

**Membertou Reserve Band Council**  
**Consolidated**  
**Financial Statements**

March 31, 2003

Grant Thornton 

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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 Canadian 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 Canadian 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, 2003, 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 misstatements. 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, 2003, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles as disclosed in Note 1.

*Grant Thornton LLP*

Sydney, Nova Scotia  
June 28, 2003

Grant Thornton LLP  
Chartered Accountants

## Membertou Reserve Band Council Consolidated Statement of Operations

Year Ended March 31

	Page	2003 <u>Budget</u> (Note 8)	2003 <u>Actual</u>	2002 <u>Actual</u>
<b>Revenue</b>				
Department of Fisheries and Oceans		\$ 162,000	\$ <b>162,000</b>	\$ 162,000
Department of Indian and Northern Affairs (Note 6)		6,911,629	<b>8,533,190</b>	8,070,264
Health Canada		676,778	<b>800,132</b>	594,089
Mi'Kmaq Employment Training Secretariat		342,197	<b>469,590</b>	455,444
Mi'Kmaq Kina'Masuti		276,887	<b>198,707</b>	76,825
Interest, rental and sundry		<u>8,369,491</u>	<u><b>10,278,653</b></u>	<u>9,642,925</u>
<b>Expenditures</b>				
Social development	21	2,859,313	<b>2,579,025</b>	2,708,919
Band government	21	1,222,442	<b>1,462,109</b>	1,018,216
Capital projects	22	316,000	<b>1,687,567</b>	1,251,402
Operations and maintenance	22	311,020	<b>368,686</b>	356,492
Band operated school	22	682,361	<b>661,170</b>	539,036
Wallace Bernard Centre	23	291,741	<b>192,877</b>	93,288
Education program	23	2,053,843	<b>2,267,350</b>	1,696,449
Economic development	24	71,860	<b>852,160</b>	594,717
Employment development	24	342,187	<b>400,354</b>	507,322
Medical services	24	676,778	<b>712,892</b>	531,909
Department of Fisheries - AFS Program	25	162,000	<b>215,467</b>	147,594
Miscellaneous	25	250,000	<b>142,857</b>	157,431
		<u>9,239,545</u>	<u><b>11,542,514</b></u>	<u>9,602,775</u>
		(870,054)	<u><b>(1,263,861)</b></u>	40,150
<b>Other revenues, net</b>				
Membertou Housing Fund	26	17,882	<b>(202,808)</b>	(76,152)
Membertou Enterprise Fund	27		<b>(39,961)</b>	21,887
Membertou Development	28	942,148	<b>50,617</b>	(142,783)
Membertou Gaming Commission	30	191,879	<b>1,472,270</b>	159,018
Membertou Market	31		<b>5,083</b>	
		<u>1,151,909</u>	<u><b>1,285,201</b></u>	<u>(38,030)</u>
<b>Excess of revenue over expenditures</b>		<u>\$ 281,855</u>	<u>\$ <b>21,340</b></u>	<u>\$ 2,120</u>

See accompanying notes to the consolidated financial statements.

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**Membertou Reserve Band Council**  
**Consolidated Statement of Operating Deficiency**

Year Ended March 31

**2003**

**2002**

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Deficiency, beginning of year	\$	<b>(206,487)</b>	\$	(246,637)
Excess of (expenditures over revenue) revenue over expenditures General Fund (Page 3)		<u><b>(1,263,861)</b></u>		<u>40,150</u>
Deficiency, end of year	\$	<u><b>(1,470,348)</b></u>	\$	<u>(206,487)</u>

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Comprised of

Operating Fund (deficiency) surplus	\$	<b>(1,009,010)</b>	\$	270,008
Caribou Marsh Enterprises deficiency		<u><b>(461,338)</b></u>		<u>(476,495)</u>
	\$	<u><b>(1,470,348)</b></u>	\$	<u>(206,487)</u>

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See accompanying notes to the consolidated financial statements.

## Membertou Reserve Band Council Consolidated Balance Sheet

March 31

2003

2002

### Assets

#### Current

Receivables (Note 2)	\$ 1,719,013	\$ 1,292,248
Prepaid expenses	63,306	90,152
Inventory	<u>77,619</u>	<u>3,219</u>
	1,859,938	1,385,619
Funds in trust	192,139	14,730
Capital assets (Notes 1 and 4)	11,556,524	8,943,613
Restricted cash (Note 3)	<u>6,140</u>	<u>123,985</u>
	<u>\$ 13,614,741</u>	<u>\$ 10,467,947</u>

### Liabilities

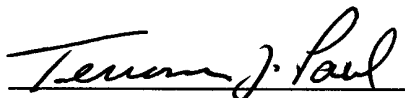
#### Current

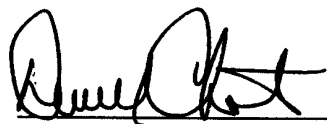
Bank overdraft (Note 5)	\$ 480,248	\$ 190,248
Payables and accruals	2,366,288	964,334
Deferred revenue (Note 6)	226,762	692,733
Unearned revenue	372,603	
Current portion of long term debt	<u>598,547</u>	<u>472,990</u>
	4,044,448	2,320,305
Long term debt (Note 7)	<u>7,012,858</u>	<u>5,642,073</u>
	<u>11,057,306</u>	<u>7,962,378</u>

### Equity

Investment in capital assets (Page 6)	2,469,407	2,461,993
Replacement reserve (Page 6)	162,378	145,605
Operating fund (deficit) surplus (Page 4)	(1,009,010)	270,008
Canada Mortgage and Housing Projects fund deficit (Page 26)	(416,963)	(214,155)
Membertou Enterprise fund surplus (Page 27)	622	40,583
Membertou Development surplus (Page 28)	169,629	119,012
Membertou Gaming Commission Inc. (Page 30)	1,637,627	159,018
Caribou Marsh Enterprises deficit (Page 4)	(461,338)	(476,495)
Membertou Market surplus (Page 31)	<u>5,083</u>	
	<u>2,557,435</u>	<u>2,505,569</u>
	<u>\$ 13,614,741</u>	<u>\$ 10,467,947</u>

Contingencies (Note 9)  
Commitments (Note 10)  
On behalf of the Band Council

 Chief

 Councillor

See accompanying notes to the consolidated financial statements.

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**Membertou Reserve Band Council**  
**Consolidated Statement of Investment in Capital Assets**

Year Ended March 31 2003 2002

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Balance, beginning of year	\$	2,461,993	\$	1,969,425
Acquisition of capital assets		191,575		492,568
Principal payments on long term debt		145,720		279,924
Asset disposal		(8,359)		
Assets reclassified		(184,162)		
Depreciation of fixed assets		<u>(137,360)</u>		<u>(279,924)</u>
Balance, end of year	\$	<u>2,469,407</u>	\$	<u>2,461,993</u>

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**Membertou Reserve Band Council**  
**Consolidated Statement of Fund Balances**

Year Ended March 31 2003 2002

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**Replacement reserve**

Balance, beginning of year	\$	145,605	\$	157,506
Contributions		33,276		39,501
Payment from replacement reserve for approved repairs		<u>(16,503)</u>		<u>(51,402)</u>
Balance, end of year	\$	<u>162,378</u>	\$	<u>145,605</u>

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See accompanying notes to the consolidated financial statements.

## Membertou Reserve Band Council Consolidated Statement of Cash Flows

Year Ended March 31

2003

2002

Decrease in cash and cash equivalents

<b>Operating</b>		
Excess of revenue over expenditures	\$ 21,340	\$ 2,120
Depreciation and principal repayments on long term debt	352,919	89,189
Replacement reserve (net of approved repairs)	<u>(16,773)</u>	<u>(11,901)</u>
	357,486	79,408
Change in non-cash operating working capital		
Receivables	(426,765)	(206,391)
Prepaid expenses	26,846	9
Payables and accruals	1,401,976	155,567
Deferred revenue	(465,971)	16,055
Unearned revenue	372,603	
Inventory	<u>(74,400)</u>	<u>27,445</u>
	<u>1,191,775</u>	<u>72,093</u>
<b>Financing</b>		
Proceeds from long term debt	2,008,851	543,956
Repayment of long term debt	<u>(512,551)</u>	<u>(217,769)</u>
	<u>1,496,300</u>	<u>326,187</u>
<b>Investing</b>		
Capital asset disposals	22,723	
Capital assets acquired	<u>(2,941,234)</u>	<u>(850,810)</u>
	<u>(2,918,511)</u>	<u>(850,810)</u>
Net decrease in cash and cash equivalents	(230,436)	(452,530)
Cash and cash equivalents, beginning of year	<u>(51,533)</u>	400,997
Cash and cash equivalents, end of year	<u>\$ (281,969)</u>	<u>\$ (51,533)</u>
<hr/>		
Cash and cash equivalents consists of:		
Cash and cash equivalents	\$ (480,248)	\$ (190,248)
Funds in trust	192,139	14,730
Restricted cash	<u>6,140</u>	<u>123,985</u>
	<u>\$ (281,969)</u>	<u>\$ (51,533)</u>
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See accompanying notes to the consolidated financial statements.

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# **Membertou Reserve Band Council**

## **Notes to the Consolidated Financial Statements**

March 31, 2003

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### **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, The Membertou Market, 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.

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# **Membertou Reserve Band Council**

## **Notes to the Consolidated Financial Statements**

March 31, 2003

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### **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 accruals 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.

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## Membertou Reserve Band Council

### Notes to the Consolidated Financial Statements

March 31, 2003

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<b>2. Receivables</b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Province of Nova Scotia	\$ 236,771	\$ 115,242
C.M.H.C.	12,000	
Department of Indian and Northern Affairs Canada	11,256	191,638
Department of Fisheries and Oceans	240,612	351,997
Department of Health and Welfare Canada	82,319	3,040
Harmonized Sales Tax	71,032	7,340
Enterprise Cape Breton Corporation	153,152	
Aboriginal Business Canada	15,275	
Sundry	481,075	439,033
Mi'kmaq Employment Training Secretariat	219,223	64,050
Office and housing rents	285,337	140,567
Tobacco - Trade	6,426	
WAPN		48,307
Unamaki Tribal Police	<u>54,041</u>	<u>54,041</u>
	<b>1,868,519</b>	1,415,255
Less: allowance for doubtful accounts	<u>(149,506)</u>	<u>(123,007)</u>
	<b><u>\$ 1,719,013</u></b>	<b><u>\$ 1,292,248</u></b>

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### 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 2003, 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:

	<b><u>2003</u></b>	<b><u>2002</u></b>
Cash	\$ <u>6,140</u>	\$ <u>123,985</u>

As of March 31, 2003, there was a shortfall of \$ 156,238 in the Replacement Reserve account. Accordingly, the projects are not in compliance with the operating agreement.

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## Membertou Reserve Band Council

### Notes to the Consolidated Financial Statements

March 31, 2003

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4. Capital assets	<u>2003</u> <u>Net Book Value</u>	<u>2002</u> <u>Net Book Value</u>	
Buses	\$ 64,064		\$ 8,359
Caribou Marsh Enterprises	93,028	125,386	
CMHC housing	4,585,538	4,864,309	
Band administration building	596,425	596,425	
Community buildings	107,597	107,597	
Adult education centre	678,591	705,018	
Wallace Bernard Centre	450,000	450,000	
Police station	215,125	222,849	
Veterans memorial building	696,794	780,793	
Wellness centre	408,966	408,966	
Membertou Development	302,901	216,781	
Membertou Gaming Commission	511,899		
Membertou Market	1,875,266		
Office equipment	98,644	111,420	
Buildings under construction	871,686	345,710	
	<u>\$ 11,556,524</u>	<u>\$ 8,943,613</u>	

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#### 5. Bank indebtedness

The Band Council has an operating line of credit of \$200,000.

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#### 6. Department of Indian and Northern Affairs Canada funding

	<u>2003</u>	<u>2002</u>
Funding allocations	\$ 7,979,523	\$ 7,998,185
Prior year deferred revenue	604,599	676,678
Current year deferred revenue	(50,932)	(604,599)
	<u>\$ 8,533,190</u>	<u>\$ 8,070,264</u>

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# Membertou Reserve Band Council

## Notes to the Consolidated Financial Statements

March 31, 2003

7. Long term debt	<u>2003</u>	<u>2002</u>
<b>Canadian Imperial Bank of Commerce</b>		
Demand loan bearing interest at prime + 1%, payable in equal monthly instalments of \$6,100 plus interest repaid during the year.	\$	24,534
Demand loan bearing interest at prime + 2%, payable in equal monthly instalments of principal and interest of \$1,197 repaid during the year.		8,359
Demand loan bearing interest at prime + 1%, payable in equal monthly instalments of \$7,000 plus interest.	\$ 532,000	616,000
Demand loan bearing interest at prime + 1%, payable in equal monthly instalments of \$1,066 plus interest.	57,564	
Demand loan bearing interest at prime + 1%, payable in equal monthly instalments of \$1,959 plus interest.	203,656	230,082
Demand loan bearing interest at prime + 1%, payable in equal monthly instalments of \$10,000 plus interest, secured by a chattel mortgage on two fishing vessels.	1,170,000	
9.75% capital lease obligation, repayable in equal monthly instalments of \$1,571 including interest.	43,004	57,011
<b>Canadian Imperial Bank of Commerce Mortgage Corporation</b>		
<b>Loan #1</b>		
3.99% mortgage, repayable in monthly instalments of \$1,142 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 2007.	88,457	97,775
<b>Loan #2</b>		
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.	56,022	59,588

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## Membertou Reserve Band Council

### Notes to the Consolidated Financial Statements

March 31, 2003

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#### 7. Long term debt (Cont'd) 2003 2002

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

###### 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.

**70,964** 75,674

###### 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.

**47** 3,777

###### 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.

**103,250** 110,831

###### 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.

**373,689** 396,128

###### 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.

**159,981** 228,378

###### 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.

**295,659** 309,312

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## Membertou Reserve Band Council

### Notes to the Consolidated Financial Statements

March 31, 2003

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7. Long term debt (Cont'd)	<u>2003</u>	<u>2002</u>
<b>Canadian Imperial Bank of Commerce Mortgage Corporation (Cont'd)</b>		
<b>Loan # 9</b>		
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.	81,276	85,050
<b>Loan # 10</b>		
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.	25,452	26,627
<b>Loan # 11</b>		
3.99% mortgage, repayable in monthly instalments of \$345 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 2007.	29,337	31,876
<b>Loan # 12</b>		
3.99% mortgage, repayable in monthly instalments of \$2,040 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.	283,539	294,021
<b>Loan # 13</b>		
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.	231,972	240,548
<b>Loan # 14</b>		
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.	391,809	406,294

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## Membertou Reserve Band Council

### Notes to the Consolidated Financial Statements

March 31, 2003

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7. Long term debt (Cont'd)	<u>2003</u>	<u>2002</u>
<b>Canadian Imperial Bank of Commerce Mortgage Corporation (Cont'd)</b>		
<b>Loan # 15</b>		
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.	257,034	266,688
<b>Loan # 16</b>		
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.	9,195	10,551
<b>Loan # 17</b>		
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.	7,733	8,963
<b>Loan # 18</b>		
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.	218,459	226,523
<b>Loan # 19</b>		
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.	180,396	185,895
<b>Loan # 20</b>		
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.	11,449	12,731

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## Membertou Reserve Band Council

### Notes to the Consolidated Financial Statements

March 31, 2003

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**7. Long term debt (Cont'd)** 2003 2002

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

**Loan # 21**

7.0% mortgage, repayable in monthly instalments of \$901 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.

**111,029** 114,074

**Loan # 22**

7.0% mortgage, repayable in monthly instalments of \$1,401 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.

**171,907** 176,686

**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.

**137,600** 141,419

**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.

**153,850** 157,695

**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.

**103,326** 105,908

**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.

**280,297** 286,900

# Membertou Reserve Band Council

## Notes to the Consolidated Financial Statements

March 31, 2003

### 7. Long term debt (Cont'd)

<b>Canada Mortgage and Housing Corporation</b>	<b><u>2003</u></b>	<b><u>2002</u></b>
<b>Loan # 1</b>		
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.	<b>175,554</b>	179,189
<b>Loan # 2</b>		
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.	<b>56,201</b>	57,375
<b>Loan # 3</b>		
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.	<b>180,163</b>	182,717
<b>Loan # 4</b>		
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.	<b>339,892</b>	345,259
<b>CIBC Equipment Finance Limited</b>		
7.6% capital lease, repayable in monthly instalments of \$1,255 on account of principal and interest, maturing November 2004.	<b>23,530</b>	36,306
<b>Bank of Montreal</b>		
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, the interest rate is fixed to June 2003.	<b>215,126</b>	222,849

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## Membertou Reserve Band Council

### Notes to the Consolidated Financial Statements

March 31, 2003

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**7. Long term debt (Cont'd)** 2003 2002

**Caterpillar Lease**

Lease repayable in monthly instalments of \$1,556 including interest at 8.5%. Secured by a chattel mortgage on a 1995 Cat Excavator. Matures September 2003. 17,670 34,150

Lease repayable in monthly instalments of \$1,459 including interest at 9.2%. Secured by a chattel mortgage on a 1999 Cat Backhoe Loader. Matures June 2005. 34,199 47,870

**Chrysler Canada**

Chrysler Canada loan repayable in monthly instalments of \$724 including interest at 8.45%. Secured by a chattel mortgage on a 1998 Dodge Ram 350. Matures November 2003. 5,604 13,450

Demand loan bearing interest at prime + 1%, payable in equal monthly instalments of \$1,942 plus interest. 211,638

Mortgage advances	<b>511,875</b>		
	<b>7,611,405</b>		6,115,063
Less: current portion	<b>598,547</b>		472,990
	<b>\$ 7,012,858</b>		<b>\$ 5,642,073</b>

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

2004	\$	598,547
2005	\$	580,057
2006	\$	491,862
2007	\$	487,011
2008	\$	514,138

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.

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## **Membertou Reserve Band Council**

### **Notes to the Consolidated Financial Statements**

March 31, 2003

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#### **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.

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#### **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.
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#### **10. Commitments**

The Band has entered into an agreement to lease office space for a period of three 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 three years is as follows:

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

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## Membertou Reserve Band Council

### Notes to the Consolidated Financial Statements

March 31, 2003

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#### 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>2003</u>	<u>2002</u>
Net assets, beginning of year	\$ 14,730	\$ 13,914
Interest earned	<u>857</u>	<u>816</u>
Net assets, end of year	<u>\$ 15,587</u>	<u>\$ 14,730</u>

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#### 12. Comparative figures

Certain of the 2002 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2003.

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

Year Ended March 31	Budget	2003	2002
<b>Social development</b>			
Administration	\$ 180,129	\$ 152,281	\$ 94,719
Adult care	91,200	48,231	71,657
Basic and special needs	2,587,984	2,221,366	2,502,123
Social assistance transfers		157,147	40,420
	<u>\$ 2,859,313</u>	<u>\$ 2,579,025</u>	<u>\$ 2,708,919</u>
<b>Band government</b>			
Band support			
Core funding	\$ 312,000	\$ 312,000	\$ 312,000
Salaries	607,299	824,657	566,036
Travel	87,600	90,889	79,111
	<u>1,006,899</u>	<u>1,227,546</u>	<u>957,147</u>
General			
Administration - insurance	13,296	19,025	6,708
Bad debts		10,000	2,458
Council meetings	4,740	3,506	8,398
Heat and light	10,000	17,862	11,641
Interest expense	30,500	26,714	13,821
Interest on operating loan		3,329	1,403
Janitorial services	52,775	29,724	32,577
Miscellaneous	12,792	10,285	2,376
Office and stationery	19,200	8,270	14,526
Office equipment	85,148	46,905	59,096
Postage	7,003	11,324	8,452
Professional services	68,100	104,822	39,187
Professional development	14,004	32,503	14,930
Telephone and internet	34,055	55,927	35,081
	<u>1,358,512</u>	<u>1,607,742</u>	<u>1,207,801</u>
Less: Transferred to other programs	<u>(136,070)</u>	<u>(145,633)</u>	<u>(189,585)</u>
	<u>\$ 1,222,442</u>	<u>\$ 1,462,109</u>	<u>\$ 1,018,216</u>



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

Year Ended March 31	Budget	2003	2002
<b>Wallace Bernard Centre</b>			
Professional development	\$ 3,000	\$ 490	\$ 1,702
Repairs and maintenance	10,200	35,089	8,467
Salaries - benefits	21,278	7,050	8,368
Salaries - director	26,000	33,987	27,538
Salaries - teachers	130,679	123,491	108,732
Salaries - maintenance	27,308	23,410	6,612
School replacement reserve	35,000	35,000	
Supplies	30,800	24,900	19,915
Utilities	7,476	9,314	9,054
	<u>291,741</u>	<u>292,731</u>	<u>190,388</u>
Less: expense transferred		(99,854)	(97,100)
	<u>\$ 291,741</u>	<u>\$ 192,877</u>	<u>\$ 93,288</u>

<b>Education program</b>			
Graduation	\$ 6,000	\$ 600	\$ 6,667
Instructional services	225,065	240,179	195,558
Monitor		10,111	18,640
Peer tutoring	30,223	26,524	23,244
Post Secondary - incentives	15,000	4,550	6,000
Post Secondary - supplies	30,000	8,787	21,718
Post Secondary - transportation	8,000	6,189	7,529
Post Secondary - tuition and allowance	773,900	623,846	683,408
Supplies	24,000	22,922	14,344
Transportation - repairs and fuel	67,180	45,429	49,704
Transportation - salaries	98,785	98,913	100,674
Transportation - professional development			1,041
Assessment and remediation	18,000	51,608	18,940
Cap site	42,931	39,122	35,205
Computer equipment	12,000	11,000	
Religious coordinator	22,994	21,637	21,584
Travel	24,900	31,331	16,188
Tuition and allowance	654,865	1,024,602	476,005
	<u>\$ 2,053,843</u>	<u>\$ 2,267,350</u>	<u>\$ 1,696,449</u>

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

Year Ended March 31	Budget	2003	2002
<b>Economic development</b>			
Economic development	\$ 30,000	\$ 36,302	\$ 75,082
Economic development - other			88,834
Halibut project			60,375
ISO 9000 project			9,460
Electronic data management storage	41,860	45,147	93,491
Heritage Centre		97,879	83,313
Mi'Kmaq Association of Cultural Studies		82,000	
Land management		9,655	
Joint community planning		232,537	
Membertou Market		273,640	184,162
Membertou Trade and Convention Centre		75,000	
	<u>\$ 71,860</u>	<u>\$ 852,160</u>	<u>\$ 594,717</u>
<b>Employment development</b>			
Housing repair project		\$ 136,583	\$ 137,944
Outreach	\$ 46,030	49,304	47,148
Pathways	296,157	139,467	322,230
First Nations Childcare		75,000	
	<u>\$ 342,187</u>	<u>\$ 400,354</u>	<u>\$ 507,322</u>
<b>Medical services</b>			
Aboriginal head start program	\$ 24,852	\$ 30,487	\$ 24,652
Aboriginal Healing fund		52,925	
Advisory board		499	
Brighter futures	51,600	43,976	40,180
Community health nurse	94,458	67,358	62,918
Community health representative	74,754	42,429	33,966
Contingency		10,843	
Data entry clerk	6,080	26,358	25,782
Health clerk supplies and travel	1,800	3,836	1,769
Health director	63,792	67,058	56,279
Home care nursing	136,112	138,295	67,139
Operations and maintenance	79,603	61,291	43,213
Mental health	32,115	32,678	59,232
Moveable capital asset replacement reserve		23,000	
Pre-natal nutrition program	14,786	10,170	14,785
Summer student		22,098	6,066
Training plan		250	
Transportation	95,026	77,397	95,928
Wellness home receptionist	1,800	1,944	
	<u>\$ 676,778</u>	<u>\$ 712,892</u>	<u>\$ 531,909</u>



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

Year Ended March 31	Budget	2003	2002
<b>Revenue</b>			
Rental	\$ 696,000	\$ <b>709,638</b>	\$ 708,700
C.M.H.C. subsidy	225,343	<b>227,380</b>	226,394
Interest			1,571
	<u>921,343</u>	<u><b>937,018</b></u>	<u>936,665</u>
<b>Expenditures</b>			
Administration	129,936	<b>201,609</b>	140,662
Allocation to replacement reserve (Note 3)	95,376	<b>33,276</b>	39,501
Bad debts	18,000	<b>16,500</b>	8,231
Insurance	25,000	<b>21,920</b>	33,714
Interest and bank charges	1,200	<b>2,520</b>	1,000
Maintenance	240,000	<b>449,277</b>	460,411
Mortgage interest	301,630	<b>304,242</b>	308,586
Mortgage principal	242,319	<b>238,914</b>	220,712
Other		<b>9,092</b>	
Public works		<b>8,106</b>	
Transferred from Membertou Operating Fund	<u>(150,000)</u>	<u><b>(145,630)</b></u>	<u>(200,000)</u>
	<u>903,461</u>	<u><b>1,139,826</b></u>	<u>1,012,817</u>
Deficiency of revenue over expenditure	\$ <u>17,882</u>	\$ <u><b>(202,808)</b></u>	\$ <u>(76,152)</u>
<hr/>			
Deficit, beginning of year		\$ <b>(214,155)</b>	\$ (138,003)
Deficiency of revenue over expenditure		<u><b>(202,808)</b></u>	<u>(76,152)</u>
Deficit, end of year		\$ <u><b>(416,963)</b></u>	\$ <u>(214,155)</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	2003	2002
<b>Revenue</b>		
Bingo cards	\$ 753,885	\$ 786,798
Dabber sales	1,023	4,668
Sale of cigarettes	1,650,297	1,414,413
Cost of merchandise sold	<u>(1,431,302)</u>	<u>(1,191,442)</u>
	<b>973,903</b>	<b>1,014,437</b>
<b>Expenses</b>		
Administration fees	36,000	10,500
Advertising	8,437	8,046
Bad debts		351
Bank charges	1,007	449
Banquet	10,324	7,370
Baseball	750	8,984
Callers	5,000	4,700
Canteen	1,485	1,385
Cards	6,905	22,625
Cash over/short	(325)	1,950
Commissions	11,627	10,381
Community	25,164	58,436
Dog control	19,223	11,667
Donations - Membertou General	41,480	82,280
Hockey	39,393	21,297
Miscellaneous	75,533	7,320
Prizes	530,749	574,408
Promotion	400	495
Rent	42,521	43,355
Repairs and maintenance - tobacco	13,366	13,041
Security	500	264
Seniors	7,500	9,000
Student programs	5,713	10,155
Supplies - tobacco	903	95
Telephone - tobacco	1,279	602
Utilities - tobacco	5,028	6,132
Wages - tobacco	1,368	41,818
Medical assistance	24,219	
Youth programs	<u>105,797</u>	<u>41,431</u>
	<b>1,021,346</b>	<b>998,537</b>
Net (loss) earnings before other income	(47,443)	15,900
Miscellaneous income	3,095	
Basketball fundraising	15,457	
Wallace Bernard tournament	(11,070)	2,562
Ball tournament and donations		<u>3,425</u>
Excess of (expenses over revenue) revenue over expenses	<u>\$ (39,961)</u>	<u>\$ 21,887</u>
<hr/>		
Surplus, beginning of year	\$ 40,583	\$ 18,696
Excess of (expenses over revenue) revenue over expenses	<u>(39,961)</u>	<u>21,887</u>
Surplus, end of year	<u>\$ 622</u>	<u>\$ 40,583</u>

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

Year Ended March 31	Budget	2003	2002
<b>Revenue</b>			
Fishing boat revenue	\$2,806,800	<b>\$1,492,335</b>	\$1,000,854
Department of Fisheries (Page 29)	96,000	<b>484,088</b>	427,000
Consulting fees (net)		<b>74,074</b>	55,124
Rental income	27,000	<b>25,792</b>	26,891
Investment income	124,000	<b>981</b>	399
Mi'Kmaq Employment Training Secretariat		<b>60,507</b>	
Corporate Partnerships	50,000		
Clearwater Processing (net)	125,000	<b>87,892</b>	91,940
Miscellaneous	12,000	<b>8,500</b>	29,874
	<u>3,240,800</u>	<u><b>2,234,169</b></u>	<u>1,632,082</u>
<b>Expenses</b>			
Fishing boat expenses	1,799,144	<b>918,442</b>	762,381
Department of Fisheries (Page 29)	96,000	<b>495,762</b>	429,271
Contribution to Marshall trust		<b>50,000</b>	
Accounting software support		<b>11,012</b>	
Microsoft engineering project		<b>135,150</b>	
Wages and benefits - corporate	119,960	<b>154,464</b>	63,795
Office rent – corporate	67,548	<b>73,743</b>	55,163
Interest on capital lease	21,696	<b>7,700</b>	9,595
Telephone - corporate	6,120	<b>15,338</b>	6,155
Legal fees	12,000	<b>48,495</b>	131,440
Bank charges		<b>1,110</b>	222
Community	6,000	<b>2,970</b>	3,134
Travel	30,000	<b>51,470</b>	49,288
Office	15,384	<b>27,127</b>	22,245
Depreciation		<b>11,610</b>	13,447
Leasehold improvements			9,648
Consulting fees		<b>5,968</b>	3,331
Professional development		<b>96</b>	6,599
Marketing and trade show		<b>23,220</b>	18,143
Miscellaneous	18,000	<b>25,075</b>	9,239
Bad debts			25,000
Administrative fees	124,800	<b>124,800</b>	124,800
Contribution to Membertou General			31,969
	<u>2,316,652</u>	<u><b>2,183,552</b></u>	<u>1,774,865</u>
Excess of revenue over expenditure (expenditure over revenue)	<u>\$ 942,148</u>	<u><b>\$ 50,617</b></u>	<u>\$ (142,783)</u>
Surplus, beginning of year		<b>\$ 119,012</b>	\$ 261,795
Excess of revenue over expenditure (expenditure over revenue)		<u><b>50,617</b></u>	<u>(142,783)</u>
Surplus, end of year		<u><b>\$ 169,629</b></u>	<u>\$ 119,012</u>

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

Year Ended March 31	Budget	2003	2002
<b>Revenue</b>			
Department of Fisheries and Oceans	\$ 260,000	\$ <b>484,088</b>	\$ 427,000
Interest revenue			79
	<u>260,000</u>	<u><b>484,088</b></u>	<u>427,079</u>
<b>Expenses</b>			
MED training			40,914
Basic survival training		<b>14,153</b>	18,400
Deckhand training	150,000	<b>119,169</b>	78,745
Class IV training			22,106
Training – geomatics		<b>211,236</b>	
Fisheries technicians training	50,000	<b>54,236</b>	57,452
Training - vessel rental		<b>5,000</b>	20,000
Training - classroom rental		<b>5,000</b>	20,000
Training - administration		<b>7,500</b>	42,384
Office equipment		<b>245</b>	67,000
Vessel expense		<b>19,223</b>	2,270
Fisheries Coordinator	60,000	<b>60,000</b>	60,000
	<u>260,000</u>	<u><b>495,762</b></u>	<u>429,271</u>
Excess of expenditure over revenue	\$ <u>          </u>	\$ <u><b>(11,674)</b></u>	\$ <u>(2,192)</u>

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

Year Ended March 31	Budget	2003	2002
<b>Revenue</b>			
Video lottery operations	\$ 1,448,764	\$ 2,888,591	\$ 135,533
Province of Nova Scotia	225,000	236,771	115,242
Other revenue		548	708
Administrative recoveries	36,000	36,000	10,500
ATM surcharges		29,735	
	<u>1,709,764</u>	<u>3,191,645</u>	<u>261,983</u>
<b>Expenditures</b>			
Wages and benefits	266,457	519,745	46,063
Security wages and benefits	86,400	257,907	19,703
Security fees	43,200	115,388	17,091
Office supplies	600	29,868	1,743
Repairs and maintenance	23,000	29,107	2,453
Heat and lights	34,000	23,142	
Telephone		8,954	689
Professional fees	10,000	6,048	4,968
Insurance	6,000	406	
Armoured car	16,541	16,198	6,339
Rent	12,000	57,000	3,500
Cash over/short		1,188	208
Travel		953	115
Bank charges	1,200	3,023	82
Miscellaneous	2,400	8,919	11
Uniforms		2,467	
Depreciation		17,425	
Janitorial		5,631	
Interest on long term debt	16,087	10,553	
Employee development		1,453	
Community contribution	1,000,000	592,000	
Community donations		12,000	
	<u>1,517,885</u>	<u>1,719,375</u>	<u>102,965</u>
Excess of revenue over expenditures	\$ <u>191,879</u>	\$ <u>1,472,270</u>	\$ <u>159,018</u>

Surplus, beginning of year		\$ 165,357	
Excess of revenue over expenditures		<u>1,472,270</u>	\$ 165,357
Surplus, end of year		\$ <u>1,637,627</u>	\$ 165,357

**Membertou Reserve Band Council**  
**The Membertou Market**  
**Statement of Revenues and Expenditures**

Year Ended March 31

**2003**

Sales	<b>\$ 2,935,975</b>
Cost of Sales	
Purchases	<b>2,859,523</b>
Ending inventory	<b>76,500</b>
<b>2,783,023</b>	
Gross margin	<b>152,952</b>
Operating expenditures	
Salaries and wages	<b>154,826</b>
Employee benefits	<b>17,144</b>
Employee travel	<b>10,684</b>
Employee training	<b>230</b>
Insurance	<b>1,725</b>
Repairs and maintenance	<b>22,903</b>
Office supplies	<b>4,516</b>
Depreciation	<b>32,757</b>
Donations	<b>700</b>
Advertising and promotion	<b>98,082</b>
Telephone	<b>5,125</b>
Uniforms	<b>10,382</b>
Interest on long-term debt	<b>34,829</b>
Credit card charges	<b>8,714</b>
Professional fees	<b>1,542</b>
Interest and bank charges	<b>647</b>
Miscellaneous	<b>10,010</b>
	<b>414,816</b>
Commission income	<b>93,937</b>
Gas volume rental	<b>77,396</b>
	<b>171,333</b>
Net operating income	<b>(90,531)</b>
Rental income	<b>45,000</b>
Aboriginal Business Canada	<b>50,614</b>
	<b>95,614</b>
Net earnings	<b>\$ 5,083</b>