



Financial Statements

Sipekne'katik Youth Members Trust

December 31, 2022



Sipekne'katik Youth Members Trust

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# Independent auditor's report

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To the Board Chair and Trustees of the  
Sipekne'katik Youth Members Trust

## Opinion

We have audited the financial statements of the Sipekne'katik Youth Members Trust (the "Trust"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations and changes in net deficit and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sipekne'katik Youth Members Trust as at December 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## 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 Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of Trustees for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Trust'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 the Trustee either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

The Trustees are responsible for overseeing the Trust's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' 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 Trust'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 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 Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees 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.

*Grant Thornton LLP*

Halifax, Canada  
May 16, 2023

Chartered Professional Accountants

# Sipekne'katik Youth Members Trust

## Statement of Financial Position

December 31	2022	2021
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 1,393	\$ 14,242
Investments (Note 3)	2,767,784	3,035,708
Prepays	<u>875</u>	<u>875</u>
	<u>\$ 2,770,052</u>	<u>\$ 3,050,825</u>
<b>Liabilities</b>		
Current		
Payables	\$ 10,775	\$ 6,104
Payable to Band Members	83,872	-
Payable to Sipekne'katik 1919 Land Claim Trust	<u>650,728</u>	<u>980,961</u>
	<u>745,375</u>	<u>987,065</u>
Deferred contribution for Band Members (Note 4)	<u>2,024,677</u>	<u>2,114,696</u>
	<u>2,770,052</u>	<u>3,101,761</u>
<b>Net assets (deficit)</b>		
Unrestricted	<u>-</u>	<u>(50,936)</u>
	<u>\$ 2,770,052</u>	<u>\$ 3,050,825</u>

On behalf of the Trust

DocuSigned by:  
  
 Michael Casey Trustee

DocuSigned by:  
  
 Jns Bui Trustee

See accompanying notes to the financial statements

## Sipekne'katik Youth Members Trust

### Statements of operations and changes in net deficit

December 31	2022	2021
Revenues		
Contribution revenue	\$ 87,000	\$ 3,000
Contribution from Sipekne'katik 1919 Land Claim Trust (Note 5)	95,935	69,406
Investment income	<u>3,055</u>	<u>-</u>
	<u>185,990</u>	<u>72,406</u>
Expenses		
Allocations to Band Members	90,139	3,000
Administrative expenses		
Consulting and administrative expenses	2,588	22,850
Insurance	5,250	4,375
Investment management fees	10,159	10,201
Office expenses and bank fees	493	561
Professional fees	10,775	13,319
Trustee expenses (Note 5)	<u>15,650</u>	<u>18,100</u>
	<u>135,054</u>	<u>72,406</u>
Excess of revenues over expenses	<u>\$ 50,936</u>	<u>\$ -</u>
Net deficit, beginning of year	\$ (50,936)	\$ (50,936)
Excess of revenues over expenses	<u>50,936</u>	<u>-</u>
Net deficit, end of year	<u>\$ -</u>	<u>\$ (50,936)</u>

See accompanying notes to the financial statements

# Sipekne'katik Youth Members Trust

## Statement of cash flows

Year ended December 31

2022

2021

Increase (decrease) in cash and cash equivalents

### Operating

Excess of revenues over expense	\$ 50,936	\$ -
Investment management fees	<u>10,159</u>	<u>10,201</u>
	61,095	10,201
Change in non-cash operating working capital		
Payables	4,671	(2,465)
Payable to Band Members	83,872	-
Payable to Sipekne'katik 1919 Land Claim Trust	(72,468)	(69,406)
Deferred contribution for Band Members	(90,019)	(2,937)
Prepays	<u>-</u>	<u>(875)</u>
	<u>(12,849)</u>	<u>(65,482)</u>

### Investing

Investments disposal	<u>-</u>	<u>50,000</u>
Net change in cash and cash equivalents	(12,849)	(15,482)
Cash and cash equivalents		
Beginning of year	<u>14,242</u>	<u>29,724</u>
End of year	<u>\$ 1,393</u>	<u>\$ 14,242</u>

See accompanying notes to the financial statements

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# Sipekne'katik Youth Members Trust

## Notes to the financial statements

December 31, 2022

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### 1. Authority and purpose

Sipekne'katik Youth Members Trust (the "Trust") was established on January 3, 2020. The Trust holds monies payable to Sipekne'katik Band Members ("Band Members") who are not yet the age of 21. Payments are made to Members in accordance with the terms of the Trust after costs associated with the establishment, administration, and operation of the Trust have been paid.

The terms of the Trust are such that the Trust would be subject to attribution under Subsection 75(2) of the Income Tax Act resulting in all income reverting to the Sipekne'katik Band Council as settlor of the Trust. Annually the Trust attributes all income to the Sipekne'katik Band Council resulting in no income taxes payable under the Income Tax Act.

In 2022 the following changes to the Trust Agreement were approved by the Trustees and the Band Council in accordance with the provisions allowing for such changes:

- a) Retroactive to January 1, 2021 all expenses of the Trust will be reimbursed by the Sipekne'katik 1919 Land Claim Trust ("Land Claim Trust").
- b) The Trust assets will have the same asset investment mix as the Land Claim Trust investments and the Land Claim Trust will guarantee that the investment rate of return of the Trust will never be less than zero in any year.
- c) The date upon which Youth Trust funds become payable to the individual beneficiaries was established as the individuals' 21<sup>st</sup> birthday.

At year end there were 652 Members who have not yet turned the age of 21. An additional 27 Members have reached the age of 21, but have not been paid out, so their distribution has been reflected as payable to Band Members on the Statement of Financial Position.

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### 2. Summary of significant accounting policies

#### Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") found in Part III of the CPA Handbook.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, and highly liquid short term investments.

#### Revenue recognition

The Trust follows the deferral method for accounting for contributions. Restricted contributions are deferred until the terms of the restriction have been fulfilled.

Contributions received in trust for future payment to Band Members are deferred until the corresponding expense is incurred. When Band Members are paid their portion of the contributions the Trust recognizes the corresponding revenue and expense at the same time.

Contribution from Sipekne'katik 1919 Land Claim Trust is the current year contribution from the Sipekne'katik 1919 Land Claim Trust and is equal to the annual operating expenses of the Trust.

Investment income, including realized and unrealized gains and losses on investments, is restricted for future payment to Band Members and, as a result, recognition is deferred until payments to Band Members are made. When Band Members receive their balance from the Trust, the expense and corresponding revenue are recognized.



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# Sipekne'katik Youth Members Trust

## Notes to the financial statements

December 31, 2022

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

#### Financial instruments

##### *Initial measurement*

The Trust's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred. Financial instruments consist of cash and cash equivalents, investments, payables, payable to Band Members, and payable to Sipekne'katik 1919 Land Claim Trust.

##### *Subsequent measurement*

At each reporting date, the Trust measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except investments which have been elected to be measured at fair value. The financial instruments measured at amortized cost are cash and cash equivalents, payables, payable to Band Members, and payable to Sipekne'katik 1919 Land Claim Trust.

For financial assets measured at cost or amortized cost, the Trust regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Trust determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

The Trust's main financial instrument risk exposure is detailed as follows:

##### *Credit risk*

Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Trust. The Trust's credit risk is primarily attributable to cash and cash equivalents and investments. The Trust's cash and cash equivalents and investments are held with highly rated financial institutions, minimizing credit risk exposure.

##### *Liquidity risk*

Liquidity risk is the risk that the Trust will not be able to pay financial instrument liabilities as they come due. The Trust's liquidity risk from financial instruments is its need to meet operating requirements. The majority of assets held by the Trust can be readily disposed of as liquidity needs arise.

##### *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Trust is mainly exposed to other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Trust is exposed to other price risk through its investments held.

# Sipekne'katik Youth Members Trust

## Notes to the financial statements

December 31, 2022

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

#### Financial instruments (continued)

##### *Market risk (continued)*

Market risk is managed by regular review of investment holdings in accordance with the statement of investment policies maintained by the Trust.

#### **Investments**

All investments are measured at fair value with changes in fair value deferred until restrictions on the use of investment income, including realized and unrealized gains and losses, are fulfilled.

#### **Payable to Band Members**

Payable to Band Members represents the amount payable to the eligible members of Sipekne'katik First Nation who have reached the age of 21 on or before December 31, 2022 but have not applied for, or received, the payment to which they are eligible.

#### **Payable to Sipekne'katik 1919 Land Claim Trust**

Payable to Sipekne'katik 1919 Land Claim Trust represents the funds deposited in the accounts of the Trust in excess of the amount necessary for eventual payment to Band Members and is payable to the Sipekne'katik 1919 Land Claim Trust.

#### **Deferred contributions for Band Members**

Deferred contributions for Band Members represents the restricted contribution received by the Trust to make future payments to Band Members, specifically those Band Members who are under the age of majority at the time of distribution of funds by the Sipekne'katik Band Council.

#### **Use of estimates**

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenue and expenses. Significant judgments, estimates and assumptions in the financial statements would consist of determining fair value of investments. The actual results may differ from the values as recorded in the financial statements.

<b>3. Investments</b>	<u>2022</u>	<u>2021</u>
Canadian Bond Index (BlackRock)	\$ 349,988	\$ 1,465,871
Core Plus Bond (PH&N)	280,500	590,228
Fidelity Canadian Focused Equity	338,402	84,973
Canadian Equity Q Growth (CC&L)	338,210	95,443
Global Equity (Mawer)	347,057	84,706
Global Equity (Baillie Gifford)	341,992	78,873
Commercial Mortgage (Addenda)	211,369	305,696
Global Direct Real Estate- 100% (UBS)	560,268	329,918
	<u>\$ 2,767,784</u>	<u>\$ 3,035,708</u>

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## Sipekne'katik Youth Members Trust

### Notes to the financial statements

December 31, 2022

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#### 4. Deferred contribution for Band Members

	<u>Beginning balance</u>	<u>Received</u>	<u>Recognized</u>	<u>Ending balance</u>
Initial contributions for Band Members	\$ 2,043,000	\$ -	\$ (87,000)	\$ 1,956,000
Contributions from Sipekne'katik 1919 Land Claims Trust	-	257,765	-	257,765
Investment income	<u>71,696</u>	<u>(257,729)</u>	<u>(3,055)</u>	<u>(189,088)</u>
	<u>\$ 2,114,696</u>	<u>\$ 36</u>	<u>\$ (90,055)</u>	<u>\$ 2,024,677</u>

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#### 5. Related party transactions

The Chair of the Trust is compensated from the Trust for exercising their responsibilities to oversee and administer the Trust. In the year \$12,900 (2021 - \$13,350) has been recognized in the Statement of operations.

Other Trustees of the Trust are remunerated from the Trust for attendance at Trustee meetings. In the year \$2,750 (2021 - \$4,750) has been recognized in the Statement of operations.

The Trust during the year received a contribution from the Sipekne'katik 1919 Land Claim Trust with a contribution of \$95,935 (2021 - \$69,406) to cover the operating expenses and prior years' net deficit of the Trust. The Trust also received a contribution from the Sipekne'katik 1919 Land Claim trust of \$257,765 (2021 - \$nil) to eliminate the investment loss in the iA portfolio during the year. The Trust is related to the Sipekne'katik 1919 Land Claim Trust by virtue of sharing a board of trustees.

All transactions with the Trust's related parties are recognized at their exchange amount.