

Kativik Regional Government
Statement of Accumulated Operating Surplus (Deficit)
Year ended December 31, 2024

	Unappropriated surplus (deficit) (Appendix A)	Appropriated surplus (deficit) (Appendix A)	Balance, December 31, 2024
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<i>UNAPPROPRIATED/APPROPRIATED OPERATING SURPLUS (DEFICIT)</i>			
Balance, beginning of year	6,863,715	131,888,244	138,751,959
Surplus (deficit) for the year for fiscal purposes	<u>(6,052,092)</u>	<u>(33,190,942)</u>	<u>(39,243,034)</u>
Balance, end of year	<u><u>811,623</u></u>	<u><u>98,697,302</u></u>	<u><u>99,508,925</u></u>

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

Kativik Regional Government
Notes to Financial Statements
December 31, 2024

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Kativik Regional Government

Notes to Financial Statements

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1 - REPORTING ENTITY

The Kativik Regional Government (KRG) was established pursuant to Section 239 of the *Act respecting Northern villages and the Kativik Regional Government* (CQLR, c. V-6.1) (hereafter "the *Kativik Act*"), adopted by the National Assembly of Quebec on June 23, 1978. Pursuant to this legislation and other mandates delegated to it by the Northern Villages and the Government of Quebec, the KRG delivers public services to the residents of the Kativik Region. Specifically, the KRG has jurisdiction over the territory of Quebec located north of the 55th parallel, excluding the Category 1A and 1B lands intended for the Cree community of Whapmagoostui.

The KRG is led by a 17-member Council composed of elected municipal representatives appointed by each of the Northern Villages and the Naskapi First Nation of Kawawachikamach. A five-member Executive Committee is appointed from among and by the Council and is headed by a Chairperson and a Vice-chairperson who, pursuant to the *Kativik Act*, must devote all their time to the service of the KRG. The Executive Committee is responsible for the management of the affairs of the KRG and ensures that the decisions of the Council are carried out.

2 - ACCOUNTING CHANGES

Revenue

During the year, the KRG adopted the standards of Section PS 3400, Revenue, of the *CPA Canada Public Sector Accounting Handbook*. This section establishes accounting standards for differentiating between revenue from transactions with performance obligations (referred to as "exchange transactions") and transactions with no performance obligations (referred to as "non-exchange transactions") and related disclosures.

The Section defines a performance obligation as an enforceable promise to provide specific goods or services to a specific payor. Revenue arising from an exchange transaction should be recognized when (or as) the KRG satisfies the performance obligation by providing the promised goods or services to the payor.

For exchange transactions, the KRG must determine which goods or services (or groups of goods or services) are distinct and must therefore be recognized separately. Where the KRG determines that the same transaction has more than one performance obligation, it should apply a transaction price allocation method. To do so, the KRG uses the stand-alone selling price for the goods and services of each performance obligation where the price is known. If the price is not known, it should estimate it using all the factors and information that is reasonably available.

In accordance with the transitional provisions, these requirements, applicable to fiscal years beginning on or after April 1, 2023, have been applied retroactively. The application of these new recommendations had no impact on the KRG's financial statements.

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2 - ACCOUNTING CHANGES (Continued)

Capital assets held on behalf of the Northern Villages

During the year, the KRG retrospectively changed the method of accounting for the capital projects in progress held by the KRG on behalf of the Northern Villages. It has been determined that these capital projects should be removed from the KRG's financial statements and added to the Northern Villages' financial statements. Under Public Sector Accounting Standards PS 3210, the first characteristic of an asset is to embody future economic benefits that involve a capacity, singly or in combination with other assets, to provide goods and services, to provide future cash inflows, or to reduce cash outflows. It was determined that the KRG do not have future economic benefits related to the capital projects in progress for the Northern Villages since these capital projects will benefit to the Northern Villages themselves. As such, these capital projects were removed from the KRG's financial statements.

As at December 31, 2023 and for the year then ended, this accounting change led to an increase (decrease) in the following financial statement items:

	<u>\$</u>
Financial position	
Financial assets	
Account receivable from the Government of Quebec	25,855,955
Liabilities	
Accounts payable and accrued liabilities	94,291
Balances available under closed capital projects held by the KRG on behalf of the Northern Villages	<u>(94,291)</u>
Net debt	25,855,955
Non-financial assets	
Capital assets	<u>(52,991,061)</u>
	<u>(27,135,106)</u>
Accumulated surplus	
Financial reserves and reserved funds	25,855,955
Net investment in long-term assets	<u>(52,991,061)</u>
	<u>(27,135,106)</u>
Operations	
Revenue	
Ministère des Affaires municipales et de l'Habitation – long-term debt	(13,659,000)
Proceeds on insurance	(1,219,768)
Société de financement des infrastructures locales – Programme de la taxe sur l'essence et de la contribution du Québec (TECQ)	(3,239,109)
Contribution from the Government of Quebec for capital assets of the Northern Villages of Nunavik	18,483,824
Expenses	
Capital assets transferred to the Northern Villages	<u>(68,465,662)</u>
Operating surplus for the year	<u>68,831,609</u>

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2 - ACCOUNTING CHANGES (Continued)

	\$
Change in net debt	
Operating surplus for the year	68,831,609
Acquisition of capital assets	18,483,824
Capital assets transferred to Northern Villages	(68,244,470)
Capital projects closed during the year	(221,192)
Net debt, beginning of year	7,006,184
Net debt, end of year	<u>25,855,955</u>

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Management is responsible for the preparation of the financial statements, which have been prepared in accordance with Canadian public sector accounting standards (hereafter "the accounting standards").

These financial statements include certain financial information determined for fiscal purposes in accordance with the *Manuel de la présentation de l'information financière municipale* published by the Ministère des Affaires municipales et de l'Habitation (MAMH). This information includes the operating surplus (deficit) for the year for fiscal purposes presented on pages 10 and 11, the statement of accumulated operating surplus (deficit) presented on page 6 and the statement of financial reserves and reserved funds presented on page 7.

Internal charges and transfers

These financial statements reflect all the transactions of the various programs. Inter-programs operations are eliminated, except in Appendices A and B, in which internal charges and transfers are recorded as revenue and expenditure in the various departments.

Appropriated surplus

The appropriated surplus corresponds to the portion of the surplus which is reserved in virtue of agreements signed with governments and organizations.

A) Accrual basis of accounting

Accounting estimates

The preparation of financial statements in accordance with the accounting standards requires management to make estimates and assumptions that affect the amounts recorded in the financial statements, notes to financial statements and appendices. These estimates are based on management's knowledge of current events and actions that the KRG may undertake in the future. Actual results may differ from these estimates.

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December 31, 2024

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Financial assets

Unless otherwise stated, financial assets are recognized at cost.

Cash and cash equivalents

The KRG's policy is to present in cash and cash equivalents bank balances and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

Investments and loans receivable

Upon initial measurement, loans receivable are measured at cost (which generally corresponds to the cash transferred).

Valuation allowances are used to designate loans receivable at the lower of cost and net recoverable amount and, accordingly, reflect the collectability and risk of loss. The assessment is done on an individual loan basis or for a particular class of loans. Valuation allowances are determined using the best estimates available in light of past events and current conditions, and taking into account all circumstances known at the date of the preparation of the financial statements. If a loan is provided for in a valuation allowance, in part or in total, and recovery of the loan is subsequently assessed as likely, the valuation allowance for the loan may be reduced.

The disbursements of loans receivable through Makigiarutiit I and II (#77, #177 and #85), and Makigiarutiit III and IV (#88) are recognized as expenses in the statement of surplus (deficit) for the year. All capital repayments and interest collected during the year in relation with these loans are recognized as revenue in the statement of surplus (deficit) for the year. However, the investment in loans receivable is recorded at cost plus related accrued interest in the statement of financial position while an equivalent amount is recorded under the investment in long-term assets. As at December 31, 2024, a provision for doubtful loans of \$999,339 (\$714,613 as at December 31, 2023), equivalent to 50% to 100% of loans in default, was recorded.

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3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Non-financial assets

Non-financial assets are, by nature, normally employed to provide future services.

Capital assets

Amortization

Capital assets are amortized over their estimated useful lives according to the straight-line method over the following periods:

	<u>Periods</u>
Buildings and houses	20 years
Telecommunication infrastructure	5 years
Heavy equipment	10 years
Vehicles	5 years
Equipment and office furniture	5 years
Housing furniture	5 years
Construction equipment	5 years
Marine infrastructure	40 years

Current capital assets are amortized as soon as they are put into service. The amortization of capital assets is included in expenses in the statement of surplus (deficit) for the year, but is withdrawn for the purposes of calculating operating surplus (deficit) for fiscal purposes.

Write-down

When conditions indicate that a capital asset no longer contributes to the KRG's ability to provide goods and services, or that the value of future economic benefits associated with the capital asset is less than its net book value, the cost of the capital asset is reduced to reflect the decline in the capital asset's value. Any write-down of capital assets should be accounted for as expenses in the statement of surplus (deficit) for the year and no write-down may be subsequently reversed.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the actual cost method plus estimated transportation.

D) Revenue

Revenue recognition

Transfer revenue is recognized as revenue in the financial statements in the year in which the facts giving rise to the transfer occur, provided they have been authorized, the eligibility criteria have been satisfied and it is possible to make a reasonable estimate of the amounts, unless the agreement provisions create an obligation that meets the definition of a liability. In that case, the transfer is recognized as a liability in Deferred revenue.

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3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from services provided and other revenue are recognized when the service has been provided and gives rise to an account receivable.

Interest income on investments and other interest income are recognized on a time apportionment basis.

E) Financial instruments

Initial measurement

The KRG recognizes a financial asset or a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provisions of the financial instrument. Unless otherwise stated, financial assets and liabilities are initially measured at cost.

Subsequent measurement

At each reporting date, the KRG measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

The KRG determines whether there is any objective evidence of impairment of the financial assets. Any financial asset impairment is recognized in the statement of surplus (deficit) for the year.

For a portfolio investment, if there is objective evidence of impairment, the investment is written down when there is a loss in value that is other than a temporary decline. Any subsequent increase in value of a portfolio investment that has been written down is recognized in the statement of surplus (deficit) for the year only when realized.

4 - INVESTMENTS AND LOANS RECEIVABLE

a) The investments and loans receivable are as follows:

	<u>2024</u>	<u>2023</u>
	\$	\$
Loans receivable and investments approved under Regional and Local Development departments		
Makigiarutiit I and II (#77, #177 and #85) – loans receivable	1,195,758	1,263,010
Makigiarutiit I and II (#77, #177 and #85) – investments	2,679,994	2,679,994
Makigiarutiit III and IV (#88) – loans receivable	7,630,486	6,682,782
Makigiarutiit III and IV (#88) – investments	2,184,000	2,184,000
	<u>13,690,238</u>	<u>12,809,786</u>
Provision for doubtful loans	(999,339)	(714,613)
	<u><u>12,690,899</u></u>	<u><u>12,095,173</u></u>

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4 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

The loan repayments to be recovered for the next years are detailed as follows:

	\$
2025	703,025
2026	530,849
2027	702,919
2028	2,976,732
2029	634,774
2030 and subsequent years	8,141,939
	<u>13,690,238</u>

All loans issued prior to January 1, 2024, for which the applicable repayment terms are not respected, have been classified under the 2030 and subsequent years.

b) The details of the investments and loans receivable are as follows:

	Principal \$	Accrued interest \$	Total \$
<u>Loans receivable</u>			
Issued in 2008			
Fort Chimo Cooperative Association (\$215,000) (20 years – 3.5%)	54,847	163	55,010
Fort Chimo Cooperative Association – hotel expansion (\$250,000) (20 years – 3.5%)	38,846	115	38,961
Issued in 2010			
Tasiujaq Cooperative Association (\$250,000) (15 years – 3%)	13,500	34	13,534
Ajapirvik Women's Shelter of Inukjuak (\$308,250) (15 years – 0.25%)	5,640	5	5,645
Issued in 2011			
Great Whale Cooperative Association Kuujjuarapik (\$405,000) (15 years – 0.25%)	38,886	8	38,894
Quaqtaq Cooperative Association (\$370,000) (15 years – 0.25%)	37,585	8	37,593
Issued in 2013			
Hébergement communautaire Uvatinut (\$205,000) (15 years – 3.75%)	58,565	186	58,751
Hébergement communautaire Uvatinut (\$250,000) (15 years – 0.25%)	64,668	14	64,682
Pituvik Landholding Corporation of Inukjuak (\$500,000) (16 years – 1%)	130,241	110	130,351

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4 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	Principal \$	Accrued interest \$	Total \$
<u>Loans receivable (Continued)</u>			
Issued in 2014			
Arqivik Landholding Corporation – Iqaluppik hotel (\$500,000) (15 years – 3%)	460,871	1,171	462,042
Issued in 2015			
Nayumivik Landholding Corporation (\$500,000) (15 years – 2.75%)	116,869	536	117,405
Issued in 2016			
Tivi Inc. (\$113,000) (10 years – 2.5%)	24,359	101	24,460
Nayumivik Landholding Corporation (\$500,000) (15 years – 2.75%)	120,163	551	120,714
Issued in 2018			
Anniturvik Landholding Corporation (\$427,900) (15 years – 3.5%)	274,210	4,035	278,245
Qiniqtiq Landholding Corporation (\$500,000) (20 years – 2.75%)	135,374	315	135,689
Payne Bay Cooperative Association (\$500,000) (15 years – 2.75%)	310,668	723	311,391
Raymond Mickpegak (\$12,000) (4 years – 5.5%)	7,457	2,266	9,723
Issued in 2019			
Peter G. May (\$15,000) (5 years – 3.7%)	683		683
Issued in 2021			
Les Complexes Gadbois (\$670,000) (20 years – 3.25%)	589,568	4,830	594,398
Avataq Cultural Institute Inc. – Northern Delights Fine Inuit Herbal Tea (\$155,000) (7 years – 3.25%)	81,486	224	81,710
Nayumivik Landholding Corporation (\$1,000,000) (15 years – 3.75%)	830,034	7,849	837,883
Moorhouse Logistics and Expediting Inc. (\$105,250) (6 years – 2.25%)	12,104	206	12,310
Holy Trinity Church (\$186,500) (20 years – 2.25%)	157,660	300	157,960
Issued in 2022			
Tuvaaluk Landholding Corporation (\$1,000,000) (15 years – 2.25%)	447,142	852	447,994
Ungava Polar Eco-Tours Inc. (\$29,500) (8 years – 3.5%)	20,963	62	21,025

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4 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	Principal \$	Accrued interest \$	Total \$
<u>Loans receivable (Continued)</u>			
Issued in 2023			
Nunavik Rotors Inc. (\$1,000,000) (1 year – 2.25%)	937,073	5,310	942,383
Peter G. May (\$5,000) (3 years – 6.5%)	1,725		1,725
9248-6273 Québec Inc. (\$125,665) (15 years – 6.5%)	117,186	645	117,831
Johnny and Billy Cain Outfitters (\$20,000) (4 years – 5.25%)	9,724		9,724
Issued in 2024			
Nunavik Rotors Inc. (\$150,000) (20 years – 4.5%)	149,402	1,696	151,098
Nialitalik Leasing and Rental Inc. (\$47,000) (5 years – 4.5%)	47,000		47,000
Nunavik Rotors Inc. (\$1,000,000) (20 years – 4.5%)	996,010	11,309	1,007,319
Nialitalik Leasing and Rental Inc. (\$876,731) (20 years – 4.5%)	876,731		876,731
Tumiit Media Inc. (\$12,500) (5 years – 4.5%)	12,500	172	12,672
	7,179,740	43,796	7,223,536
<u>Loans and investments in default</u>			
Issued in 2014			
8523509 Canada Inc. (\$13,320) (1 year – 4.5%)	6,264	1,756	8,020
8523509 Canada Inc. (\$45,945) (7 years – 3%)	45,339	8,302	53,641
Ikumak Services Inc. (\$125,000) (15 years – 3%)	110,220	5,578	115,798
Issued in 2015			
8523509 Canada Inc. – Kuujjuaq Sports Lounge (\$35,000) (8 years – 5.5%)	34,548	15,024	49,572
Issued in 2019			
Johnny and Billy Cain Outfitters (\$20,900) (5 years – 3.75%)	10,835	102	10,937
Richard Moorhouse (\$50,000) (10 years – 3.75%)	49,981	10,246	60,227
Issued in 2020			
Bobby Cain (\$64,261) (5 years – 2.25%)	63,070	1,311	64,381
Issued in 2022			
Sakkuq Landholding Corporation (\$1,000,000) (15 years – 2.25%)	839,421	1,600	841,021
Kayuk Enterprises Inc. (\$90,000) (17 years – 4.5%)	79,163	302	79,465

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4 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	Principal \$	Accrued interest \$	Total \$
<u>Loans and investments in default (Continued)</u>			
Issued in 2023			
Diana Lake Lodge (\$36,720) (7 years – 6.75%)	31,217	354	31,571
Ungava Polar Eco-Tours Inc. (\$100,000) (8 months – 8.5%)	100,000	4,125	104,125
William Eetuk Jr. (\$23,362) (3 years – 8.25%)	21,509	1,185	22,694
Issued in 2024			
Yaaka Network Solutions (\$18,000) (5 years – 4.5%)	18,000	128	18,128
	1,409,567	50,013	1,459,580

Investments

Issued in 2013

Nunavik Cooperative Development Fund (\$2,500,000)			
Fort Chimo Cooperative Association (\$178,571) (shares – 15 years – 1%)	178,571		178,571
Aupaluk Cooperative Association (\$178,571) (shares – 15 years – 1%)	178,571		178,571
Payne Bay Cooperative Association (\$178,571) (shares – 15 years – 1%)	178,571		178,571
George River Cooperative Association (\$178,571) (shares – 15 years – 1%)	178,571		178,571
Wakeham Bay Cooperative Association (\$178,571) (shares – 15 years – 1%)	178,571		178,571
Puvirnituk Cooperative Association (\$178,571) (shares – 15 years – 1%)	178,571		178,571
Akudlivik Cooperative Association (\$178,571) (shares – 15 years – 1%)	178,571		178,571
Great Whale River Cooperative Association (\$178,571) (shares – 15 years – 1%)	178,571		178,571
Tasiujaq Cooperative Association (\$178,571) (shares – 15 years – 1%)	178,571		178,571
Koartak Cooperative Association (\$178,571) (shares – 15 years – 1%)	178,571		178,571
Salluit Cooperative Association (\$178,571) (shares – 15 years – 1%)	178,571		178,571
Ivujivik Cooperative Association (\$178,571) (shares – 15 years – 1%)	178,571		178,571

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4 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	Principal \$	Accrued interest \$	Total \$
Investments (Continued)			
Issued in 2013 (Continued)			
Inukjuak Cooperative Association (\$178,571) (shares – 15 years – 1%)	178,571		178,571
Umiujaq Cooperative Association (\$178,571) (shares – 15 years – 1%)	178,571		178,571
Issued in 2016			
Avataa Explorations and Logistics Inc. (\$166,800) (preferred shares, December 31, 2025 – 5.5%)	116,815	26,313	143,128
Issued in 2017			
Tasiujaq Cooperative Association (\$180,000) (shares – 10 years – 3%)	180,000		180,000
Issued in 2023			
Nunavik Cooperative Development Fund (\$2,184,000)			
Great Whale River Cooperative Association (\$156,000) (shares – 15 years – 4.5%)	156,000		156,000
Koartak Cooperative Association (\$156,000) (shares – 15 years – 4.5%)	156,000		156,000
Ivujivik Cooperative Association (\$156,000) (shares – 15 years – 4.5%)	156,000		156,000
Wakeham Bay Cooperative Association (\$156,000) (shares – 15 years – 4.5%)	156,000		156,000
Akudlivik Cooperative Association (\$156,000) (\$156,000) (shares – 15 years – 4.5%)	156,000		156,000
Aupaluk Cooperative Association (\$156,000) (shares – 15 years – 4.5%)	156,000		156,000
George River Cooperative Association (\$156,000) (shares – 15 years – 4.5%)	156,000		156,000
Inukjuak Cooperative Association (\$156,000) (shares – 15 years – 4.5%)	156,000		156,000
Umiujaq Cooperative Association (\$156,000) (shares – 15 years – 4.5%)	156,000		156,000
Puvirnituk Cooperative Association (\$156,000) (shares – 15 years – 4.5%)	156,000		156,000
Tasiujaq Cooperative Association (\$156,000) (shares – 15 years – 4.5%)	156,000		156,000
Fort Chimo Cooperative Association (\$156,000) (shares – 15 years – 4.5%)	156,000		156,000

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4 - INVESTMENTS AND LOANS RECEIVABLE (Continued)

	Principal	Accrued interest	Total
	\$	\$	\$
Investments (Continued)			
Issued in 2023 (Continued)			
Salluit Cooperative Association (\$156,000) (shares – 15 years – 4.5%)	156,000		156,000
Payne Bay Cooperative Association (\$156,000) (shares – 15 years – 4.5%)	156,000		156,000
	4,980,809	26,313	5,007,122
	13,570,116	120,122	13,690,238
Provision for doubtful loans	(950,275)	(49,064)	(999,339)
	12,619,841	71,058	12,690,899

5 - CAPITAL ASSETS

	2024		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Allavik building	15,643,038	12,334,062	3,308,976
Police stations	20,055,378	17,640,791	2,414,587
Other buildings and houses	46,744,948	35,545,987	11,198,961
Vehicles	16,418,602	11,139,724	5,278,878
Equipment and office furniture	3,590,417	3,428,814	161,603
Housing furniture	3,481,071	3,075,419	405,652
Telecommunication infrastructure	58,561,488	58,561,488	
Construction equipment	3,479,681	2,526,560	953,121
Vehicles – transport (Note 10 a))	2,430,098	1,885,238	544,860
Heavy equipment – transport (Note 10 a))	18,780,174	10,068,269	8,711,905
Marine infrastructure	46,577,450	16,302,108	30,275,342
	235,762,345	172,508,460	63,253,885
Capital projects in progress (Appendix D)	229,065,447		229,065,447
	464,827,792	172,508,460	292,319,332

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5 - CAPITAL ASSETS (Continued)

	2023		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Allavik building	13,081,832	12,033,806	1,048,026
Police stations	19,654,326	16,827,524	2,826,802
Other buildings and houses	46,744,948	33,297,924	13,447,024
Vehicles	14,043,407	10,014,157	4,029,250
Equipment and office furniture	3,529,452	3,390,187	139,265
Housing furniture	3,307,407	2,991,785	315,622
Telecommunication infrastructure	58,561,488	58,561,488	
Construction equipment	2,836,702	2,374,009	462,693
Vehicles – transport (Note 10 a))	2,193,664	1,772,792	420,872
Heavy equipment – transport (Note 10 a))	14,823,986	8,650,840	6,173,146
Marine infrastructure	46,577,450	15,137,671	31,439,779
	<u>225,354,662</u>	<u>165,052,183</u>	<u>60,302,479</u>
Capital projects in progress	<u>210,575,184</u>		<u>210,575,184</u>
	<u><u>435,929,846</u></u>	<u><u>165,052,183</u></u>	<u><u>270,877,663</u></u>

The amortization expense for the year ended December 31, 2024 amounted to \$7,456,277 (\$6,591,338 in 2023).

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6 - INVESTING ACTIVITIES

a) The transfers to investing activities related to the acquisition of capital assets in 2024 are detailed as follows:

	Housing furniture and tools <u> </u> \$	Office furniture and equipment <u> </u> \$	Vehicles, immovable and major renovations <u> </u> \$	<u> </u> Total <u> </u> \$
Elected Members and Officers (#10-11)			(100,443)	(100,443)
Technical Assistance Program (#22, #24 and #26)			(353,317)	(353,317)
Administration (#12)		(30,446)	(302,908)	(333,354)
Communications (#19)			(59,807)	(59,807)
Capital Projects Management (#28)			(211,312)	(211,312)
NPS – Operations (#205 to #223)			(178,015)	(178,015)
Civil Security – Operations (#25)	(108,891)		(79,999)	(188,890)
Transports Québec Airports (#310, #311, #313 to #324)	(283,665)		(4,192,622)	(4,476,287)
Transport Canada Airport (#312)	(58,284)			(58,284)
Allavik Building (#17)		(30,519)		(30,519)
KRG Houses (#74)	(173,664)			(173,664)
Police Stations – Building Operations (#14 and #204)			(401,052)	(401,052)
Building maintenance (#27)	(192,139)		(698,523)	(890,662)
Child Care – Operations (#43)			(41,766)	(41,766)
Uumajuit (#53)			(69,118)	(69,118)
Environment (#64)			(333,986)	(333,986)
Development of Parks in Nunavik (#56)			54,000	54,000
	<u>(816,643)</u>	<u>(60,965)</u>	<u>(6,968,868)</u>	<u>(7,846,476)</u>

b) The transfers to investing activities through investments in loans receivable are detailed as follows:

	<u> </u> 2024 <u> </u> \$	<u> </u> 2023 <u> </u> \$
Makigiarutiit I and II (#77, #177 and #85) – loans and investments	197,000	100,000
Makigiarutiit III and IV (#88) – loans and investments	1,907,231	3,882,747
	<u>2,104,231</u>	<u>3,982,747</u>

Kativik Regional Government
Notes to Financial Statements
December 31, 2024

7 - BANK OVERDRAFT

The KRG has authorized lines of credit that bear interest at prime rate (5.45%; 7.2% as at December 31, 2023) and that are authorized by the Government of Quebec. The lines of credit are renewable annually and are limited to a total of \$8,500,000 for the General Operations, \$12,000,000 for Isurruutiit Projects, \$5,000,000 for Tamaani Phase V, \$7,000,000 for Pivallutiit III, \$500,000 for Sustainable Employment Programs, \$500,000 for the Nunavik Police Service and \$10,000,000 for the Fire Safety Cover Plan projects.

Also, the KRG has entered into a credit agreement for foreign exchange contracts for an amount of \$5,000,000 for Tamaani Phase V. This facility was not used as at December 31, 2024.

8 - DEFERRED REVENUE

The deferred revenue is detailed as follows:

	<u>2024</u>	<u>2023</u>
	\$	\$
Québec emploi (Sustainable Employment)	121,420	351,996
Crown-Indigenous Relations and Northern Affairs Canada (Sustainable Employment)	15,974,235	25,944,709
Crown-Indigenous Relations and Northern Affairs Canada (#44)		3,010,548
Ministère de la Sécurité publique (#205 to #223)	90,097	4,127,255
Ministère de la Sécurité publique (#201)	59,720	59,720
Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs (#69)	2,570,005	2,570,005
Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs (#58)	1,795,295	1,666,323
Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs (#64)	6,243	51,718
Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs (#55)		12,900
Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs (#61)	3,024,769	1,050,000
Environment and Climate Change Canada (#54)		25,000
Ministère des Transports et de la Mobilité durable (#310, #311, #313 to #324)		400,000
Ministère de la Justice (#89)	448,963	878,559
Transport Canada (#312)		107,396
Transport Canada (#331)	40,118	40,118
Ministère des Affaires municipales et de l'Habitation (#61)	1,070,782	
	<u>25,201,647</u>	<u>40,296,247</u>

Kativik Regional Government
Notes to Financial Statements
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9 - LONG-TERM DEBT

a) The details of the long-term debt are as follows:

	<u>2024</u>	<u>2023</u>
	\$	\$
Bonds, ninety-third series, issued October 28, 2015, bearing interest from 1.4% to 3.25% and maturing as follows Bonds, renewable as at October 28, 2025	<u>1,920,000</u>	1,920,000
Loans with Fédération des caisses Desjardins du Québec, issued November 3, 2015, bearing interest at 2.97% and maturing as follows Loans, due November 3, 2025	<u>275,905</u>	543,853
Bonds, ninety-sixth series, issued June 22, 2016, bearing interest from 1.2% to 2.55% and maturing as follows Bonds, renewable as at June 22, 2026	<u>2,550,000</u>	2,550,000
Bonds, ninety-ninth series, issued March 22, 2017, bearing interest from 1.2% to 2.85% and maturing as follows Bonds, renewable as at March 22, 2027	<u>2,646,000</u>	2,646,000
Loans with Fédération des caisses Desjardins du Québec, issued October 3, 2018, bearing interest at 3.75% and maturing as follows Loans, renewable as at October 3, 2028	<u>1,459,668</u>	1,791,917
Bonds, one-hundred-and-sixth series, issued March 20, 2019, bearing interest from 2.05% to 2.9% and maturing as follows Bonds, renewable as at March 20, 2029	<u>3,540,000</u>	10,502,000
Bonds, one-hundred-and-seventh series, issued July 3, 2019, bearing interest from 1.9% to 2.5% and maturing as follows Bonds, renewable as at July 3, 2029	<u>4,261,000</u>	13,461,000
Bonds, one-hundred-and-tenth series, issued April 1, 2020, bearing interest from 1.7% to 2.2% and maturing as follows Bonds, due April 1, 2025 Bonds, renewable as at April 1, 2025	<u>939,000</u> <u>5,511,000</u>	7,368,000

Kativik Regional Government
Notes to Financial Statements
December 31, 2024

9 - LONG-TERM DEBT (Continued)

		<u>2024</u>	<u>2023</u>
		\$	\$
Bonds, one-hundred-and-eleventh series, issued June 30, 2020, bearing interest from 0.9% to 1.25% and maturing as follows			
Bonds, due June 30, 2025	1,322,000		
Bonds, renewable as at June 30, 2025	9,536,000	10,858,000	12,159,000
Bonds, one-hundred-and-twelfth series, issued December 8, 2020, bearing interest from 0.7% to 1% and maturing as follows			
Bonds, due December 8, 2025	977,000		
Bonds, renewable as at December 8, 2025	1,693,000	2,670,000	3,633,000
Bonds, one-hundred-and-thirteenth series, issued March 10, 2021, bearing interest from 0.5% to 1.1% and maturing as follows			
Bonds, due March 10, 2025	2,249,000		
Bonds, due March 10, 2026	2,275,000		
Bonds, renewable as at March 10, 2026	5,445,000	9,969,000	12,192,000
Bonds, one-hundred-and-fourteenth series, issued May 31, 2021, bearing interest from 0.5% to 1.1% and maturing as follows			
Bonds, due May 31, 2025	1,203,000		
Bonds, due May 31, 2026	1,226,000		
Bonds, renewable as at May 31, 2026	1,245,000	3,674,000	4,854,000
Loans with Fédération des caisses Desjardins du Québec, issued August 31, 2021, bearing interest at 1.59% and maturing as follows			
Loans, due August 31, 2025	183,083		
Loans, due August 31, 2026	185,966	369,049	549,252
Bonds, one-hundred-and-sixteen series, issued October 12, 2021, bearing interest from 0.65% to 1.4% and maturing as follows			
Bonds, due October 12, 2025	1,086,000		
Bonds, due October 12, 2026	1,105,000		
Bonds, renewable as at October 12, 2026	4,800,000	6,991,000	8,058,000
Bonds, one-hundred-and-seventeeth series, issued April 11, 2022, bearing interest from 2.25% to 3.5% and maturing as follows			
Bonds, due April 11, 2025	2,980,000		
Bonds, due April 11, 2026	3,061,000		
Bonds, due April 11, 2027	3,143,000		
Bonds, renewable as at April 11, 2027	4,137,000		
Bonds, renewable as at April 11, 2032	6,716,000	20,037,000	22,939,000

Kativik Regional Government
Notes to Financial Statements
December 31, 2024

9 - LONG-TERM DEBT (Continued)

	<u>2024</u>	<u>2023</u>
	\$	\$
Bonds, one-hundred-and-eighteenth series, issued November 28, 2022, bearing interest from 4.5% to 4.9% and maturing as follows		
Bonds, due November 28, 2025	1,683,000	
Bonds, due November 28, 2026	1,770,000	
Bonds, due November 28, 2027	1,862,000	
Bonds, renewable as at November 28, 2027	6,896,000	
Bonds, renewable as at November 28, 2032	<u>4,386,000</u>	18,197,000
16,597,000		
Bonds, one-hundred-and-nineteenth series, issued April 3, 2023, bearing interest from 4.1% to 4.7% and maturing as follows		
Bonds, due April 3, 2025	1,248,000	
Bonds, due April 3, 2026	1,304,000	
Bonds, due April 3, 2027	1,365,000	
Bonds, due April 3, 2028	1,426,000	
Bonds, renewable as at April 3, 2028	<u>6,946,000</u>	13,483,000
12,289,000		
Bonds, one-hundred-and-twentieth series, issued June 5, 2023, bearing interest from 4.2% to 5% and maturing as follows		
Bonds, due June 5, 2025	468,000	
Bonds, due June 5, 2026	489,000	
Bonds, due June 5, 2027	511,000	
Bonds, due June 5, 2028	533,000	
Bonds, renewable as at June 5, 2028	<u>2,853,000</u>	5,302,000
4,854,000		
Bonds, one-hundred-and-twenty-first series, issued November 21, 2023, bearing interest from 4.8% to 5.25% and maturing as follows		
Bonds, due November 21, 2025	1,185,000	
Bonds, due November 21, 2026	1,251,000	
Bonds, due November 21, 2027	1,320,000	
Bonds, due November 21, 2028	1,393,000	
Bonds, renewable as at November 21, 2028	5,895,000	
Bonds, renewable as at November 21, 2033	<u>2,442,000</u>	14,609,000
13,486,000		
Bonds, one-hundred-and-twenty-second series, issued March 18, 2024, bearing interest from 4.25% to 4.8% and maturing as follows		
Bonds, due March 18, 2025	1,181,000	
Bonds, due March 18, 2026	1,237,000	
Bonds, due March 18, 2027	1,295,000	
Bonds, due March 18, 2028	1,355,000	
Bonds, due March 18, 2029	1,419,000	
Bonds, renewable as at March 18, 2029	<u>1,647,000</u>	8,134,000
8,134,000		

Kativik Regional Government
Notes to Financial Statements
December 31, 2024

9 - LONG-TERM DEBT (Continued)

	<u>2024</u>	<u>2023</u>
	\$	\$
Bonds, one-hundred-and-twenty-third series, issued July 2, 2024, bearing interest from 4% to 4.5% and maturing as follows		
Bonds, due July 2, 2025	1,595,000	
Bonds, due July 2, 2026	1,671,000	
Bonds, due July 2, 2027	1,750,000	
Bonds, due July 2, 2028	1,834,000	
Bonds, due July 2, 2029	1,921,000	
Bonds, renewable as at July 2, 2029	<u>2,078,000</u>	
	10,849,000	
Bonds, one-hundred-and-twenty-fourth series, issued December 18, 2024, bearing interest from 3.35% to 3.55% and maturing as follows		
Bonds, due December 18, 2025	217,000	
Bonds, due December 18, 2026	226,100	
Bonds, due December 18, 2027	235,100	
Bonds, due December 18, 2028	244,900	
Bonds, due December 18, 2029	<u>254,900</u>	
Loans reimbursed or renewed during the year	1,178,000	21,727,725
	<u>145,057,622</u>	<u>178,485,747</u>

b) The capital repayments and renewals for the next years are detailed as follows:

	<u>\$</u>
2025	37,451,988
2026	29,841,066
2027	25,160,100
2028	23,939,568
2029	15,120,900
2030 and subsequent years	<u>13,544,000</u>
	<u>145,057,622</u>

Kativik Regional Government
Notes to Financial Statements
December 31, 2024

9 - LONG-TERM DEBT (Continued)

- c) The long-term contributions to be recovered for repaying the long-term debt are detailed as follows and bear interest at the same rate as the related long-term debt:

	<u>2024</u>	<u>2023</u>
	\$	\$
Contribution from the Ministère des Affaires municipales et de l'Habitation	128,845,100	156,712,900
Contribution from the Ministère de l'Éducation – sports facilities	275,905	543,853
Contribution from the Secrétariat aux relations avec les Premières Nations et les Inuit – sports facilities	1,828,717	2,543,894
Contribution from the Ministère de la Sécurité publique – Fire Safety Cover Plan	853,400	1,105,800
Contribution from the Ministère des Transports et de la Mobilité durable	7,091,000	10,224,400
Contribution from the Ministère de la Sécurité publique		59,600
	<u>138,894,122</u>	<u>171,190,447</u>

10 - TRANSPORT OPERATIONS

- a) As per the Agreement concerning Block Funding for the Kativik Regional Government (hereafter "the Sivunirmut Agreement") between the Government of Quebec and the KRG, the Ministère des Transports et de la Mobilité durable agreed to transfer all airport equipment for a cash consideration of \$1. The total value of that equipment, as per the Sivunirmut Agreement, is established at \$9,813,421. The equipment to be returned by the KRG at the end of the Sivunirmut Agreement must be of an equivalent value. In the event the total value of the equipment returned would be inferior to that sum, the KRG will have to compensate financially the Ministère des Transports et de la Mobilité durable for the amount of the difference. To that effect and in order to comply with its obligations, the KRG has allocated an amount of \$7,220,015 to the financial reserves as at December 31, 2024.
- b) In accordance with the Transport Canada agreement, other assets on the premises (inventory and assets totalling \$125,000) are to be considered as consumable items and are to be replaced by the KRG within the authorized operation budget. At the expiration of the agreement, the KRG will be responsible to transfer assets of an equivalent value to Transport Canada or reimburse the amount representing the value of the shortage.

Kativik Regional Government
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11 - COMMITMENTS REGARDING THE RESOURCE ENVELOPE FOR THE DEVELOPMENT OF INUIT COMMUNITIES

MAKIGIARUTIIT PROGRAM (Economic Development Projects)

Loans approved and disbursed as well as capital repayments made during the year are recorded under Investments and loans receivable. However, certain loans approved during the year or previous years were not disbursed yet at year-end.

The loans are detailed as follows:

	\$
Makigiarutiit I and II (#77, #177 and #85) (a)	
Ilagiisaq Fédération des coopératives du Nouveau-Québec (FCNQ) – warehousing and facility expansion	150,000
	<u>150,000</u>
Makigiarutiit III and IV (#88) (b)	
Saputik Landholding Corporation – multipurpose facility	1,000,000
Nialitalik leasing and rental	153,037
YVP Pub & Grill	24,000
Ilagiisaq FCNQ – warehousing and facility expansion	1,000,000
Pituvik Landholding Corporation – acquisition of equipment	610,000
Nunavik Rotors Inc. – helicopter	1,150,000
Aupaluk Landholding Corporation – camp lodging construction workers	666,000
	<u>4,603,037</u>
	<u>4,753,037</u>

- (a) An equivalent amount totalling \$150,000 was set aside in the financial reserves for the financing of these loans and reimbursable contributions.
- (b) As at December 31, 2024, no financial reserve was set aside for the financing of these loans. However, the funding balance remaining in the agreement with the Secrétariat aux relations avec les Premières Nations et les Inuit for future loans amounted to \$21,428,695 with an accumulated surplus of \$4,246,530 as at December 31, 2024.

PIVALLIUTIIT PROGRAM (Community Infrastructure Projects)

Pivallutiit II

The total amount available under the Pivallutiit program is \$14,000,000 (\$12,740,000 for projects and \$1,260,000 (14 x \$90,000) for management fees). The KRG decided, in 2010, to allocate the full amount of \$14,000,000 towards the project and to renounce to its management fees. As at December 31, 2016, funding applications totalling \$13,955,000 have been submitted by the Northern Villages under the program and approved by the KRG. As at December 31, 2024, a total amount of \$1,235,075 was disbursed by the KRG to 13 communities, leaving an amount of \$28,925 to be disbursed. An equivalent amount (\$28,925) is set aside in the financial reserves.

Kativik Regional Government
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11 - COMMITMENTS REGARDING THE RESOURCE ENVELOPE FOR THE DEVELOPMENT OF INUIT COMMUNITIES (Continued)

PIVALLIUTIIT PROGRAM (Community Infrastructure Projects) (Continued)

Pivallutiit III

The total amount available under the Pivallutiit program is \$14,000,000 (\$12,740,000 for projects and \$1,260,000 for KRG management fees – Capital Projects Management (#28)). As at December 31, 2024, funding applications totalling \$11,980,000 have been submitted by the Northern Villages, Inuit non-profit organizations and some regional organizations under the program and approved by the KRG.

Pivallutiit IV

The total amount available under the Pivallutiit program is \$14,000,000 (\$12,740,000 for projects and \$1,260,000 for KRG management fees – Capital Projects Management (#28)). As at December 31, 2024, funding applications totalling \$8,375,000 have been submitted by the Northern Villages, Inuit non-profit organizations and some regional organizations under the program and approved by the KRG.

Pivallutiit V

The total amount available under the Pivallutiit program is \$21,000,000 (\$18,900,000 for projects and \$2,100,000 for KRG management fees – Capital Projects Management (#28)). As at December 31, 2024, funding applications totalling \$16,253,181 have been submitted by the Northern Villages, Inuit non-profit organizations and some regional organizations under the program and approved by the KRG.

12 - SANARRUTIK AGREEMENT

In April 2002, the Government of Quebec (hereafter "Quebec"), the Makivvik Corporation (hereafter "Makivvik") and the KRG signed the Partnership Agreement on Economic and Community Development in Nunavik (hereafter "the Sanarrutik Agreement"). The purpose of the 25-year agreement was to establish a new nation-to-nation relationship and to propose a common vision for the economic and community development of Nunavik. More specifically, Quebec, Makivvik and the KRG agreed to accelerate hydroelectric, mining and tourism development to share the benefits of the resulting economic growth, to favour economic spin-offs for Nunavik Inuit, to favour a greater autonomy for the KRG and more responsibility for the economic and community development of Nunavik Inuit, and finally to enhance public services and infrastructure. Some sections of the Sanarrutik Agreement are specific to Makivvik, others to the KRG, and still others concern both Makivvik and the KRG. Since April 2002, the Sanarrutik Agreement has been amended four times:

- In March 2003 regarding the implementation of Block Funding for the KRG and the Northern Villages, the construction of a community residential centre in Kangirsuk and the hiring of wildlife conservation officers;
- In November 2004 regarding the indexation of community and economic development project funding;

Kativik Regional Government
Notes to Financial Statements
 December 31, 2024

12 - SANARRUTIK AGREEMENT (Continued)

- In August 2006 regarding the creation of a fund to be used to prevent and combat crime, as well as to promote safe and healthy communities, in lieu of the Quebec commitment to construct and operate a detention facility in the region;
- In March 2008 regarding the hiring of wildlife conservation officers and wildlife protection assistants, as well as funding for wildlife and habitat research activities.

Tourism (Section 2.4)

To support the development of Nunavik's under-exploited tourism potential, Quebec undertook to fund studies conducted by the KRG for the development of national parks. Quebec also undertook to create the Parc national des Pingualuit further to Schedule 6 of Complementary Agreement No. 6 of *The James Bay and Northern Quebec Agreement* (hereafter "the JBNQA").

Since 2002, the following national parks have been created: Pingualuit (December 10, 2003), Kuururjuaq (May 21, 2009) and Tursujuq (July 18, 2013). Funding for the management and operation of these parks by the KRG is covered under the Sivunirmut Agreement. Funding for capital expenses in these parks incurred by the KRG is covered under a specific agreement for each park: Pingualuit (renewed twice; current period 2014-2018), Kuururjuaq (renewed once; current period 2013-2017) and Tursujuq (current period 2013-2017).

Regarding the Ulittaniujalik National Park project, all the steps leading to the creation of the park have been completed. Ulittaniujalik National Park has been created in 2016.

A seven-year agreement was signed in 2020 with the Ministère des Forêts, de la Faune et des Parcs, consolidating the infrastructure work of all four parks, thus giving more latitude to the KRG to allocate financial resources based on requirements of the year.

Regarding the Baie-aux-Feuilles National Park project, research work was initiated in the study area in 2012. The status report was completed in 2015 but the issue concerning delimitation of proposed boundaries could create delays in the creation of the park.

Community and Economic Development (Section 2.5)

To fund community and economic development, Quebec committed to transfer to Makivvik and the KRG jointly \$7 million in 2002, \$8 million in 2003, \$15 million in 2004, \$15 million plus applicable indexation in 2005 and \$15 million plus applicable indexation for each subsequent year of the Sanarrutik Agreement. Since 2005, this amount is indexed according to the consumer price index of Quebec and, gradually over a five-year period, to population growth in Nunavik according to Schedule C. This funding is provided without prejudice to and in addition to regular Quebec funding (operations and capital expenses) for similar purposes in Nunavik.

Pursuant to a memorandum of agreement, Makivvik and the KRG distribute the funding for community and economic development. Makivvik is responsible for allocating a third of the annual funding to Inuit organizations, and the balance is divided equally between Makivvik and the KRG for allocation to community and economic development projects. In 2024, the KRG received \$9,492,250 (\$10,195,680 in 2023) from the Sanarrutik Agreement.

Kativik Regional Government
Notes to Financial Statements
December 31, 2024

12 - SANARRUTIK AGREEMENT (Continued)

Block Funding (Section 3)

To simplify and ensure more efficient use of the public funds paid to the KRG and the Northern Villages as well as to contribute to a greater autonomy for these organizations, Quebec committed to consolidate the funding for the KRG and the Northern Villages under two distinct envelopes within the Sivunirmut Agreement. This funding is indexed annually according to population growth in Nunavik and the evolution of Quebec's capital-program expenditures. The agreement was signed by Quebec and the KRG on March 31, 2004; the agreement concerning the Block Funding of the Northern Villages was signed on June 27, 2005.

Local Roads (Section 4.1)

To improve the conditions of local roads, Quebec committed to provide up to \$35.5 million, excluding financing costs, and technical support for the paving of 90 km of roads, including community-airport access roads. Between 2002 and 2009, this work was carried out by the KRG in all the Northern Villages in close cooperation with each local municipality.

Marine Infrastructure (Section 4.2)

To improve essential local marine infrastructure, Quebec committed to participate up to 50% of the cost of marine infrastructure construction work estimated at \$88 million. Between 2002 and 2011, this work was carried out by Makivvik in all the Northern Villages. The additional funding required for the Kuujjuaraapik project was committed in 2010 by the governments of Canada and Quebec, as well as the Grand Council of the Crees of Quebec. On completion of the project in each Northern Village, ownership of the marine infrastructure has been transferred to the KRG by council resolution. Quebec committed to fund the daily maintenance costs, including major reparations subject to federal contribution, under conditions to be agreed upon between Canada and the parties. Over the years, some annual funding for basic maintenance costs was provided by Quebec. The commitment for permanent funding by Quebec and Canada has not yet been fulfilled.

Police Services (Section 4.3)

To improve police services in Nunavik and initiate the construction of new police stations, under the Sanarrutik Agreement, Quebec committed to disburse an additional amount of \$1.5 million, representing 48% of the total related costs. Quebec also agreed, at the renewal of the tripartite police-service agreement between Canada, Quebec and the KRG, to fund its share (48%) of the total cost of 54 police officers at a unit cost of \$148,800 as well as the construction of police stations. On March 31, 2004, the Ministère de la Sécurité publique, the Solicitor General of Canada and the KRG signed a five-year agreement concerning police services.

Kativik Regional Government
Notes to Financial Statements
 December 31, 2024

12 - SANARRUTIK AGREEMENT (Continued)

Correctional Services (Section 4.4)

Quebec committed to build and make operational, by no later than December 31, 2005, a 40-place detention facility in the general spirit of the "Report of the joint working group on sentence management in Nunavik" and to fund the operation costs. On December 31, 2005, Quebec had not fulfilled this commitment. On August 9, 2006, Quebec, Makivvik and the KRG agreed to amend the Sanarrutik Agreement in order to make available to Makivvik and the KRG a financial envelope of \$10 million beginning in the 2005-2006 financial year, and \$10 million plus applicable indexation for each subsequent year of the Sanarrutik Agreement, to prevent and combat crime, to promote safe and healthy communities by, among other things, implementing culturally appropriate measures to improve the social environment in Nunavik, and to provide assistance to crime victims and improve correctional activities for Inuit. Applicable indexation is calculated according to the same formula used to determine the funding for Community and Economic Development (Section 2.5). Pursuant to a memorandum of understanding between Makivvik and the KRG signed on May 23, 2007, Makivvik is responsible for the management of this financial envelope, known as the Ungaluk Safer Communities program. In return for the creation of this financial envelope, for the duration of the Sanarrutik Agreement, Makivvik has given a full and complete discharge to Quebec for its commitment under the JBNQA to build a detention facility in Nunavik.

Quebec also committed to build and make operational, by no later than April 1, 2004, a 14-place community residential centre (the half-way house) in Kangirsuk and to fund the operation costs. The construction of the Makitautik Centre was completed in September 2004.

Wildlife Management and Enforcement (Section 4.5)

To improve wildlife management and enforcement, Quebec committed to hire and train six additional wildlife conservation officers for Nunavik no later than April 1, 2004, and to provide the KRG with \$600,000 annually to hire wildlife protection assistants trained by Quebec. The KRG was given the option to allocate all or part of the annual funding to Quebec for the hiring of additional wildlife conservation officers. At the end of 2007, Quebec had not completely fulfilled its initial Sanarrutik commitment.

Further to the fourth amendment to the Sanarrutik Agreement, signed on March 10, 2008 by Quebec, Makivvik and the KRG, Quebec remains committed to employing six permanent, full-time Inuit wildlife protection officers in Nunavik. Moreover, Quebec agreed to pay the KRG under the Sivunirmut Agreement an additional \$200,000 for wildlife protection assistants, indexed according to Appendix D of the Sivunirmut Agreement as at January 1, 2008.

Public Tenders (Section 4.6)

To increase the number of Nunavik Inuit businesses bidding on and being awarded public contracts, subject to the provisions of the Agreement on Internal Trade or any similar agreements, Quebec committed to evaluate the possibility of modifying legislation in order to allow the KRG, the Kativik School Board, the Kativik Regional Development Council (the Katutjiniq) and the Nunavik Regional Board of Health and Social Services to set up a process for awarding contracts for goods and services that will give priority to Nunavik Inuit businesses. This commitment has not yet been fulfilled.

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13 - ISURRUUTIIT PROGRAM

First and Second Capital Plan

Two previous phases under the Isurruutiit program (1999-2008 and 2006-2010) had a combined resource envelope of \$110 million.

Third Capital Plan (Isurruutiit III)

On April 29, 2011, an agreement was signed with the Ministère des Affaires municipales et de l'Habitation and the Secrétariat aux relations avec les Premières Nations et les Inuit concerning the continued improvement of municipal infrastructure in the Northern Villages. Under the agreement, Quebec has committed \$82.3 million over an estimated five-year period. On September 27, 2013, an amendment was signed in order to increase the funding to \$100,998,800. As at December 31, 2024, total expenditures incurred by the KRG under the agreement were \$100,817,000, the total value of approved projects was \$100,998,800 and \$100,817,000 have been financed.

Fourth Capital Plan (Isurruutiit IV)

On April 23, 2015, an agreement was signed with the Ministère des Affaires municipales et de l'Habitation and the Secrétariat aux relations avec les Premières Nations et les Inuit concerning the continued improvement of municipal infrastructure in the Northern Villages. Under the agreement, Quebec has committed \$100 million over an estimated five-year period. In 2021, an amendment was signed and an additional amount of \$20 million was committed. As at December 31, 2024, the total value of approved projects was \$120,000,000. The total expenditures incurred by the KRG under the agreement were \$116,154,000 (\$116,154,000 as at December 31, 2023), \$114,154,000 (\$114,154,000 as at December 31, 2023) have been financed through bonds and \$2 million have been disbursed by the Secrétariat aux relations avec les Premières Nations et les Inuit.

Fifth Capital Plan (Isurruutiit V)

On April 7, 2023, an agreement was signed with the Ministère des Affaires municipales et de l'Habitation and the Secrétariat aux relations avec les Premières Nations et les Inuit concerning the continued improvement of municipal infrastructure in the Northern Villages. Under the agreement, Quebec has committed \$150 million over an estimated five-year period. An additional amount of \$3,838,771 was transferred from Isurruutiit IV to Isurruutiit V in 2023, for a total of \$153,838,771. As at December 31, 2024, the total value of approved projects was \$136,335,586. The total expenditures incurred by the KRG under the agreement were \$32,164,460 and \$27,123,530 have been financed (from which \$7,672,390 were received as at December 31, 2024, and \$19,451,140 were received in January 2025)

14 - BLOCK FUNDING AGREEMENT

The Sivunirmut Agreement between Quebec and the KRG entered into force on April 1, 2004 and is effective until December 31, 2027. Under the Sivunirmut Agreement, Quebec has undertaken to simplify and make more efficient the public funds paid to the KRG and to provide the KRG with a greater level of autonomy. For its part, the KRG has the responsibility to fulfil the objectives and execute the mandates contemplated in Appendix B of the agreement.

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15 - NET INVESTMENT IN LONG-TERM ASSETS (Continued)

The variation of the net investment in long-term assets is detailed as follows:

	<u>2024</u>	<u>2023</u>
	\$	\$
Balance, beginning of year, as previously reported	328,668,596	328,935,151
Accounting changes (Note 2)	(52,991,061)	(102,751,707)
Balance, as restated	275,677,535	226,183,444
Additions		
Acquisition of capital assets	10,405,272	5,593,474
Increase in capital projects in progress	21,242,951	47,277,926
Acquisition of investments and loans receivable	2,104,231	3,982,747
Recovery (provision) for doubtful loans	(275,778)	205,373
Recovery for interest on loans receivable	16,275	179,489
Write-off of doubtful loans		(337,381)
Increase in long-term contributions to be recovered for repaying the long-term debt	(32,296,325)	(9,060,944)
Capital repayments of long-term debt	53,589,125	43,708,444
	54,785,751	91,549,128
Disposals		
Capital projects closed during the year	2,750,281	221,192
Amortization of capital assets	7,456,277	6,591,338
Capital repayments – loans receivable	1,248,997	1,848,507
Issuance of long-term debt		13,659,000
Refinancing of long-term debt	20,161,000	19,735,000
	31,616,555	42,055,037
Balance, end of year	298,846,731	275,677,535

16 - NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	<u>2024</u>	<u>2023</u>
	\$	\$
Contributions receivable	(15,296,434)	(4,607,321)
Accounts receivable	(32,166,882)	(5,047,184)
Account receivable from the Government of Quebec	(7,628,798)	(365,947)
Other non-financial assets – prepaid expenses and inventories	3,167,312	(1,899,334)
Accounts payable and accrued liabilities	8,319,376	497,324
Deferred revenue	(15,094,600)	2,030,102
	(58,700,026)	(9,392,360)

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17 - CONTRACTUAL OBLIGATIONS AND COMMITMENTS

- a) The KRG has entered into contractual agreements with the Northern Villages in relation with the Economic and Community Development Fund (job creation) under the Sanarrutik Agreement. From those contractual agreements approved by the Council, during the 2024 financial year, and amounting to \$5,563,737, a balance of \$3,385,749 was recorded as payable as at December 31, 2024 and is detailed as follows:

	\$
Northern Village of Kangiqsualujjuaq	204,197
Northern Village of Kuujjuaq	430,413
Northern Village of Tasiujaq	91,089
Northern Village of Aupaluk	120,270
Northern Village of Kangirsuk	131,136
Northern Village of Quaqaq	102,634
Northern Village of Kangiqsujuaq	177,859
Northern Village of Salluit	655,175
Northern Village of Ivujivik	200,217
Northern Village of Akulivik	147,372
Northern Village of Puvirnituq	359,517
Northern Village of Inukjuak	374,671
Northern Village of Umiujaq	232,101
Northern Village of Kuujjuaraapik	159,098
	<u>3,385,749</u>

During the 2024 financial year, pursuant to the reception of the financial statements of the Northern Villages, the adjustment related to the actual amounts, payable or receivable, will be recognized.

- b) The KRG has also entered into long-term service agreement for the satellite bandwidth which expires on January 31, 2026 and calls for lease payments as follows:

	\$
2025	5,896,800
2026	491,400
	<u>6,388,200</u>

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18 - FINANCIAL RESERVE – TREASURY

The KRG has financed the construction, renovation and purchase of capital assets from its own monetary reserve (hereafter "the Treasury"). The balance of these internal loans as at December 31, 2024 is detailed as follows:

	<u>2024</u>	<u>2023</u>
	\$	\$
Issued in 2006		
Police station projects (to be reimbursed by Police Stations – Building Operations (#14 and #204)), bearing interest at 5% and maturing in December 2026 (\$541,796)	81,194	118,882
Housing construction (to be reimbursed by KRG Houses (#74)), bearing interest at 5% and maturing in December 2026 (\$3,165,163)	474,341	694,509
Issued in 2007		
Warehouse (to be reimbursed by Warehouse (#73)), bearing interest at 5% and maturing in December 2027 (\$2,888,682)	633,843	825,098
Housing construction (to be reimbursed by KRG Houses (#74)), bearing interest at 5% and maturing in December 2027 (\$550,000)	120,683	157,097
Issued in 2009		
Housing construction (to be reimbursed by KRG Houses (#74)), bearing interest at 5% and maturing in December 2029 (\$4,374,301)	1,525,097	1,787,474
Courthouse renovations (to be reimbursed by Courthouse (#18)), bearing interest at 5% and maturing in December 2029 (\$357,724)	124,720	146,177
Issued in 2013		
Police stations in Kuujjuaq and Kuujjuaraapik (to be reimbursed by Police Stations – Building Operations (#14)), bearing interest at 5% and maturing in December 2033 (\$1,828,728)	1,043,015	1,133,102
	<u>4,002,893</u>	<u>4,862,339</u>

The reimbursements for the next years are detailed as follows:

	<u>\$</u>
2025	902,899
2026	948,549
2027	697,473
2028	455,325
2029	998,647
	<u>4,002,893</u>

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19 - CONTINGENCIES

The KRG is involved in certain litigations. At the present time, it is impossible to determine the final amount that the KRG may have to pay regarding these litigations. The KRG believes that the total amount of the contingent obligations will not have a material and adverse effect on its financial position. However, a provision and a reserve totalling \$7,342,748 have been recorded as potential determinable liabilities in these financial statements. Any settlement resulting from the resolution of these contingencies will be accounted for as a charge or a credit to the statement of surplus (deficit) for the year of the financial year in which the settlement occurs.

20 - FINANCIAL INSTRUMENTS

Risk management policy

The KRG is exposed to various financial risks arising from its financial instruments. The KRG's management manages financial risks.

During the year, there were no changes to the financial instrument risk management policies, procedures and practices. The following provides a measure of risk at the year-end date.

Financial risks

Credit risk

Credit risk is the risk of a counterparty defaulting on contractual obligations. The KRG's credit risk is primarily due to contributions receivable, investments and loans receivable, long-term contributions to be recovered for repaying the long-term debt as well as accounts receivable, excluding sales taxes receivable. The KRG considers that the credit risk for the amounts receivable from the governments of Quebec and Canada is not significant. In order to reduce its credit risk, the KRG regularly analyzes its receivables balance, excluding the amounts receivable from the governments of Quebec and Canada, and, where required, a provision for doubtful accounts is taken based on the estimated realizable value.

The carrying amount of the KRG's main financial assets represents its maximum exposure to credit risk.

Accounts receivable that are past due total \$2,165,002 (\$1,779,446 as at December 31, 2023), all mature under one year and are presented net of an allowance for doubtful accounts of \$2,165,002 (\$1,779,446 as at December 31, 2023).

Investments and loans receivable that are past due total \$999,339 (\$714,613 as at December 31, 2023) and are presented net of an allowance for doubtful accounts of \$999,339 (\$714,613 as at December 31, 2023).

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20 - FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The interest rate risk is the risk that the financial instruments will vary unfavourably according to interest rate fluctuations, whether the interest rates are fixed or variable. Instruments with fixed interest rates expose the KRG to a fair value risk and those with variable interest rates to a cash flow risk.

Financial instruments with fixed interest rates are long-term debt and loans receivable. With regard to long-term debt, 96% of the balance is receivable from the Government of Quebec (Note 9 c)).

The KRG does not use derivative financial instruments to reduce its interest rate risk exposure.

A reasonably possible increase or decrease in interest rates of 1% (1% as at December 31, 2023) would not have a significant impact on operating surplus (deficit) for the year.

Liquidity risk

The KRG's liquidity risk represents the risk that it could encounter difficulty in meeting obligations associated with its financial liabilities.

The KRG is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

The KRG manages its liquidity risk by maintaining a sufficient level of cash and cash equivalents and establishes cash estimates to ensure it has the necessary funds to fulfil its obligations.

The contractual maturities of the accounts payable and accrued liabilities are less than one year and the maturity of the long-term debt is described in Note 9.