Nation. These contaminants represent a health hazard upon demolition and therefore there is a legal obligation for the removal of these contaminants on decommissioning. These assets have expected useful lives ranging from 5 – 15 years. Estimated costs have been discounted to the present value using a discount rate of 4.00%.

Changes to the asset retirement obligation in the year are as follows:

Opening balance	\$ 528,659
Accretion	<u>21,146</u>
	<u>\$ 549,805</u>

Potlotek First Nation Notes to the consolidated financial statements

March 31, 2024

8. Long-term debt	<u>2024</u>	<u>2023</u>
Canada Mortgage and Housing Corporation		
Housing mortgages, bearing interest at 0.70% - 5.00%, repayable under various terms by January 2028	\$ 2,651,708	\$ 2,272,433
Royal Bank of Canada		
Mortgages, bearing interest at 2.19% - 2.83%, repaid during the year	-	43,444
Peace Hills Trust		
Loans, bearing interest at 1.55 - 5.0%, repaid during the year.	-	28,077
3.95% loan, maturing April 1, 2023, amortized to April 2028, repayable in blended monthly instalments of \$395.	22,511	21,248
4.25% loan, maturing July 1, 2023, amortized to July 2028, repayable in blended monthly instalments of \$496.	22,511	27,516
1.5% plus prime loan, maturing January 2024, amortized to December 2043, repayable in blended monthly instalments of \$3,010.	462,482	462,482
1.5% plus prime loan, maturing December 15, 2023, amortized to December 2043, repayable in blended monthly instalments of \$1,131	27,060	37,816
1.5% plus prime loan, maturing December 15, 2023, amortized to December 2043, repayable in blended monthly instalments of \$1,002	148,291	148,291
Ulnooweg Development Group Inc.		
4% loan advances, maturing August, 2031, No payments are required until the loan is fully disbursed	98,342	92,860

Potlotek First Nation

Notes to the consolidated financial statements

March 31, 2024

8. Long-term debt (continued)	<u>2024</u>	<u>2023</u>
First Nation Finance Authority		
1.90% loan payable in blended monthly instalments of \$65,441 amortized and maturing June 2030.	17,412,409	17,864,296
4.28% loan payable in blended monthly instalments of \$38,463 amortized and maturing June 2034	<u>7,495,507</u>	-
	28,340,821	<u>20,998,463</u>
Current portion of long-term debt		
Principal payments due within one year.	<u>782,270</u>	<u>701,706</u>
	<u>\$ 27,558,551</u>	<u>20,296,757</u>

The Canada Mortgage and Housing Corporation mortgages are secured by separate Indigenous Services Canada Ministerial guarantees.

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

2025	\$ 782,270
2026	\$ 762,049
2027	\$ 756,843
2028	\$ 757,582
2029	\$ 719,193

9. Purchased fishing licenses and permits	<u>2024</u>	<u>2023</u> (Restated -Note 13)
Purchased fishing licenses and permits	<u>\$ 670,000</u>	<u>\$ 670,000</u>

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

Potlotek First Nation

Notes to the consolidated financial statements

March 31, 2024

10. Property and equipment

	<u>Opening Cost</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Cost</u>	<u>Opening Accumulated Depreciation</u>	<u>Depreciation</u>	<u>Accumulated depreciation on disposals</u>	<u>Closing Accumulated Depreciation</u>	<u>2025 Net Book Value</u>	<u>2024 Net Book Value</u> (Restated - Note 13)
Land	\$ 620,112	\$ 382,712	\$ -	\$ 1,002,824	\$ -	\$ -	\$ -	\$ -	\$ 1,002,824	\$ 620,112
Buldings	8,161,358	-	-	8,161,358	6,482,539	225,301	-	6,707,840	1,453,518	1,678,819
Housing	14,275,789	5,285,077	-	19,560,866	8,232,645	901,537	-	9,134,182	10,426,684	6,043,144
Equipment	2,873,652	-	-	2,873,652	1,306,991	220,400	-	1,527,391	1,346,261	1,566,661
Roads	3,833,586	-	-	3,833,586	599,121	14,978	-	614,099	3,219,487	3,234,465
Sewer and Water	4,130,584	-	4,130,584	-	2,671,248	-	2,671,248	-	-	1,459,336
Fishing Vessels	2,312,701	-	1,123,620	1,189,081	1,700,839	28,861	1,123,620	606,080	583,001	611,862
Water Treatment Plant	6,869,867	-	6,869,867	-	343,143	-	343,143	-	-	6,526,724
Lift Station Fence	26,425	-	26,425	-	3,964	-	3,964	-	-	22,461
Gas Bar	143,552	-	-	143,552	143,552	-	-	143,552	-	-
Other	164,869	-	-	164,869	147,000	596	-	147,596	17,273	17,869
Construction in progress	8,960,741	4,095,950	5,667,789	7,388,902	-	-	-	-	7,388,902	8,960,741
	<u>\$ 52,373,236</u>	<u>\$ 9,763,739</u>	<u>\$ 17,818,285</u>	<u>\$ 44,318,690</u>	<u>\$ 21,631,042</u>	<u>\$ 1,391,673</u>	<u>\$ 4,141,975</u>	<u>\$ 18,880,740</u>	<u>\$ 25,437,950</u>	<u>\$ 30,742,194</u>

Potlotek First Nation

Notes to the consolidated financial statements

March 31, 2024

11. Accumulated surplus

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

	<u>2024</u>	<u>2023</u> (Restated – Note 13)
Unallocated	\$ 20,332,559	\$ 24,126,977
Replacement reserve	<u>437,488</u>	<u>165,505</u>
	<u>\$ 20,770,047</u>	<u>\$ 24,292,482</u>

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

12. Government Transfers

	<u>2024</u>			<u>2023</u> (Restated - Note 13)		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Federal government transfers						
Canadian Mortgage and Housing Corporation	420,495	67,242	487,737	159,425	1,229,815	1,389,240
Department of Fisheries and Oceans	33,066	290,054	323,120	402,516	-	402,516
Indigenous Services Canada	6,549,632	3,934,270	10,483,902	8,530,343	5,910,804	14,441,147
Jordan's Principle	911,184		911,184	-		
Mikmaw Kina'mathewey	3,838,786		3,838,786	3,575,698		3,575,698
Mikmaw Employment Training Secretariat	725,967		725,967	132,760		132,760
	<u>12,479,130</u>	<u>4,291,566</u>	<u>16,770,696</u>	<u>12,800,742</u>	<u>7,140,619</u>	<u>19,941,361</u>
Provincial government transfers						
Province of Nova Scotia	1,107,499		1,107,499	438,346		438,346
	<u>13,586,629</u>	<u>4,291,566</u>	<u>17,878,195</u>	<u>13,239,088</u>	<u>7,140,619</u>	<u>20,379,707</u>

Potlotek First Nation

Notes to the consolidated financial statements

March 31, 2024

13. Restated comparative information

During the year management noted the following:

- Management reassessed the classification of a previously consolidated investment. As a result of this reassessment, the investment has been determined to meet the criteria of a portfolio investment and is now accounted for at cost.
- While reconciling balances with the Canada Revenue Agency (CRA) and the Workers' Compensation Board (WCB), management identified a previously unrecorded payable.
- While confirming revenue with the Department of Fisheries, management identified a previously unrecorded receivable.

As a result of correcting these errors, the following financial statement line items at March 31, 2023, have been increase (decreased) as follows:

<u>Consolidated statement of financial position</u>	<u>Previously reported</u>	<u>Adjustments</u>	<u>Restated</u>
Cash and cash equivalents	\$ 6,267,953	\$ (64,948)	\$ 6,203,005
Receivables	6,624,440	(865,258)	5,759,182
Promissory notes receivable	-	17,332,300	17,332,300
Interest receivable	-	1,551,085	1,551,085
Trust	6,595	(6,595)	-
Payables and accruals	10,659,359	1,160,445	11,819,804
Deferred revenue	6,355,086	(16,053)	6,339,033
Intangible assets	18,457,250	(17,787,250)	670,000
Tangible capital assets	30,812,194	(70,000)	30,742,194
Net Debt	(23,932,499)	16,802,192	(7,130,307)
Accumulated surplus, beginning of year	18,499,932	(997,949)	17,501,983
Accumulated surplus, end of year	25,347,540	(1,055,058)	24,292,482
<u>Consolidated statement of operations</u>			
Revenues			
Commercial sales	7,116,529	237,518	7,354,047
Interest revenue	-	1,073,310	1,073,310
Other revenue	2,931,670	(1,303,596)	1,628,074
Expenditures			
Interest expense	477,786	357,143	834,929
Other expenses	292,802	(292,802)	-
Annual Surplus	6,847,608	(57,109)	6,790,499

Potlotek First Nation

Notes to the consolidated financial statements

March 31, 2024

14. Comparative figures

Certain comparative figures have been reclassified to conform to the current year financials

15. Financial instruments

Classification

The First Nation's financial instruments are all classified at amortized cost. The maximum exposure to credit risk for the financial assets is equal to their carrying amounts. Carrying value approximates fair value.

Risk disclosures

Credit risk

Credit risk is the risk of financial loss to the First Nation if a debtor fails to discharge their obligation (e.g., pay the accounts receivable owing to the First Nation). The First Nation is exposed to this risk arising from its cash, restricted cash, receivables, promissory notes and interest receivable. The First Nation holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

Receivables, including promissory notes and interest receivable, are primarily due from government. Any impairment allowance is set up based on the First Nations historical experience regarding collections. There was no impairment allowance recognized in the current year (2023 - \$1,974). There were no changes in exposures to credit risk during the period.

Liquidity risk

Liquidity risk is the risk that the First Nation will not be able to meet all cash outflow obligations as they come due. The First Nation mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting. The First Nation is exposed to this risk arising from payables and long-term debt.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk. The expected maturities, representing undiscounted cash-flows of the First Nation's long-term debt is set out in Note 8.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in the fair value or future cash flows of financial instruments because of changes in market interest rates. The Band is exposed to this risk through its interest-bearing bank balances and debt. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Potlotek First Nation

Notes to the consolidated financial statements

March 31, 2024

16. Segmented information

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

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

- First Nation Government – All associated with the administration of the First Nation operations.
- Community – social enterprise activities within the community
- Economic Development – specified development projects undertaken by the First Nation.
- Education – Providing elementary, secondary and post-secondary tuition for qualifying members along with related programs and support.
- Health – Activity of the Health Centre which provides a variety of health care programs and support.
- Fisheries – Management of the DFO fisheries operations
- Commercial enterprises – Operating results from Potlotekewey Expedition Gas and Convenience
- Social Development – Social assistance provided to qualifying members.
- Housing - Section 95 and non-subsidized housing operations.
- Other – all other items not reported in a specified division

Potlotek First Nation

Notes to the consolidated financial statements

Year ended March 31

16. Segmented information (continued)

	Band Government			Community			Economic Development		
	Budget 2024	Actual 2024	Actual 2023 (Restated - Note 13)	Budget 2024	Actual 2024	Actual 2023 (Restated - Note 13)	Budget 2024	Actual 2024	Actual 2023 (Restated - Note 13)
Revenues									
Government operating transfers	\$ 313,997	\$ 343,623	\$ 936,168	\$ 1,798,441	\$ 1,968,128	\$ 1,869,990	\$ 721,600	\$ 789,685	\$ 639,784
Government capital transfers	297,897.00	223,030.00	-	454,131	340,000	-	-	-	-
Economic activities	-	-	-	9,087	9,726	-	-	-	-
Gain on disposal of property	-	-	-	-	-	-	-	-	-
Other	5,373.00	30,355	-	8,416	47,544	70,919	27	150	-
	<u>617,267</u>	<u>597,008</u>	<u>936,168</u>	<u>2,270,075</u>	<u>2,365,398</u>	<u>1,940,909</u>	<u>721,627</u>	<u>789,835</u>	<u>639,784</u>
Expenses									
Salaries and benefits	1,301,549	1,162,901	832,058	698,136	623,766	754,026	334,097	298,507	381,044
Depreciation	-	-	-	16,520	20,081	21,014	-	-	-
Interest	36	32	-	-	-	-	-	-	-
Gain (Loss) on disposal of property	-	-	-	-	-	-	-	-	-
Other	727,954	650,408	1,131,435	486,974	435,099	525,959	155,195	138,663	171,636
	<u>2,029,539</u>	<u>1,813,341</u>	<u>1,963,493</u>	<u>1,201,630</u>	<u>1,078,946</u>	<u>1,300,999</u>	<u>489,292</u>	<u>437,170</u>	<u>552,680</u>
Surplus (deficit) for the year	\$ (1,412,272)	\$ (1,216,333)	\$ (1,027,325)	\$ 1,068,445	\$ 1,286,452	\$ 639,910	\$ 232,335	\$ 352,665	\$ 87,104

	Education			Health Programs			Fisheries		
	Budget 2024	Actual 2024	Actual 2023 (Restated - Note 13)	Budget 2024	Actual 2024	Actual 2023 (Restated - Note 13)	Budget 2024	Actual 2024	Actual 2023 (Restated - Note 13)
Revenues									
Government operating transfers	\$ 4,411,152	\$ 4,827,352	\$ 4,260,889	\$ 1,233,872	\$ 1,350,290	\$ 1,970,605	\$ 30,215	\$ 33,066	\$ 35,020
Government capital transfers	-	-	-	517,095.00	387,140.00	3,201,675.00	387,419.00	290,054.00	-
Economic activities	-	-	-	-	-	-	2,003,575.00	1,712,556.00	3,292,009.00
Gain on disposal of property	-	-	-	-	-	-	-	-	-
Other	1,283	7,250	71,994	3,576.00	20,200.00	15,856.00	-	-	-
	<u>4,412,435</u>	<u>4,834,602</u>	<u>4,332,883</u>	<u>1,754,543</u>	<u>1,757,630</u>	<u>5,188,136</u>	<u>2,421,209</u>	<u>2,035,676</u>	<u>3,327,029</u>
Expenses									
Salaries and benefits	3,115,429	2,783,556	2,624,559	1,170,491	1,045,804	838,277	1,272,185	1,136,665	2,651,513
Depreciation	50,137	60,944	63,776	29,254	35,559	37,211	43,912	53,377	55,857
Interest	112	100	-	261	233	-	-	-	-
Gain (Loss) on disposal of property	-	-	-	-	-	-	-	-	-
Other	1,355,938	1,211,496	1,129,458	655,241	585,441	869,426	644,428	575,780	353,923
	<u>4,521,616</u>	<u>4,056,096</u>	<u>3,817,793</u>	<u>1,855,247</u>	<u>1,667,037</u>	<u>1,744,914</u>	<u>1,960,525</u>	<u>1,765,822</u>	<u>3,061,293</u>
Surplus (deficit) for the year	\$ (109,181)	\$ 778,506	\$ 515,090	\$ (100,704)	\$ 90,593	\$ 3,443,222	\$ 460,684	\$ 269,854	\$ 265,736

Potlotek First Nation

Notes to the consolidated financial statements

Year ended March 31

16. Segmented information (continued)

	Commercial Enterprises			Social Development			Housing		
	Budget 2024	Actual 2024	Actual 2023 (Restated - Note 13)	Budget 2024	Actual 2024	Actual 2023 (Restated - Note 13)	Budget 2024	Actual 2024	Actual 2023 (Restated - Note 13)
Revenues									
Government operating transfers	\$ -	\$ -	\$ -	\$ 2,790,435	\$ 3,053,717	\$ 1,216,658	\$ 234,164	\$ 256,257	\$ 1,012,945
Government capital transfers	-	-	-	-	-	-	1,563,926	1,170,884	2,274,129
Economic activities	5,502,329.00	5,889,477.00	5,762,108.00	-	-	-	-	-	-
Gain on disposal of property	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	42,571	240,495	159,425
	5,502,329	5,889,477	5,762,108	2,790,435	3,053,717	1,216,658	1,840,661	1,667,636	3,446,499
Expenses									
Salaries and benefits	462,211	412,973	403,677	966,385	863,440	413,621	464,649	415,152	399,215
Depreciation	59,773	72,656	76,032	-	-	-	741,675	901,537	943,427
Interest	24,778	22,139	39,795	-	-	-	2,754	2,461	-
Gain (Loss) on disposal of property	-	-	-	-	-	-	-	-	-
Other	6,744,872	6,026,371	5,605,427	2,366,695	2,114,582	1,324,785	367,308	328,181	212,127
	7,291,634	6,534,139	6,124,931	3,333,080	2,978,022	1,738,406	1,576,386	1,647,331	1,554,769
Surplus (deficit) for the year	\$ (1,789,305)	\$ (644,662)	\$ (362,823)	\$ (542,645)	\$ 75,695	\$ (521,748)	\$ 264,275	\$ 20,305	\$ 1,891,730

	Other			Totals		
	Budget 2024	Actual 2024	Actual 2023 (Restated - Note 13)	Budget 2024	Actual 2024	Actual 2023 (Restated - Note 13)
Revenues						
Government operating transfers	\$ 881,353	\$ 964,511	\$ 1,297,029	\$ 12,415,229	\$ 13,586,629	\$ 13,239,088
Government capital transfers	2,511,691	1,880,458	1,664,815	5,732,159	4,291,566	7,140,619
Economic activities	1,214,872	1,300,354	1,591,939	8,729,863	8,912,113	10,646,056
Gain on disposal of property	-	-	-	-	-	-
Other	259,327	1,465,020	2,383,190	320,573	1,811,014	2,701,384
	4,867,243	5,610,343	6,936,973	27,197,824	28,601,322	33,727,147
Expenses						
Salaries and benefits	710,696	634,989	1,043,766	10,495,828	9,377,753	10,341,756
Depreciation	203,629	247,519	259,020	1,144,900	1,391,673	1,456,337
Interest	661,385	590,930	795,134	689,326	615,895	834,929
Gain (Loss) on disposal of property	-	7,550,522	-	-	7,550,522	-
Other	1,255,654	1,121,893	2,979,450	14,760,259	13,187,914	14,303,626
	2,831,364	10,145,853	5,077,370	27,090,313	32,123,757	26,936,648
Surplus (deficit) for the year	\$ 2,035,879	\$ (4,535,510)	\$ 1,859,603	\$ 107,511	\$ (3,522,435)	\$ 6,790,499