

Grant Thornton LLP
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**Membertou Reserve
Band Council
Consolidated
Financial Statements**

March 31, 2002

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Management's Responsibility for Financial Reporting

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

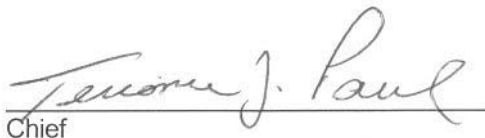
The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles. consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management 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 band 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 band's assets are appropriately accounted for and adequately safeguarded.

The band council is responsible for ensuring that management fulfills 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 Grant Thornton LLP in accordance with generally accepted auditing standards on behalf of the members. Grant Thornton LLP has full and free access to the council.


Chief


Chief Executive Officer

Auditors' Report

To the Chief and Councillors of the
Membertou Reserve Band Council

We have audited the consolidated combined balance sheets of Membertou Reserve Band Council as at March 31, 2002 and the consolidated statements of revenue and expenditures, changes in fund balances and cash flows for the year then ended. These consolidated financial statements are the responsibility of the band council's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the band council as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with accounting principles as disclosed in Note 1.

Sydney, Nova Scotia
June 28, 2002



Chartered Accountants

Membertou Reserve Band Council Consolidated Statement of Operations

Year Ended March 31, 2002

	<u>Page</u>	2002 <u>Budget</u> (Note 8)	2002 <u>Actual</u>	2001 <u>Actual</u>
Revenue				
Department of Fisheries and Oceans		\$ 162,000	\$ 162,000	\$ 162,000
Department of Indian and Northern Affairs (Note 6)		7,205,115	8,070,264	7,108,708
Health Canada		537,175	594,089	623,484
Mi'Kmaq employment training secretarial		360,197	455,444	422,132
Mi'Kmaq Kina'Masuti			76,825	37,360
Interest, rental and sundry			284,303	625,787
		<u>8,264,487</u>	<u>9,642,925</u>	<u>8,979,471</u>
Expenditures				
Social development	21	3,169,269	2,708,919	2,643,384
Band government	21	973,004	1,018,216	908,240
Capital projects	22	709,000	1,435,564	1,312,384
Operations and maintenance	22	311,270	356,492	188,727
Band operated school	22	574,580	539,036	432,784
Wallace Bernard Centre	23	199,230	93,288	194,902
Education program	23	1,935,895	1,696,449	1,658,401
Economic development	24	60,000	410,555	85,315
Employment development	24	360,197	507,322	408,664
Medical services	24	537,175	531,909	585,253
Department of Fisheries - AFS Program	25	162,000	147,594	169,507
Miscellaneous	25		157,431	227,037
		<u>8,991,620</u>	<u>9,602,775</u>	<u>8,814,598</u>
		<u>(727,133)</u>	<u>40,150</u>	<u>164,873</u>
Other revenues, net				
Membertou housing fund	26	54,771	(76,152)	(128,333)
Membertou Enterprise Fund	27		21,887	14,727
Membertou Development	28	806,775	(142,783)	(22,722)
Membertou Gaming Commission	30	165,775	159,018	
		<u>1,026,874</u>	<u>(38,030)</u>	<u>(136,328)</u>
Excess of revenue over expenditures		<u>\$ 299,741</u>	<u>\$ 2,120</u>	<u>\$ 28,545</u>

See accompanying notes to the consolidated financial statements.

Membertou Reserve Band Council
Consolidated Statement of Operating Deficiency

Year Ended March 31

2002

2001

Deficiency, beginning of year	\$ (246,637)	\$ (411,510)
Excess of revenue over expenditures (Page 3)	<u>40,150</u>	<u>164,873</u>
Deficiency, end of year	<u>\$ (206,487)</u>	<u>\$ (246,637)</u>

Comprised of:

General Fund surplus	\$ 270,008	\$ 280,505
Caribou Marsh Enterprises deficiency	<u>(476,495)</u>	<u>(527,142)</u>
	<u>\$ (206,487)</u>	<u>\$ (246,637)</u>

See accompanying notes to the consolidated financial statements.

Membertou Reserve Band Council Consolidated Balance Sheet

March 31

2002

2001

Assets

Current

Cash and cash equivalents		\$ 248,005
Receivables (Note 2)	\$ 1,292,248	1,085,857
Prepaid expenses	90,152	90,161
Inventory	<u>3,219</u>	<u>30,664</u>
	1,385,619	1,454,687
Funds in trust	14,730	13,914
Capital assets (Notes 1 and 4)	8,949,952	7,910,136
Restricted cash (Note 3)	<u>123,985</u>	<u>139,078</u>
	<u>\$ 10,474,286</u>	<u>\$ 9,517,815</u>

Liabilities

Current

Bank overdraft (Note 5)	\$ 190,248	
Payables and accruals	964,334	\$ 808,768
Deferred revenue (Note 6)	692,733	676,678
Current portion of long term debt	<u>472,990</u>	<u>416,317</u>
	2,320,305	1,901,763
Long term debt (Note 7)	<u>5,642,073</u>	<u>5,593,270</u>
	<u>7,962,378</u>	<u>7,495,033</u>

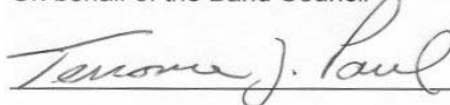
Equity

Investment in capital assets (Page 6)	2,468,332	1,969,425
Replacement reserve (Page 6)	145,605	157,506
Operating fund surplus (deficit) (Page 4)	270,008	280,505
Canada Mortgage and Housing Projects fund deficit (Page 26)	(214,155)	(138,003)
Membertou Enterprise fund deficit (Page 27)	40,583	18,696
Membertou Development surplus (Page 28)	119,012	261,795
Membertou Gaming Commission Inc. (Page 30)	159,018	
Caribou Marsh Enterprises deficit (Page 4)	<u>(476,495)</u>	<u>(527,142)</u>
	<u>2,511,908</u>	<u>2,022,782</u>
	<u>\$ 10,474,286</u>	<u>\$ 9,517,815</u>

Contingencies (Note 9)

Commitments (Note 10)

On behalf of the Band Council

 Chief

 Councillor

See accompanying notes to the consolidated financial statements.

Membertou Reserve Band Council
Consolidated Statement of Investment in Capital Assets

Year Ended March 31	2002	2001
Balance, beginning of year	\$ 1,969,425	\$ 1,520,168
Acquisition of capital assets	498,907	449,257
Principal payments on long term debt	279,924	14,364
Depreciation of fixed assets	<u>(279,924)</u>	<u>(14,364)</u>
Balance, end of year	<u>\$ 2,468,332</u>	<u>\$ 1,969,425</u>

Membertou Reserve Band Council
Consolidated Statement of Fund Balances

March 31	2002	2001
Replacement reserve		
Balance, beginning of year	\$ 157,506	\$ 148,003
Contributions	39,501	35,376
Payment from replacement reserve for approved repairs	<u>(51,402)</u>	<u>(25,873)</u>
Balance, end of year	<u>\$ 145,605</u>	<u>\$ 157,506</u>

See accompanying notes to the consolidated financial statements.

Membertou Reserve Band Council Consolidated Statement of Cash Flows

Year Ended March 31 2002 2001

Increase (decrease) in cash and cash equivalents

	2002	2001
Operating		
Excess of revenue over expenditures	\$ 2,120	\$ 28,545
Depreciation and principal repayments on long term debt,	89,189	351,007
Replacement reserve (net of approved repairs)	<u>(11,901)</u>	<u>9,503</u>
	79,408	389,055
Change in cash operating working capital		
Receivables	(206,391)	(34,568)
Prepaid expenses	9	(31,516)
Payables and accruals	155,567	(219,715)
Deferred revenue	16,055	642,167
Inventory	<u>27,445</u>	<u>(30,556)</u>
	<u>72,093</u>	<u>714,867</u>
Financing		
Proceeds from long term debt	543,956	1,327,500
Repayment of long term debt	<u>(217,769)</u>	<u>(300,604)</u>
	<u>326,187</u>	<u>1,026,896</u>
Investing		
Capital assets acquired	<u>(850,810)</u>	<u>(1,126,026)</u>
Net increase (decrease) in cash and cash equivalents	(452,530)	615,737
Cash and cash equivalents, beginning of year	<u>400,997</u>	<u>(214,740)</u>
Cash and cash equivalents, end of year	<u>\$ (51,533)</u>	<u>\$ 400,997</u>
<hr/>		
Cash and cash equivalents consists of:		
Cash and cash equivalents	\$ (190,248)	\$ 248,005
Funds in trust	14,730	13,914
Restricted cash	<u>123,985</u>	<u>139,078</u>
	<u>\$ (51,533)</u>	<u>\$ 400,997</u>

See accompanying notes to the consolidated financial statements.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2002

1. Summary of significant accounting policies

Investment in subsidiary operations

These consolidated financial statements include the General Fund, Canada Mortgage and Housing Projects Fund, Membertou Gaming Commission, Enterprise Fund, Membertou Development and other incorporated entities, which have a net investment cost of NIL.

Non-consolidated financial statements are reported separately.

Basis of preparation of consolidated financial statements

The band maintains a separate self-balancing set of accounts for the operating fund and the housing fund. The operating fund includes the following statements of operations:

Social Development	Education Program
Band Administration	Economic Development
Capital Projects	Employment Development
Operations and Maintenance	Medical Services
Band Operated School	Fisheries and Oceans
Wallace Bernard Centre	Miscellaneous

Capital assets

Capital assets acquired with operating funds are charged against operations in the year of acquisition. Capital assets which are to be funded with external debt are capitalized in the year of acquisition provided that financing arrangements are substantially complete prior to the year end. Capital assets are charged against operations as the related debt obligations are repaid.

Depreciation

Depreciation is provided on capital assets at a rate equal to the annual principal reduction of the long term debt.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2002

1. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and term deposits net of bank overdraft.

Income taxes

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

Revenue recognition

Membertou Reserve Band Council follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when recovered or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial instruments

The Membertou Reserve Band Council's financial instruments consist of cash and cash equivalents, receivables, payables and long term debt. Unless otherwise noted, it is management's opinion that the Membertou Reserve Band Council is not exposed to significant interest, currency, or credit risk arising from financial instruments. The fair market values of these financial instruments approximate their carrying values.

Inventory

Inventory is valued at the lower of cost or market.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2002

2. Receivables	<u>2002</u>	<u>2001</u>
Province of Nova Scotia	\$ 115,242	
C.M.H.C.		\$ 2,683
Department of Indian and Northern Affairs Canada	191,638	327,208
Department of Fisheries and Oceans	351,997	45,324
Department of Health and Welfare Canada	3,040	174,419
Harmonized Sales Tax	7,340	59,784
Kevkes construction		25,175
Mi'Kmaq education		150
Sundry	439,033	169,007
Outreach/Pathways	64,050	213,774
Office and housing rents	140,567	2,458
Payroll and honorarium advances		48,395
WAPN	48,307	55,807
Unamaki Tribal Police	<u>54,041</u>	<u>52,741</u>
	1,415,255	1,176,925
Less: allowance for doubtful accounts	<u>(123,007)</u>	<u>(91,068)</u>
	<u>\$ 1,292,248</u>	<u>\$ 1,085,857</u>

3. Replacement reserve fund

Under the terms of the agreement with the C.M.H.C., the replacement reserve account is to be credited in the amount of \$35,376 annually. The required replacement reserve for 2002, based on the dates subsidy assistance commenced is \$39,501. 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 or as may otherwise be approved by the C.M.H.C. from time to time. The funds in the account may only be used as approved by the C.M.H.C. Withdrawals are credited to interest first and then principal. At year end, the funds in reserve consisted of the following:

	<u>2002</u>	<u>2001</u>
Cash	<u>\$ 123,985</u>	<u>\$ 139,078</u>

As of March 31, 2002, there was a shortfall of \$21,620 in the Replacement Reserve account. Accordingly, the projects are not in compliance with the operating agreement.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2002

4. Capital assets	<u>2002</u>	2001
	<u>Net Book Value</u>	<u>Net Book Value</u>
Buses	\$ 8,359	\$ 22,723
Caribou Marsh Enterprises	125,386	170,212
CMHC housing	4,864,309	5,045,164
Band administration building	596,425	596,425
Community buildings	107,597	88,000
Adult education centre	705,018	475,000
Wallace Bernard centre	450,000	450,000
Police station	222,849	
Veterans memorial building	780,793	
Wellness centre	408,966	290,000
Membertou Development	216,781	253,355
Membertou Gaming Commission	6,339	
Office equipment	111,420	70,000
Buildings under construction	345,710	449,257
	<u>\$ 8,949,952</u>	<u>\$ 7,910,136</u>

5. Bank indebtedness

The band council has an operating line of credit of \$50,000.

6. Department of Indian and Northern Affairs Canada funding

	<u>2002</u>	<u>2001</u>
Funding allocations	\$ 7,998,185	\$ 7,702,301
Nova Scotia Mi'kmaq Education Authority		67,206
Prior year deferred revenue	676,678	34,511
Current year deferred revenue	(604,599)	(676,678)
Clawback of Mi'kmaw Kina'matnewey monies, net		(18,632)
	<u>\$ 8,070,264</u>	<u>\$ 7,108,708</u>

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2002

7. Long term debt	<u>2002</u>	<u>2001</u>
Canadian Imperial Bank of Commerce		
Demand loan bearing interest at prime + 1%, payable in equal monthly instalments of \$6,100 plus interest.	\$ 24,534	\$ 96,340
Demand loan bearing interest at prime + 2%, payable in equal monthly instalments of principal and interest of \$1,197.	8,359	22,723
Demand loan bearing interest at prime + 1%, payable in equal monthly instalments of \$7,000 plus interest.	616,000	700,000
Demand loan bearing interest at prime + 1%, payable in equal monthly instalments of \$1,959 plus interest.	230,082	
9.75% capital lease obligation, repayable in equal monthly instalments of \$1,571 including interest	57,011	69,746
Canadian Imperial Bank of Commerce Mortgage Corporation		
Loan #1		
7% mortgage, repayable in monthly instalments of \$1,186 on account of interest and principal, maturing July 2011, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to July 2002.	97,775	104,994
Loan #2		
6.95% mortgage, repayable in monthly instalments of \$628 on account of principal and interest, maturing August 2013, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to August 2003.	59,588	62,919
Loan #3		
8.25% mortgage, repayable in monthly instalments of \$889 on account of principal and interest, maturing October 2012, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to January 2005.	75,674	80,019

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2002

7. Long term debt (Cont'd) 2002 2001

**Canadian Imperial Bank of Commerce
Mortgage Corporation (Cont'd)**

Loan # 4

7% mortgage, repayable in monthly instalments of \$320 on account of principal and interest, maturing March 2003, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to March 2003.

3,777 7,242

Loan # 5

6.05% mortgage, repayable in monthly instalments of \$1,166 on account of principal and interest, maturing December 2012, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to December 2003.

110,831 117,974

Loan # 6

6.5% mortgage, repayable in monthly instalments of \$3,933 on account of principal and interest, maturing May 2012, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to April 2006.

396,128 416,947

Loan # 7

7.6% mortgage, repayable in monthly instalments of \$6,930 on account of principal and interest, maturing April 2005, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to April 2005.

228,378 291,858

Loan # 8

7.2% mortgage, repayable in monthly instalments of \$2,930 on account of principal and interest, maturing January 2016, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to January 2016.

309,312 322,034

Loan # 9

7.0% mortgage, repayable in monthly instalments of \$793 on account of principal and interest, maturing February 2016, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to February 2006.

85,050 88,572

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2002

7. Long term debt (Cont'd) 2002 2001

**Canadian Imperial Bank of Commerce
Mortgage Corporation (Cont'd)**

Loan # 10

7.2% mortgage, repayable in monthly instalments of \$252 on account of principal and interest, maturing January 2016, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to January 2006. 26,627 27,722

Loan # 11

7.0% mortgage, repayable in monthly instalments of \$341 on account of principal and interest, maturing May 2013, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to August 2002. 31,876 33,710

Loan # 12

6.85% mortgage, repayable in monthly instalments of \$2,501 on account of principal and interest, maturing April 2018, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to April 2003. 294,021 303,820

Loan # 13

6.85% mortgage, repayable in monthly instalments of \$2,406 on account of principal and interest, maturing April 2018, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to April 2003. 240,548 248,565

Loan # 14

6.85% mortgage, repayable in monthly instalments of \$3,457 on account of principal and interest, maturing April 2018, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to April 2003. 406,294 419,836

Loan # 15

5.85% mortgage, repayable in monthly instalments of \$2,068 on account of principal and interest, maturing January 2019, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to January 2004. 266,688 275,802

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2002

7. Long term debt (Cont'd)	<u>2002</u>	<u>2001</u>
Canadian Imperial Bank of Commerce Mortgage Corporation (Cont'd)		
Loan # 16		
6.95% mortgage, repayable in monthly instalments of \$169 on account of principal and interest, maturing April 2008, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to August 2003.	10,551	11,818
Loan # 17		
6.95% mortgage, repayable in monthly instalments of \$150 on account of principal and interest, maturing April 2008, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to August 2003.	8,963	10,112
Loan # 18		
5.95% mortgage, repayable in monthly instalments of \$1,763 on account of principal and interest, maturing February 2019, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to May 2004.	226,523	234,128
Loan # 19		
7.5% mortgage, repayable in monthly instalments of \$1,587 on account of principal and interest, maturing July 2019, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to February 2005.	185,895	191,003
Loan # 20		
7.5% mortgage, repayable in monthly instalments of \$2,179 on account of principal and interest, maturing November 2009, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to November 2004.	12,731	13,922
Loan # 21		
7.0% mortgage, repayable in monthly instalments of \$906 on account of principal and interest, maturing October 2020, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to March 2006.	114,074	116,689

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2002

7. Long term debt (Cont'd)	<u>2002</u>	<u>2001</u>
Canadian Imperial Bank of Commerce Mortgage Corporation (Cont'd)		
Loan # 22		
7.0% mortgage, repayable in monthly instalments of \$1,500 on account of principal and interest, maturing December 2020, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to August 2006.	176,686	180,951
Loan # 23		
6.10% mortgage, repayable in monthly instalments of \$1,027 on account of principal and interest, maturing January 2022, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to March 2007.	141,419	144,971
Loan # 24		
5.95% mortgage, repayable in monthly instalments of \$1,084 on account of principal and interest, maturing June 2023, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to July 2003.	157,695	161,321
Loan # 25		
5.95% mortgage, repayable in monthly instalments of \$728 on account of principal and interest, maturing June 2023, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to July 2003.	105,908	108,344
Loan # 26		
6.20% mortgage, repayable in monthly instalments of \$1,998 on account of principal and interest, maturing October 2023, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to October 2003.	286,900	293,113

Membertou Reserve Band Council Notes to the Consolidated Financial Statements

March 31, 2002

Canada Mortgage and Housing Corporation	<u>2002</u>	<u>2001</u>
Loan # 1		
5.3% mortgage, repayable in monthly instalments of \$1,142 on account of principal and interest, maturing April 2024, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to August 2004.	179,189	183,377
Loan # 2		
5.3% mortgage, repayable in monthly instalments of \$366 on account of principal and interest, maturing March 2024, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to August 2004.	57,375	58,727
Loan # 3		
6.44% mortgage, repayable in monthly instalments of \$1,252 on account of principal and interest, maturing July 2025, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to December 2005.	182,717	186,009
Loan # 4		
5.5% mortgage, repayable in monthly instalments of \$2,128 on account of principal and interest, maturing September 2026, secured by an Indian and Northern Affairs Canada Ministerial Guarantee, The interest rate is fixed to October 2026.	345,259	293,945
CIBC Equipment Finance Limited		
7.6% capital lease, repayable in monthly instalments of \$1,255 on account of principal and interest, maturing November 2004.	36,306	
Bank of Montreal		
7.5% loan, repayable in quarterly instalments of \$6,089 on account of principal and interest, maturing May 2017, secured by an assignment of insurance coverage on police station	222,849	

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2002

7. Long term debt (Cont'd) 2002 2001

Caterpillar Lease

Lease repayable in monthly installments of \$1,556 including interest at 8.5%. Secured by a chattel mortgage on a 1995 Cat Excavator. Matures September 2003. 34,150 49,286

Lease repayable in monthly installments of \$1,459 including interest at 9.2%. Secured by a chattel mortgage on a 1999 Cat Backhoe Loader. Matures June 2005. 47,870 60,344

Chrysler Canada

Chrysler Canada loan repayable in monthly installments of \$724 including interest at 8.45%. Secured by a chattel mortgage on a 1998 Dodge Ram 350. Matures November 2003. 13,450 20,704

6,115,063 **6,009,587**

Less: current portion 472,990 416,317

\$ 5,642,073 **\$ 5,593,270**

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

2003	\$	472,990
2004	\$	442,249
2005	\$	436,753
2006	\$	348,559
2007	\$	343,707

As security, the band has provided a Band Council Resolution providing an irrevocable authorization to the Department of Indian and Northern Affairs Canada to assign all funding until all loans are repaid to the bank and a floating charge on the assets of the band council.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2002

8. Budget figures

Budget figures have been compiled from information provided by management. These figures have not been audited or verified by any means and are provided for comparative purposes only.

9. Contingencies

- a) The band has entered into a five year alternative funding arrangement with the Department of Indian and Northern Affairs Canada, effective April 1, 1999. These funds may be repayable if any of the following conditions are not met:
- 1) minimum program requirements are not met;
 - 2) capital funds are not expended for capital purposes; and
 - 3) any mandatory capital projects are not completed.
- b) The band's pension plan contributions are funded by the Department of Indian and Northern Affairs Canada. Any unexpended portion of these funds are repayable by the band.
- c) The band has entered into contribution agreements with various government departments. Funding received under these contribution agreements are subject to repayment if the band fails to comply with the terms and conditions of the agreements.
-

10. Commitments

The Band has entered into an agreement to lease office space for a period of four years. The annual rent of premises consists of a minimum rent plus realty taxes, maintenance, heat and certain other expenses. Minimum rent payable for each of the next four years is as follows:

2003	\$	63,350
2004	\$	63,350
2005	\$	63,350
2006	\$	36,950

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2002

11. Trust Fund

The Trust Fund arises from monies derived from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the *Indian Act*.

The changes in net assets of the Trust Fund during the year are as follows:

	<u>2002</u>	<u>2001</u>
Net assets, beginning of year	\$ 13,914	\$ 12,086
Interest earned	<u>816</u>	<u>1,828</u>
Net assets, end of year	<u>\$ 14,730</u>	<u>\$ 13,914</u>

12. Comparative figures

Certain of the 2001 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2002.

Membertou Reserve Band Council
Schedule to Consolidated Statement of Operations - Operating
Fund

Year Ended March 31	2002 Budget	2002 Actual	2001 Actual
Social development			
Administration	\$ 161,611	\$ 94,719	\$ 112,223
Adult care	91,163	71,657	51,234
Basic and special needs	2,905,095	2,502,123	2,439,797
Social assistance transfers	<u>11,400</u>	<u>40,420</u>	<u>40,130</u>
	<u>\$ 3,169,269</u>	<u>\$ 2,708,919</u>	<u>\$ 2,643,384</u>
Band government			
Band support			
Core funding	\$ 192,000	\$ 312,000	\$ 207,000
Salaries	558,080	566,036	477,632
Travel	<u>61,560</u>	<u>79,111</u>	<u>46,141</u>
	811,640	957,147	730,773
General			
Administration - insurance		6,708	5,059
Bad debts		2,458	112,261
Council meetings	9,480	8,398	9,751
Heat and light	15,600	11,641	8,262
Interest expense	12,000	13,821	9,893
Interest on operating loan	73,200	1,403	10,932
Janitorial services	22,713	32,577	18,516
Miscellaneous	9,792	2,376	20,579
Office and stationery	10,000	14,526	14,710
Office equipment	49,171	59,096	46,801
Postage	6,603	8,452	5,584
Professional services	41,500	39,187	49,158
Professional development	14,004	14,930	
Telephone and internet	<u>33,371</u>	<u>35,081</u>	<u>32,247</u>
	1,109,074	1,207,801	1,074,526
Less: Transferred to other programs	<u>(136,070)</u>	<u>(189,585)</u>	<u>(166,286)</u>
	<u>\$ 973,004</u>	<u>\$ 1,018,216</u>	<u>\$ 908,240</u>

Membertou Reserve Band Council

Schedule to Consolidated Statement of Operations - Operating Fund

Year Ended March 31	2002 Budget	2002 Actual	2001 Actual
Capital projects			
Community infrastructure			
Capital infrastructure			\$ 519,721
Capital transferred to MDC		\$ 184,162	
Health centre extension		124,080	
Subdivision	\$ 179,000	753,466	324,677
Principle on long-term debt		132,159	
Interest on long-term debt		22,112	
	<u>179,000</u>	<u>1,215,979</u>	<u>844,398</u>
Housing			
On reserve housing			
New units	380,000	20,085	499,742
Renovations	150,000	199,500	263,089
Administration			(900)
	<u>530,000</u>	<u>219,585</u>	<u>761,931</u>
Expenditure to be funded with external debt			(293,945)
Total Capital and Housing	<u>\$ 709,000</u>	<u>\$ 1,435,564</u>	<u>\$ 1,312,384</u>
Operations and maintenance			
Community buildings	\$ 12,000	\$ 52,892	\$ 10,340
Municipal services	275,680	275,680	137,840
Fire prevention	6,000	7,456	6,760
Membertou gym	17,590	11,728	9,704
Non-residential environment		8,736	24,083
	<u>\$ 311,270</u>	<u>\$ 356,492</u>	<u>\$ 188,727</u>
Band operated school			
Equipment	\$ 27,399	\$ 37,259	\$ 5,149
Operation and maintenance		34,500	13,086
Professional development	10,000	8,023	3,951
Salaries - benefits	57,920	24,253	17,321
Salaries - teachers aid	30,600	17,638	12,427
Salaries - teachers	400,738	371,453	318,482
Supplies	34,550	29,114	45,900
Utilities	13,373	16,796	16,468
	<u>\$ 574,580</u>	<u>\$ 539,036</u>	<u>\$ 432,784</u>

Membertou Reserve Band Council
Schedule to Consolidated Statement of Operations - Operating
Fund

Year Ended March 31	2002 Budget	2002 Actual	2001 Actual
Wallace Bernard Centre			
Professional development		\$ 1,702	\$ 2,634
Repairs and maintenance	\$ 10,890	8,467	16,080
Salaries - benefits	14,867	8,368	7,663
Salaries - director	26,000	27,538	27,820
Salaries - teachers aid	83,480	108,732	73,438
Salaries -maintenance	7,157	6,612	9,625
School replacement reserve	35,000		35,000
Supplies	15,560	19,915	14,606
Utilities	6,276	9,054	8,036
	199,230	190,388	194,902
Less: expense transferred		(97,100)	
	\$ 199,230	\$ 93,288	\$ 194,902

Education program			
Graduation	\$ 6,000	\$ 6,667	\$ 8,315
Instructional services	188,732	195,558	164,706
Monitor		18,640	18,801
Peer tutoring	28,323	23,244	11,553
Post Secondary - incentives	15,000	6,000	4,500
Post Secondary - supplies	30,000	21,718	22,141
Post Secondary - transportation	8,000	7,529	4,255
Post Secondary - tuition and allowance	781,880	683,408	595,274
Supplies	24,000	14,344	20,512
Transportation - repairs and fuel	67,180	49,704	45,678
Transportation - salaries	98,785	100,674	101,755
Transportation - professional development		1,041	
Assessment and remediation	10,000	18,940	
Cap site	31,931	35,205	
Religious coordinator	13,104	21,584	
Travel	24,960	16,188	16,105
Tuition and allowance	608,000	476,005	644,806
	\$ 1,935,895	\$ 1,696,449	\$ 1,658,401

Membertou Reserve Band Council
Schedule to Consolidated Statement of Operations – Canada
Mortgage and Housing Projects Fund

Year Ended March 31	Budget	2002	2001
Revenue			
Rental	\$ 700,200	\$ 708,700	\$ 695,950
C.M.H.C. subsidy	258,504	226,394	241,119
Interest		1,571	5,448
	<u>958,704</u>	<u>936,665</u>	<u>942,517</u>
Expenditures			
Administration	106,553	140,662	117,688
Allocation to replacement reserve (Note 3)	85,380	39,501	35,376
Bad debts	50,400	8,231	84,112
Insurance	42,000	33,714	32,258
Interest and bank charges	7,600	1,000	72
Maintenance	90,000	460,411	276,867
Mortgage interest	326,250	308,586	327,706
Mortgage principal	195,750	220,712	196,771
Transferred from Membertou Operating Fund		(200,000)	
	<u>903,933</u>	<u>1,012,817</u>	<u>1,070,850</u>
Deficiency of revenue over expenditure	\$ <u>54,771</u>	\$ <u>(76,152)</u>	\$ <u>(128,333)</u>
Deficit, beginning of year			
		\$ (138,003)	\$ (9,670)
Deficiency of revenue over expenditure			
		<u>(76,152)</u>	<u>(128,333)</u>
Deficit, end of year			
		\$ <u>(214,155)</u>	\$ <u>(138,003)</u>

(Note: For detailed information see Page 19 of the Non-Consolidated Financial Statements.)

Membertou Reserve Band Council Schedule to Consolidated Statement of Operations – Enterprise Fund

Year Ended March 31	2002	2001
Revenue		
Bingo cards	\$ 786,798	\$ 660,811
Loonie draw		14,489
Dobber sales	4,668	4,667
Sale of cigarettes	1,414,413	1,172,942
Interest	<u>(1,191,442)</u>	<u>(973,933)</u>
	<u>1,014,437</u>	<u>878,976</u>
Expenses		
Administration fees	10,500	
Advertising	8,046	7,166
Bad debts	351	54,041
Bank charges	449	561
Banquet	7,370	1,800
Baseball	8,984	965
Callers	4,700	4,900
Canteen	1,385	1,336
Cards	22,625	22,425
Cash over/short	1,950	212
Commissions	10,381	10,457
Community	58,436	11,261
Dog control	11,667	9,571
Donations - Membertou General	82,280	51,970
Hockey	21,297	20,221
Miscellaneous	7,320	
Prizes	574,408	526,405
Professional fees		3,000
Promotion	495	567
Rent	43,355	41,688
Repairs and maintenance	13,041	22,189
Security	264	10,373
Seniors	9,000	11,500
Student programs	10,155	11,231
Supplies - tobacco	95	2,612
Telephone - tobacco	602	643
Utilities - tobacco	6,132	8,607
Wages - tobacco	41,818	31,856
Youth programs	<u>41,431</u>	
	<u>998,537</u>	<u>867,557</u>
Net earnings before other income	15,900	11,419
Wallace Bernard tournament	2,562	2,070
Ball tournament and donations	3,425	1,238
Excess of revenue over expenses	<u>\$ 21,887</u>	<u>\$ 14,727</u>
<hr/>		
Surplus, beginning of year	\$ 18,696	\$ 3,969
Excess of revenue over expenditure	<u>21,887</u>	<u>14,727</u>
Surplus, end of year	<u>\$ 40,583</u>	<u>\$ 18,696</u>

Membertou Reserve Band Council

Schedule to Consolidated Statement of Operations – Membertou Development

Year Ended March 31	Budget	2002	2001
Revenue			
Fishing boat revenue	\$1,414,862	\$1,000,854	\$1,589,275
Department of Fisheries (Page 29)	427,000	427,000	
Consulting fees (net)	225,000	55,124	47,500
Rental income	30,000	26,891	5,038
Investment income		399	4,736
Gain on sale of equipment			12,000
Corporate Partnerships	395,000		
Clearwater Processing (net)		91,940	
Miscellaneous		29,874	
	<u>2,491,862</u>	<u>1,632,082</u>	<u>1,658,549</u>
Expenses			
Fishing boat expenses	802,760	762,381	1,074,576
Department of Fisheries (Page 29)	427,000	429,271	
Wages and benefits - corporate	115,800	63,795	62,773
Office rent – corporate	46,219	55,163	66,505
Interest on capital lease	24,607	9,595	3,528
Telephone - corporate	16,500	6,155	3,759
Legal fees		131,440	97,335
Bank charges		222	72
Community	6,000	3,134	3,467
Travel	15,000	49,288	22,362
Office	20,044	22,245	8,803
Depreciation		13,447	7,471
Leasehold improvements		9,648	5,120
Consulting fees		3,331	20,444
Professional development		6,599	
Marketing and trade show		18,143	
Miscellaneous	26,804	9,239	10,256
Bad debts		25,000	
Administrative fees	124,800	124,800	124,800
Replacement reserve	60,000		
Contribution to Membertou General		31,969	170,000
	<u>1,685,534</u>	<u>1,774,865</u>	<u>1,681,271</u>
Excess of (expenditure over revenue) revenue over expenditure	<u>\$ 806,328</u>	<u>\$ (142,783)</u>	<u>\$ (22,722)</u>
Surplus, beginning of year		\$ 261,795	\$ 284,517
Excess of expenditure over revenue		<u>(142,783)</u>	<u>(22,722)</u>
Surplus, end of year		<u>\$ 119,012</u>	<u>\$ 261,795</u>

Membertou Reserve Band Council
Schedule to Consolidated Statement of Operations – Membertou
Development Fisheries Agreement

Year Ended March 31

Budget

2002

Revenue		
Department of Fisheries and Oceans	\$ 427,000	\$ 427,000
Interest revenue		<u>79</u>
	<u>427,000</u>	<u>427,079</u>
Expenses		
MED training	41,600	40,914
Basic survival training	18,400	18,400
Deckhand training	100,000	78,745
Class IV training	25,000	22,106
Fisheries technicians training	50,000	57,452
Training - vessel rental	20,000	20,000
Training - classroom rental	20,000	20,000
Training - administration	25,000	42,384
Office equipment	67,000	67,000
Vessel expense		2,270
Fisheries Coordinator	<u>60,000</u>	<u>60,000</u>
	<u>427,000</u>	<u>429,271</u>
Excess of revenue over expenditure	<u>\$ Nil</u>	<u>\$ (2,192)</u>

**Membertou Reserve Band Council
Schedule to Consolidated Statement of Operations –
Membertou Gaming Commission Inc.**

Year Ended March 31	Budget	Actual
Revenue		
Video lottery operations (Schedule A)	\$ 107,354	\$ 135,533
Province of Nova Scotia	106,000	115,242
Other revenue		708
Administrative recoveries	<u>10,500</u>	<u>10,500</u>
	<u>223,854</u>	<u>261,983</u>
Expenditures		
Wages and benefits	35,989	46,063
Security wages and benefits		19,703
Security fees		17,091
Office supplies	200	1,743
Repairs and maintenance	1,000	2,453
Heat and lights	6,500	
Telephone	250	689
Professional fees	5,000	4,968
Insurance	260	
Capital out of revenue	5,000	6,339
Rent	3,500	3,500
Cash over short		208
Travel		115
Bank charges		82
Miscellaneous	<u>400</u>	<u>11</u>
	<u>58,099</u>	<u>102,965</u>
Excess of revenue over expenditures	<u>\$ 165,755</u>	<u>\$ 159,018</u>
<hr/>		
Surplus, beginning of year		\$ Nil
Excess of revenue over expenditure		<u>159,018</u>
Surplus, end of year		<u>\$ 159,018</u>