



Consolidated Financial Statements

Potlotek First Nation

March 31, 2025

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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.

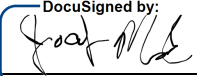
The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management 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:


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Chief Executive Officer

Signed by:


E320569808F07401
Chief Financial Officer

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, 2025, 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, 2025, 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.

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.

Independent auditor's report

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

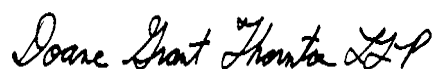
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not 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 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
March 25, 2026



Chartered Professional Accountants

Potlotek First Nation

Consolidated statement of operations

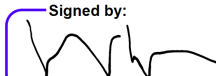
Year ended March 31	Budget	2025	2024
Revenues			
Commercial sales	\$ 7,197,128	\$ 7,118,805	\$ 7,199,555
Government transfers (Note 12)	13,967,297	19,567,321	17,878,195
Fisheries	2,083,718	1,911,962	1,712,558
Interest revenue	-	2,222,070	1,478,548
Other revenues	343,012	418,566	332,466
	<u>23,591,155</u>	<u>31,238,724</u>	<u>28,601,322</u>
Expenses			
Band administration	1,531,304	1,903,387	1,813,341
Amortization	1,225,043	2,136,517	1,391,673
Community	1,000,000	1,170,080	1,058,865
Economic and employment development	91,878	406,076	437,170
Education and training	4,826,398	4,249,824	3,995,152
Health programs	1,700,000	1,726,520	1,631,478
Insurance	200,000	138,510	133,156
Interest	300,000	709,944	613,069
Office	300,000	344,550	287,498
Professional fees	400,000	129,793	446,753
Purchases – fisheries	1,863,257	2,092,964	1,712,444
Purchases – retail	6,000,000	5,716,673	5,896,227
Repairs and maintenance	50,000	427,554	384,632
Salaries and benefits	1,000,000	1,555,389	1,047,962
Social	2,442,565	2,714,477	2,978,022
Housing	617,514	570,336	745,793
Loss on disposal	-	-	7,550,522
	<u>23,547,959</u>	<u>25,992,594</u>	<u>32,123,757</u>
Annual (deficit) surplus	<u>\$ 43,196</u>	<u>5,246,130</u>	<u>(3,522,435)</u>
Accumulated surplus, beginning of year		20,770,047	24,292,482
Accumulated surplus, end of year		<u>\$ 26,016,177</u>	<u>\$ 20,770,047</u>

See accompanying notes to the consolidated financial statements.

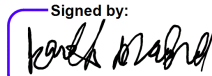
Potlotek First Nation Consolidated statement of financial position

March 31	2025	2024
Financial assets		
Cash	\$ 8,987,755	\$ 7,499,873
Restricted cash (Note 2)	1,930,446	1,875,932
Receivables (Note 3)	6,677,023	7,968,212
Promissory note receivable (Note 4)	23,973,355	24,233,299
Interest receivable	3,063,314	2,352,705
Inventory	<u>309,189</u>	<u>318,723</u>
	<u>44,941,082</u>	<u>44,248,744</u>
Financial liabilities		
Payables and accruals (Note 5)	11,858,063	12,625,906
Deferred revenue (Note 6)	7,167,729	8,239,700
Asset retirement obligation (Note 7)	571,798	549,805
Long-term debt (Note 8)	<u>27,843,542</u>	<u>28,340,821</u>
	<u>47,441,132</u>	<u>49,756,232</u>
Net debt (Page 7)	(2,500,050)	(5,507,488)
Non-financial assets		
Prepays	7,065	169,585
Intangible assets (Note 9)	670,000	670,000
Tangible capital assets (Note 10)	<u>27,839,162</u>	<u>25,437,950</u>
	<u>28,516,227</u>	<u>26,277,535</u>
Accumulated surplus (Note 11)	<u>\$ 26,016,177</u>	<u>\$ 20,770,047</u>

On behalf of the First Nation

Signed by:

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Chief

Signed by:

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Councillor

See accompanying notes to the consolidated financial statements.

Potlotek First Nation

Consolidated statement of changes in net debt

Year ended March 31	Budget	2025	2024
Annual (deficit) surplus	\$ 43,197	\$ 5,246,130	\$ (3,522,435)
Loss on disposal of tangible capital assets	-	-	7,550,522
Proceeds on disposal of tangible capital assets	-	-	457,999
Amortization	1,225,043	2,136,517	1,391,673
Purchase of tangible capital assets	<u>-</u>	<u>(4,537,729)</u>	<u>(4,095,950)</u>
	1,268,240	2,844,918	1,781,809
Change in other non-financial assets	<u>-</u>	<u>162,520</u>	<u>(158,990)</u>
Change in net debt	<u>\$ 1,268,240</u>	<u>3,007,438</u>	1,622,819
Net debt, beginning of year		<u>(5,507,488)</u>	<u>(7,130,307)</u>
Net debt, end of year		<u>\$ (2,500,050)</u>	<u>\$ (5,507,488)</u>

See accompanying notes to the consolidated financial statements

Potlotek First Nation Consolidated statement of cash flows

Year ended March 31	2025	2024
Increase (decrease) in cash and cash equivalents		
Operating		
Annual (deficit) surplus	\$ 5,246,130	\$(3,522,435)
Amortization	2,136,517	1,391,673
Accretion expense	21,993	21,146
Loss on disposal of tangible capital assets	<u>-</u>	<u>7,550,522</u>
	7,404,640	5,440,906
Change in non-cash operating working capital		
Receivables	1,291,189	(2,209,030)
Interest receivable	(710,609)	(801,620)
Prepays	162,250	(158,990)
Inventory	9,534	(68,462)
Payables and accruals	(767,843)	806,102
Deferred revenue	<u>(1,071,971)</u>	<u>1,900,667</u>
	6,317,460	4,909,573
Capital		
Proceeds on disposal of tangible capital assets	-	457,999
Purchase of tangible capital assets	<u>(4,537,729)</u>	<u>(4,095,950)</u>
	(4,537,729)	(3,637,951)
Financing		
Change in restricted cash	(54,514)	(416,113)
Proceeds of long-term debt	571,146	8,061,896
Principal repayments on long-term debt	<u>(1,068,425)</u>	<u>(719,538)</u>
	(551,793)	6,926,245
Investing		
Advances of promissory note receivable	-	(7,142,858)
Receipt of promissory note repayment	<u>259,944</u>	<u>241,859</u>
	259,944	(6,900,999)
Net increase (decrease) in cash and cash equivalents	1,487,882	1,296,868
Cash and cash equivalents, beginning of year	<u>7,499,873</u>	<u>6,203,005</u>
Cash and cash equivalents, end of year	\$ 8,987,755	\$ 7,499,873

See accompanying notes to the consolidated financial statements

Potlotek First Nations

Notes to the consolidated financial statements

March 31, 2025

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 2025 was \$5,716,673 (2024 - \$5,896,227). No write-down of inventories below their cost to their net realizable value was made in fiscal 2025. 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>2025</u>	<u>2024</u>
CHMC replacement reserve (a)	\$ 456,937	\$ 454,263
First Nations Finance Authority debt reserve fund (b)	<u>1,473,509</u>	<u>1,421,669</u>
	<u>\$ 1,930,446</u>	<u>\$ 1,875,932</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, 2025

3. Receivables	<u>2025</u>	<u>2024</u>
Indigenous Services Canada	\$ 3,311,262	\$ 4,675,086
Jordan's Principle	664,029	1,570,020
Department of Fisheries and Oceans	486,268	491,106
Province of Nova Scotia	223,034	285,636
Mi'kmaw Kina'matnewey	31,276	58,080
Clearwater Fisheries	282,588	256,620
Mi'kmaq Employment Training Secretariat	-	76,973
Federal government	669,270	-
Other	<u>1,009,296</u>	<u>554,691</u>
	<u>\$ 6,677,023</u>	<u>\$ 7,968,212</u>

4. Promissory note receivable	<u>2025</u>	<u>2024</u>
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	\$ 16,830,497	\$ 17,090,441
8% loan receivable with no set terms of repayment	<u>7,142,858</u>	<u>7,142,858</u>
	<u>\$ 23,973,355</u>	<u>\$ 24,233,299</u>

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

2026	\$ 276,274
2027	\$ 293,632
2028	\$ 309,383
2029	\$ 331,518
2030	\$ 352,347

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>2025</u>	<u>2024</u>
Trade	\$ 521,537	\$ 1,214,052
Payroll remittances in arrears	10,754,618	10,754,618
Payroll remittances	498,927	428,152
Other	<u>82,981</u>	<u>229,084</u>
	<u>\$ 11,858,063</u>	<u>\$ 12,625,906</u>

Potlotek First Nation

Notes to the consolidated financial statements

March 31, 2025

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 2025</u>	<u>Total 2024</u>
Balance, beginning of year	\$ 7,759,988	\$ 479,712	\$ 8,239,700	\$ 6,339,033
Contributions	3,384,294	1,214,657	4,598,951	6,467,397
Repayments	(76,658)	-	(76,658)	-
Amounts recognized as Revenue	<u>(5,230,030)</u>	<u>(364,234)</u>	<u>(5,594,264)</u>	<u>(4,566,730)</u>
Balance, end of year	<u>\$ 5,837,594</u>	<u>\$ 1,330,135</u>	<u>\$ 7,167,729</u>	<u>\$ 8,239,700</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	\$ 549,805
Accretion	<u>21,992</u>
	<u>\$ 571,797</u>

Potlotek First Nation

Notes to the consolidated financial statements

March 31, 2025

8. Long-term debt	<u>2025</u>	<u>2024</u>
Canada Mortgage and Housing Corporation		
Housing mortgages, bearing interest at 0.70% - 5.00%, repayable under various terms by January 2028.	\$ 2,659,618	\$ 2,651,708
Peace Hills Trust		
6.05% loan, maturing July 2028, amortized to July 2028, repayable in blended monthly instalments of \$509.	17,677	22,511
6.05% loan, maturing April 2028, amortized to April 2028, repayable in blended monthly instalments of \$403.	18,700	22,511
Prime loan, maturing December 2025, amortized to December 2029, repayable in blended monthly instalments of \$3,010.	462,482	462,482
Prime loan, maturing December 2025, amortized to December 2038, repayable in blended monthly instalments of \$1,131.	15,163	27,060
Prime loan, maturing December 2025, amortized to December 2038, repayable in blended monthly instalments of \$1,002.	148,032	148,291
Ulnooweg Development Group Inc.		
4% loan, maturing October, 2031, Repayable in blended monthly instalments of \$1,259.	85,697	98,342
4% loan advances, amortized over 10 years, No payments are required until the loan is fully disbursed.	132,652	-

Potlotek First Nation

Notes to the consolidated financial statements

March 31, 2025

8. Long-term debt (continued)	<u>2025</u>	<u>2024</u>
First Nation Finance Authority		
1.90% loan payable in blended monthly instalments of \$65,441 amortized and maturing June 2030.	16,949,226	17,412,409
4.28% loan payable in blended monthly instalments of \$38,463 amortized and maturing June 2034.	<u>7,354,295</u>	<u>7,495,507</u>
	27,843,542	28,340,821
Current portion of long-term debt		
Principal payments due within one year.	<u>906,942</u>	<u>782,270</u>
	\$ 26,936,600	27,558,551

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

The Peace Hills Trust loans have a general security agreement with fixed and floating charges over all fixed assets of the First Nation, assignment of Atlantic Lotto Corporation funding and a general security agreement with specific interest over commercial fishery and gaming revenues.

First Nation Finance Authority loans are secured by pledging certain revenue streams of the First Nation.

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

2026	\$ 906,942
2027	\$ 892,758
2028	\$ 889,492
2029	\$ 869,487
2030	\$ 847,233

9. Purchased fishing licenses and permits	<u>2025</u>	<u>2024</u>
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, 2025

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>
Land	\$ 1,002,824	\$ -	\$ -	\$ 1,002,824	\$ -	\$ -	\$ -	\$ -	\$ 1,002,824	\$ 1,002,824
Buildings	8,161,358	4,189,638	-	12,350,996	6,707,840	343,941	-	7,051,781	5,299,214	1,453,518
Housing	19,560,866	479,898	-	20,040,764	9,134,182	997,745	-	10,131,927	9,908,837	10,426,684
Equipment	2,873,652	1,154,527	-	4,028,179	1,527,391	333,328	-	1,860,719	2,167,460	1,346,261
Roads	3,833,586	-	-	3,833,586	614,099	95,840	-	709,939	3,123,647	3,219,487
Sewer and Water	-	-	-	-	-	-	-	-	-	-
Fishing Vessels	1,189,081	-	-	1,189,081	606,080	59,454	-	665,534	523,547	583,001
Water Treatment Plant	-	-	-	-	-	-	-	-	-	-
Lift Station Fence	-	-	-	-	-	-	-	-	-	-
Gas Bar	143,552	73,323	-	216,875	143,552	21,687	-	165,239	51,635	-
Wharf	-	4,836,657	-	4,836,657	-	282,138	-	282,138	4,554,519	-
Other	164,869	-	-	164,869	147,596	2,383	-	149,979	14,890	17,273
Construction in progress	7,388,902	3,318,374	9,514,688	1,192,588	-	-	-	-	1,192,588	7,388,902
	<u>\$ 44,318,690</u>	<u>\$ 14,052,416</u>	<u>\$ 9,514,688</u>	<u>\$ 48,856,419</u>	<u>\$ 18,880,740</u>	<u>\$ 2,136,517</u>	<u>\$ -</u>	<u>\$ 21,017,257</u>	<u>\$ 27,839,162</u>	<u>\$ 25,437,950</u>

Potlotek First Nation

Notes to the consolidated financial statements

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11. Accumulated surplus

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

	<u>2025</u>	<u>2024</u>
Unallocated	\$ 25,468,432	\$ 20,332,559
Replacement reserve	<u>547,745</u>	<u>437,488</u>
	<u>\$ 26,016,177</u>	<u>\$ 20,770,047</u>

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

12. Government Transfers

	<u>2025</u>			<u>2024</u>		
	<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	178,083		178,083	420,495	67,242	487,737
Department of Fisheries and Oceans	520,551		520,551	33,066	290,054	323,120
Federal government of Canada	557,805	174,850	732,655	306,804	-	306,804
Indigenous Services Canada	9,351,348	2,244,567	11,595,915	5,847,736	3,934,270	9,782,006
Jordan's Principle	168,862		168,862	911,184	-	911,184
Mikmaw Kina'matnewey	4,453,466		4,453,466	3,838,786	-	3,838,786
Mikmaw Employment Training Secretariat	215,650		215,650	725,967	-	725,967
	<u>15,445,765</u>	<u>2,419,417</u>	<u>17,865,182</u>	<u>12,084,038</u>	<u>4,291,566</u>	<u>16,375,604</u>
Provincial government transfers						
Province of Nova Scotia	1,702,139		1,702,139	1,502,591	-	1,502,591
	<u>17,147,904</u>	<u>2,419,417</u>	<u>19,567,321</u>	<u>13,586,629</u>	<u>4,291,566</u>	<u>17,878,195</u>

13. Comparative figures

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

Potlotek First Nation

Notes to the consolidated financial statements

March 31, 2025

14. 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 (2024 - \$0). 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.

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15. 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 expenses 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 2025	Actual 2025	Actual 2024	Budget 2025	Actual 2025	Actual 2024	Budget 2025	Actual 2025	Actual 2024
Revenues									
Government operating transfers	\$ 1,535,270	\$ 1,884,879	\$ 343,623	\$ 1,319,420	\$ 1,822,382	\$ 1,968,128	\$ 631,120	\$ 871,702	\$ 789,685
Government capital transfers	-	-	223,030	-	-	340,000	-	-	-
Economic activities	-	-	-	-	-	9,726	-	-	-
Gain on disposal of property	-	-	-	-	-	-	-	-	-
Other	-	-	30,355	-	-	47,544	-	-	150
	<u>1,535,270</u>	<u>1,884,879</u>	<u>597,008</u>	<u>1,319,420</u>	<u>1,822,382</u>	<u>2,365,398</u>	<u>631,120</u>	<u>871,702</u>	<u>789,835</u>
Expenses									
Salaries and benefits	1,064,304	963,947	1,162,901	438,852	380,673	623,766	227,447	197,294	298,507
Depreciation	-	-	-	-	20,082	20,081	-	-	-
Interest	-	-	32	-	-	-	-	-	-
Gain (Loss) on disposal of property	-	-	-	-	-	-	-	-	-
Other	1,037,245	939,440	650,408	910,053	789,407	435,099	240,690	208,782	138,663
	<u>2,101,549</u>	<u>1,903,387</u>	<u>1,813,341</u>	<u>1,348,905</u>	<u>1,190,162</u>	<u>1,078,946</u>	<u>468,137</u>	<u>406,076</u>	<u>437,170</u>
Surplus (deficit) for the year	\$ (566,279)	\$ (18,508)	\$ (1,216,333)	\$ (29,485)	\$ 632,220	\$ 1,286,452	\$ 162,983	\$ 465,626	\$ 352,665

	Education			Health Programs			Fisheries		
	Budget 2025	Actual 2025	Actual 2024	Budget 2025	Actual 2025	Actual 2024	Budget 2025	Actual 2025	Actual 2024
Revenues									
Government operating transfers	\$ 3,350,624	\$ 4,627,878	\$ 4,827,352	\$ 1,786,125	\$ 2,466,994	\$ 1,350,290	\$ 501,028	\$ 692,019	\$ 33,066
Government capital transfers	-	-	-	-	-	387,140	-	-	290,054
Economic activities	-	-	-	-	-	-	2,003,575	1,911,962	1,712,556
Gain on disposal of property	-	-	-	-	-	-	-	-	-
Other	-	-	7,250	-	-	20,200	-	-	-
	<u>3,350,624</u>	<u>4,627,878</u>	<u>4,834,602</u>	<u>1,786,125</u>	<u>2,466,994</u>	<u>1,757,630</u>	<u>2,504,603</u>	<u>2,603,981</u>	<u>2,035,676</u>
Expenses									
Salaries and benefits	3,421,179	2,967,631	2,783,556	1,283,940	1,113,728	1,045,804	1,815,367	1,574,702	1,136,665
Depreciation	-	45,949	60,944	-	171,249	35,559	-	366,109	53,377
Interest	34	30	100	-	-	233	-	-	-
Gain (Loss) on disposal of property	-	-	-	-	-	-	-	-	-
Other	1,478,119	1,282,164	1,211,496	706,447	612,793	585,441	597,468	518,262	575,780
	<u>4,899,332</u>	<u>4,295,774</u>	<u>4,056,096</u>	<u>1,990,387</u>	<u>1,897,770</u>	<u>1,667,037</u>	<u>2,412,835</u>	<u>2,459,073</u>	<u>1,765,822</u>
Surplus (deficit) for the year	\$ (1,548,708)	\$ 332,104	\$ 778,506	\$ (204,262)	\$ 569,224	\$ 90,593	\$ 91,768	\$ 144,908	\$ 269,854

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Year ended March 31

16. Segmented information (continued)

	Commercial Enterprises			Social Development			Housing		
	Budget 2025	Actual 2025	Actual 2024	Budget 2025	Actual 2025	Actual 2024	Budget 2025	Actual 2025	Actual 2024
Revenues									
Government operating transfers	\$ -	\$ -	\$ -	\$ 1,722,070	\$ 2,378,522	\$ 3,053,717	\$ 543,271	\$ 750,366	\$ 256,257
Government capital transfers	-	-	-	-	-	-	1,516,301	639,997	1,170,884
Economic activities	5,385,128	5,699,381	5,889,477	-	-	-	-	-	-
Gain on disposal of property	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	25,001	178,083	240,495
	5,385,128	5,699,381	5,889,477	1,722,070	2,378,522	3,053,717	2,084,573	1,568,446	1,667,636
Expenses									
Salaries and benefits	485,607	421,230	412,973	810,351	702,922	863,440	366,514	317,925	415,152
Depreciation	-	87,173	72,656	-	-	-	-	997,745	901,537
Interest	15,744	13,657	22,139	-	-	-	-	-	2,461
Gain (Loss) on disposal of property	-	-	-	-	-	-	-	-	-
Other	6,774,298	5,876,226	6,026,371	2,318,983	2,011,554	2,114,582	290,988	252,412	328,181
	7,275,649	6,398,286	6,534,139	3,129,334	2,714,476	2,978,022	657,502	1,568,082	1,647,331
Surplus (deficit) for the year	\$ (1,890,521)	\$ (698,905)	\$ (644,662)	\$ (1,407,264)	\$ (335,954)	\$ 75,695	\$ 1,427,071	\$ 364	\$ 20,305

	Other			Totals		
	Budget 2025	Actual 2025	Actual 2024	Budget 2025	Actual 2025	Actual 2024
Revenues						
Government operating transfers	\$ 1,196,903	\$ 1,653,162	\$ 964,511	\$ 12,585,831	\$ 17,147,904	\$ 13,586,629
Government capital transfers	4,215,857	1,779,420	1,880,458	5,732,158	2,419,417	4,291,566
Economic activities	1,341,157	1,419,425	1,300,354	8,729,860	9,030,768	8,912,113
Gain on disposal of property	-	-	-	-	-	-
Other	298,953	2,462,552	1,465,020	323,954	2,640,635	1,811,014
	7,052,870	7,314,559	5,610,343	27,371,803	31,238,724	28,601,322
Expenses						
Salaries and benefits	1,307,495	1,134,159	634,989	11,221,056	9,774,211	9,377,753
Depreciation	-	448,211	247,519	-	2,136,518	1,391,673
Interest	802,702	696,287	590,930	818,480	709,974	615,895
Gain (Loss) on disposal of property	-	-	7,550,522	-	-	7,550,522
Other	1,015,475	880,851	1,121,893	15,369,766	13,371,891	13,187,914
	3,125,672	3,159,508	10,145,853	27,409,302	25,992,594	32,123,757
Surplus (deficit) for the year	\$ 3,927,198	\$ 4,155,051	\$ (4,535,510)	\$ (37,499)	\$ 5,246,130	\$ (3,522,435)