



Growing into Our Future

Annual Report 2013- 2014

Year in Review





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Membertou: *The Growing* *Mi'kmaq Community*

Like many communities, Membertou has grown significantly over the years. The changes that have taken place are incredible and inspiring. Both as a community and an organization, Membertou has developed and expanded in many ways. In the beginning there was only one road in and out of Membertou. Now, with two new access roads, community members can access downtown Sydney, the Cape Breton Regional Hospital and many other shops and services with ease. Soon the public will be able to enter Membertou directly from Highway 125, with the development of the Highway 125 Interchange.

The population of Membertou increases every year and has now reached 1400 registered band members. With this increase in population, the need for housing has grown. Since 2005, 107 houses have been built for community members. Membertou has also purchased more land allowing for more commercial and residential expansion. Since 2008, approximately 782 acres of land have been acquired for community expansion.

With the significant growth in land and population the need for the development of various codes is necessary. The Membertou Governance Committee has been working diligently on citizenship and land management codes. Countless engagement

sessions have taken place to get feedback from the community on these very important laws. Specific engagement sessions have been conducted for the youth, Elders and women in the community. As an organization, Membertou offers many services in hospitality, gaming, gas and convenience, commercial fisheries, real estate, information technology, and geomatics among others. Most recently, Membertou has taken an active role in the tourism industry through its Destination Membertou initiative. Through the Hampton Inn by Hilton Hotel, the Membertou Trade and Convention Centre, the Membertou Heritage Park and the Membertou Entertainment Centre, Membertou is able to create a location for visitors to stay, dine, shop and play. If each of these parts stood alone, they might draw a portion of the tourism visitors, however, together, opportunity captures a larger base increases. Destination Membertou is an initiative to market Membertou as a tourist destination for travelers to Cape Breton Island.

Despite all the growth in Membertou, the community remains proud of its Mi'kmaq culture. It is a community first and foremost, the Mi'kmaq culture and heritage is something that is held closely and protected. Membertou will continue to grow and expand in many ways, but will always be a proud and flourishing Mi'kmaq community.

Message from Chief & Council

We are pleased to report that 2013/2014 was another successful year for our organization and community. We made significant progress in a number of areas and our community, as a whole, has become stronger because of it. Our financials are holding strong, the past year has brought important community growth, specifically in the areas of membership, housing, land governance and land acquisition. There were also many improvements made to our social programs and services such as the Youth Chief and Council, and we are very proud to see our youth taking on more responsibility.

In the area of economic development, the construction of our new elementary school is very much underway and we expect to see a grand opening with the start of the new school year in September 2014. The Highway 125 Interchange and Churchill Drive Extension project has gained attention from national organizations and partnerships are being formed. We feel the decisions we have made over the past year were the right choices to better position us to continue on our path to self-sustainability.

As we move toward the future, we must continue to look to our Elders for guidance and advice, and believe in our youth. We have come this far by working together and creating realistic opportunities for our people. We will only continue on this progressive path if we remain dedicated to creating a healthy, strong future for our community built on the foundation of our culture and heritage.

*We are sincerely grateful to you
as your Chief and Council. **Wela'lioq***

2013 / 2014 Chief & Council



Chief Terrance Paul

Darrell Bernard

Dan Christmas

Dean Christmas

Julie Christmas

Robin Googoo

Lee Gould

Johanna LaPorte

Paul MacDonald

David Marshall

Allister Matthews

Anthony Paul

Lawrence Paul Jr.

Membertou Youth Chief & Council



The Membertou Youth Chief and Council is a council made up of youth aged 15-18 from the community of Membertou. The council was developed in 2011 to be a voice for the youth by discussing and addressing issues and concerns that impact them as youth in the community.

Since the start-up of the youth chief and council in 2011, the initiative has grown substantially. The youth chief and council had their first election in 2013. Candidates for youth chief prepared presentations that explained their

campaign platform. Both candidates shared their platform with their peers during school hours in September. The successful candidate was chosen by anonymous votes through ballot submission. Only Membertou students were eligible to vote.

A call for submissions was shared within the community for any youth who were interested in being part of the council. These submissions included a short paragraph of why they wanted to be part of the youth council. Six positions were open for youth chief and council members, five submissions were received and accepted.

This past year the youth chief and council held many events for the youth in the community. The council organized a Christmas Social for all youth in the five Mi'kmaq communities in Cape Breton, they held a food drive to support protesters in Elsipogtog First Nation, took part in the Sydney Christmas Parade, and put on a Winter Carnival in early March. A few of the council members also had the opportunity to travel to different youth conferences in communities across Canada. These experiences have taught them the importance of planning and budgeting.

The Voices of Our Future

The Membertou Youth Chief and Council members have grown professionally and personally over their elected term. Each member has recognized the importance of their role within the community and has embraced it with pride. Having regular meetings and planning events has allowed each member to acknowledge the magnitude of giving and receiving respect, working as a team and being accountable to one another and the community. The experience of being part of a group such as this has also given the members a better sense of responsibility, self confidence and self esteem.

Youth Chief Arnold Doucette

Storm Christmas

Kelsie Francis

Kennedy Marshall

Boyd McEwan

Jody Paul

Kelly Paul

Shaya Sark

Caroline Sylvester



Membertou Elementary School Youth Chief & Council



Membertou Elementary Youth Chief and Council started out as a school project for Rebecca Scirocco-Paul, who was enrolled in the Indigenous Woman Community Leadership Program. Rebecca had completed a 6-week work term at the Membertou Elementary. We are now going into our third year with the school election. We have elected two groups of Chief and Council 2012-2013, and 2013-2014.

Membertou students were introduced to election process that is used by Membertou for their election. There were a few short lessons that were carried out explaining the process of the election and how the election is run. Once the lessons are completed the students hold a nomination meeting. Students are eligible for nomination

in the school election. All grades participate in the nomination process. Once the nominations are complete the students who are nominated are to campaign to their fellow students. The campaigners are known to make signs, posters, and pins that are displayed all around the school.

The next phase of the election is the actual voting process. We set up the gym as you would for the polls for the actual election. We invite some members of Membertou Chief and Council as well as the electoral officers to participate. We have a voters list the students in the school that are eligible to vote. The ballots have the nominated candidates and each student goes to a voting booth to cast their ballot.

The Voices of Our Future

Votes are counted after they are collected. Once we have confirmed all the votes are counted we make the announcement. Once the elected Chief and Council are selected, they have the honor of attending a breakfast meeting with Membertou's Chief and Council. At this time they mingle with the Chief and Council and they have an opportunity to ask them questions and we follow with a group picture.

Chief Kianna LaPorte, Grade 6
Parents: Shawnee and Edwin LaPorte

Emily Bernard, Grade 6
Parents Shawn Bernard and Allison Smith

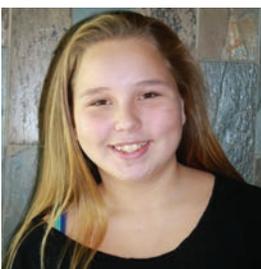
Isaac Bernard, Grade 6
Parents: Trevor Bernard and Carola Knockwood

Bradye Christmas, Grade 6
Parents: Rose and Austin Christmas

Noah Cremo, Grade 6
Parents: Valerie Matthews and Jake Cremo

Andrew Johnson, Grade 5
Parents: GERALYN Johnson and John T. Johnson

Kaleigh Paul, Grade 5
Parents: Rebecca and Leon Paul



Destination Membertou



2
Membertou Heritage Centre / Petroglyphs Gift Shop

3
Membertou Trade & Convention Centre / Kiju's Restaurant

1
Membertou Market / Kiju's Chicken & Deli

8
Membertou Business Centre

- 1** **Membertou Market**
- Opened in 2003
 - 5,000 Square Foot Facility
 - Convenience Store & Gas Station
 - Kiju's Chicken & Deli Express

- 2** **Membertou Heritage Park**
- Opened in 2012
 - 5500 Square Foot Facility
 - Aboriginal Culture & Heritage Displays
 - Petroglyphs Gift Shop

- 3** **Membertou Trade & Convention Centre (MTCC)**
- Opened in 2004
 - 47,000 Square Foot Facility
 - Meeting and Conventions
 - Kiju's Restaurant
 - Concerts & Special Events

- 4** **Hampton Inn by Hilton Membertou**
- Opened in 2012
 - 148 Rooms
 - Meeting Space
 - Pedway to MTCC



4

Hampton Inn by Hilton Membertou

6

Membertou Entertainment Centre

Future Location of Membertou Sport & Wellness Centre

7

Membertou Gaming Commission

5

Membertou Professional Centre

9

5 Membertou Gaming Commission
- Opened in 2001
- Five Locations
- Video Lottery Terminals Casinos

7 Future Membertou Sport & Wellness Centre
- 1,250 Seat Main Arena
- 3,000 Square Foot Community Fitness Centre
- Walking Track

6 Membertou Entertainment Centre
- Opened in 2007
- 33,000 Square Foot Facility
- Bingo Games Five Nights Per Week
- Two Video Lottery Terminal Casinos

8 Membertou Business Centre
- Opened in 2011
- 33,000 Square Feet of Commercial Real Estate

9 Membertou Professional Centre
- Opened in 2013
- 20,000 Square Feet of Commercial Real Estate

Governance Committee

Activities

Drafting of Membertou/ Maupeltu Land Code



On January 16, 2014, the Governance Committee completed a first draft of the Membertou/Maupeltu Land Code. A Land Code is a land law that can be developed by Membertou under the First Nations Land Management Act and Framework Agreement and could replace the land management provisions of the Indian Act. This draft took a year to complete. In January and April, the Governance Committee and Ms. Jeanie Lanine from Cedar Law held a series of community engagement sessions in Membertou to receive input from members of the community on the development of Membertou's Land Code, Matrimonial Property Law and the Land Allotment Law.

After these successful sessions the Draft Membertou Land Code has undergone various revisions and is currently on its 11th draft. It is currently undergoing a legal review by Ms. Lanine. Once legal review is complete the draft will be shared with the Mi'kmaw translation committee to start translating the code. The goal is to have the community ratification vote in November 2014.

The First Nations Lands Advisory Board will be hosting their next Board of Directors meeting in Membertou from September 8-11th, 2014. Membertou members will be given an opportunity to host and meet with other communities who now manage their lands under the Framework Agreement on First Nations Land Management.



Phase I Environmental Site Assessment

A Phase I Environmental Site Assessment, which is completed to assess the risk of potential environmental liability at a property associated with activities at a site or neighbouring lands, was completed by Stantec of the following Membertou Reserve: Sydney Indian Reserve 28A, Membertou 28 B, and Caribou Marsh 29. The ESA was then reviewed by Council and the findings were accepted in the fall.



Case Study - Membertou Land Management

The Managing Land, Governing for the Future: Finding the Path Forward for Membertou research project was completed and tabled with Chief and Council in the fall. A copy of the report was shared with most First Nations in Canada who are currently either operational or developmental under the First Nation Land Management Code and Framework Agreement

Youth Governance Sessions

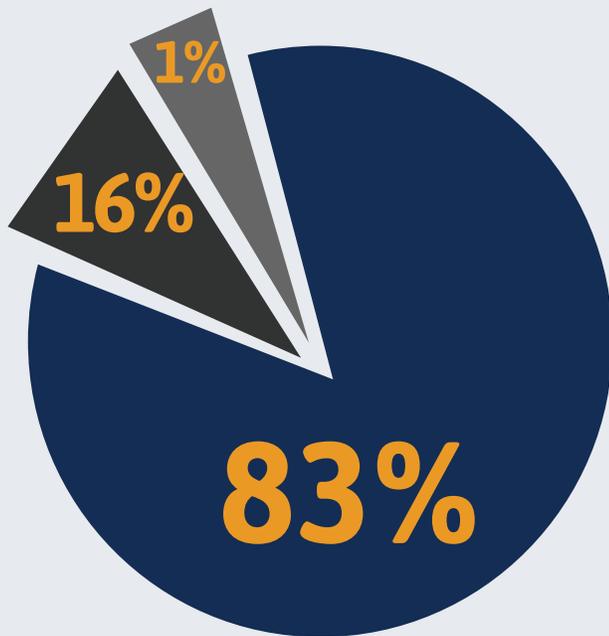
The Membertou Governance Committee is also active with the youth of Membertou. In the Summer of 2013, various activities were coordinated throughout the summer with the Membertou youth, based on recommendation made by the Youth Chief and Council. They were taken on medicine walks on Membertou Land in Caribou Marsh and Forchu. The youth also accompanied Membertou Elders on the Kluscaps cave and canoe tour mid-July. In August they participated in a tepee workshop and waltzes games with elders.

Next Steps

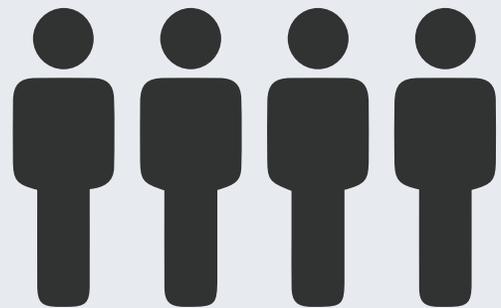
Looking to the future the Membertou Governance Committee will strive for ongoing community engagement and input on Membertou/Maupeltu Land Code, translation of the Land Code into Mi'kmaq and community engagement sessions on Citizenship/Membership Code.



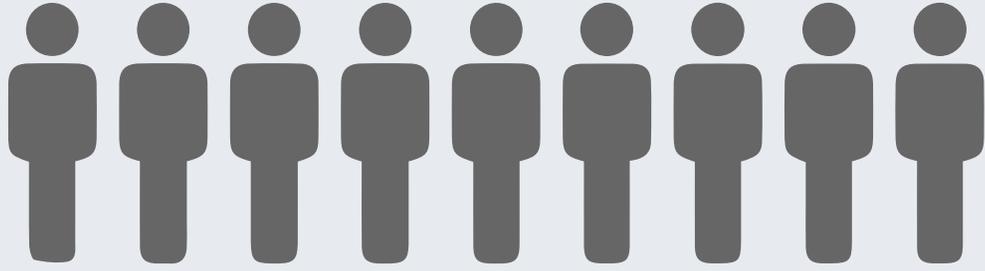
MEMBERTOU REVENUE SOURCE



782 ACRES
PURCHASED SINCE 2008



MEMBERTOU IS THE **4TH**
LARGEST EMPLOYER IN
THE CBRM



**65% INCREASE IN
POPULATION SINCE 1995**



**107
NEW HOMES
SINCE 2005**

**MEMBERTOU IS RESPONSIBLE FOR
\$1.2 MILLION
PAID ANNUALLY IN CBRM TAXES**

Financial Message from CFO Mike McIntyre

The 2014 fiscal year was a solid year for operations for Membertou.

A surplus of \$10,343,599 was posted, on total revenues of \$124,622,159, which represents a 12.7% increase over the previous fiscal, while our total overall cash position improved by \$3,286,322.

In addition, our working capital ratio improved .85 to 1 from .55 to 1 the prior fiscal year. While the band has not yet achieved our goal of exceeding the 1 to 1 threshold, this represents continued improvement. On top of an increased cash flow position, Membertou completed several major capital projects during the 2013/2014 fiscal year that included:

With financial assistance of \$5.9 million from Mi'kmaw Kina'matnewey, Membertou completed the construction of a new K- 6 elementary school, with the assistance of Efficiency Nova Scotia and the Eco Energy program from Aboriginal Affairs and Northern Development Canada (AANDC). The school was built using a high efficiency geothermal heating system and solar panels to minimize operating costs and Membertou's carbon foot print.

Partnering with the Province of Nova Scotia and AANDC, Membertou has completed a new highway 125 interchange costing \$8.5 million; this will provide additional access to our community and will help enhance future community development opportunities. Real estate acquisitions in excess of \$2 million have substantially increased the land base of the community, thus providing future residential and commercial development opportunity.

During the 2013/2014 fiscal year, Membertou reinvested back \$2,597,822 into the community as illustrated below;

Community support	\$423,593
Seniors	\$83,409
Sport and youth programs	\$108,798
Membertou Pow Wow	\$17,022
Annual Community Donation	\$1,965,000

Membertou has continued to build homes under the First Nation Market Housing fund, and 8 new units have been completed during the fiscal year. In addition, \$57,600 in assistance was provided to four community members to build their own homes under the Band's Affordable Housing Program.

Overall, our financial results have exceeded our budgeted expectations, and continue to show strong growth and improvement.

The overall goal is to continue to improve our financial health, continue to diversify our revenue base to ensure that we deliver high quality programs and services.

Independent Auditor's Report

To the Chief and Councillors of the Membertou Reserve Band Council

We have audited the accompanying consolidated statement of financial position of the Membertou Reserve Band Council (the "Band Council") as at March 31, 2014, and the consolidated statement of operations, changes in net financial liabilities, statement of fund balances, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Band Council's management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Band Council's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Band Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Band Council's management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Membertou Reserve Band Council as at March 31, 2014, and the results of its operations, changes in its net financial liabilities, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Sydney, Nova Scotia
July 29, 2014

Grant Thornton LLP
Chartered accountants



Grant Thornton
Audit • Tax • Advisory

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Membertou Reserve Band Council

Consolidated Statement of Operations

Revenue	Budget	2014	2013
Aboriginal Affairs and Northern Development Canada	\$5,567,416	8,923,459	\$7,388,406
Education	2,597,267	7,904,416	3,368,945
Employment Development	434,580	434,580	504,007
Health Canada Programs	1,077,374	2,177,253	1,652,453
Department of Fisheries and Oceans - AFS	162,000	167,000	162,000
Rental income	6,360	33,569	40,071
Province of Nova Scotia	225,000	214,435	203,990
Membertou Housing Fund	1,272,000	1,478,358	1,434,611
Membertou Public Works	-	3,414,176	1,719,410
Membertou Enterprise Fund	3,945,936	3,860,179	3,520,580
Membertou Development Corporation	88,000	562,102	579,822
Membertou Commercial Fisheries	2,834,026	2,840,693	3,044,611
Membertou Gaming Comission Inc.	70,182,720	75,671,464	69,837,576
Membertou Market	6,930,800	6,724,426	6,758,571
Membertou Trade & Convention Centre Ltd.	2,950,445	2,393,894	2,534,017
Membertou Entertainment Centre	6,435,851	6,222,420	6,290,505
Membertou Insurance Brokers Inc.	220,992	74,152	113,743
Membertou Rental Division	900,535	663,895	548,906
Membertou Cultural & Heritage Centre Foundation	206,400	90,033	98,172
Membertou Data Centre	239,904	297,850	236,099
Membertou Geomatics	355,000	353,504	394,860
Sundry	-	120,301	74,018
	\$106,632,606	\$124,622,159	\$110,505,373
Expenditures			
Aboriginal Affairs and Northern Development Canada	8,982,648	11,614,665	10,897,586
Education	3,107,794	3,119,558	3,011,546
Employment Development	435,484	428,058	490,784
Health Canada Programs	1,075,211	1,787,326	1,554,403
Department of Fisheries and Oceans -AFS	175,257	167,192	190,092
Memertou Housing Fund	2,485,369	2,628,457	3,158,744
Membertou Public Works	1,438,389	1,653,475	1,256,449
Membertou Enterprise Fund	3,562,934	3,800,440	3,270,840
Membertou Development Corporation	625,064	892,784	742,314
Membertou Commercial Fisheries	1,786,037	2,365,394	1,878,592
Membertou Gaming Comission Inc.	60,026,649	65,314,168	59,931,129
Membertou Market	6,842,244	6,801,795	6,751,425
Membertou Trade and Convention Ltd.	3,098,461	3,053,099	3,274,597
Membertou Entertainment Centre	5,829,888	5,970,061	5,817,899
Membertou Insurance Brokers Inc.	118,290	117,265	129,124
Membertou Rental Division	749,582	876,395	591,308
Membertou Cultural & Heritage Centre Foundation	261,615	287,615	288,012
Membertou Data Centre	387,728	379,354	344,575
Membertou Geomatics	320,445	322,828	310,350
Interest and Bank Charges	622,462	405,632	373,348
	101,931,551	111,985,561	104,263,117

Membertou Reserve Band Council

Consolidated Statement of Operations Cont.

Expenditures Cont.			
Excess of Revenue over expenditures before other (expense) income	4,701,055	12,636,598	6,242,256
Community Member Contributions	(1,950,000)	(1,965,000)	(1,949,500)
Investment Allowance	-	(114,195)	(73,573)
Share of limited partnership loss	-	(213,804)	-
Gain on Disposal of Assets	-	-	1,089
	(1,950,000)	(2,292,999)	(2,021,984)
Excess of revenue over expenditure	2,751,055	10,343,599	4,220,272

Membertou Reserve Band & Council

Consolidated Statement of Financial Position

Financial assets	2014	2013
Cash	835,458	-
Receivables	4,686,673	5,813,259
Band funds in trust	24,064	23,470
Restricted cash	859,864	589,472
Investments	2,885,518	3,136,975
	9,291,577	9,563,176
Financial liabilities		
Bank indebtedness	-	2,179,878
Payables and accruals	6,161,441	5,679,867
Deferred revenue	336,177	398,918
Long term debt	32,513,519	26,736,290
Deferred trust contributions	5,281,207	4,814,707
Capital lease obligations	310,233	491,368
	44,602,577	40,301,028
Net financial liabilities	(35,311,000)	(30,737,852)
Non-financial assets		
Capital assets	77,032,826	62,187,118
Prepays	160,662	233,385
Inventory	293,619	269,468
	77,487,107	62,689,971
Net assets	\$42,176,107	\$31,952,119
Fund balances	\$42,176,107	\$31,952,119

Contingencies (Note 14)
 Commitments (Note 15)

Membertou Reserve Band Council

Consolidated Statement of Cash Flows

Operating	2014	2013
Excess of revenue over expenditures	\$10,343,599	\$4,220,272
Depreciation	3,186,214	3,056,288
Loss from write-off of investment	114,195	73,573
Share of limited partnership loss	213,804	-
Gain on disposal of assets	-	(1,089)
	13,857,812	7,349,044
Change in non-cash operating working capital		
Receivables	1,126,586	(2,920,954)
Prepays	72,723	(147,903)
Inventory	(24,151)	20,311
Payables and accruals	481,574	1,407,579
Deferred revenue	(62,741)	(552,995)
	15,451,803	5,155,082
Investing		
Purchase of investments	(76,542)	(682,733)
Financing		
Replacement reserve (net of approved repairs)	(127,705)	(42,201)
Moveable Capital Asset Reserve transfers	7,500	7,070
Trust contributions	594	563
New deferred trust contributions	466,500	290,000
Repayment of long term capital lease obligation	(269,510)	(398,592)
Receipt of long term debt	9,942,054	12,958,025
Repayment of long term debt	(4,164,825)	(4,773,957)
	5,854,608	8,125,310
Capital		
Proceeds from disposal of capital assets	-	13,000
Capital assets acquired	(17,943,547)	(10,077,912)
	(17,943,547)	(10,064,912)
Net increase in cash and cash equivalents	3,286,322	2,532,747
Cash and cash equivalents, beginning of year	(1,566,936)	(4,099,683)
Cash and cash equivalents, end of year	1,719,386	(1,566,936)
Cash and cash equivalents consist of:		
Cash	835,458	-
Bank indebtedness	-	(2,179,878)
Funds in trust	24,064	23,470
Restricted cash	859,864	589,472
	1,719,386	(1,566,936)

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

Summary of significant accounting policies

REPORTING ENTITY AND PRINCIPLES OF FINANCIAL REPORTING

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which encompass the principles common with First Nations.

The consolidated financial statements of the Membertou Reserve Band Council are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the First Nation and the changes thereto. The consolidated statement of financial position includes all the assets and liabilities of the First Nation.

Significant aspects of the accounting policies adopted by the First Nation are as follows:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all funds and operations in which the First Nation has a controlling interest, after the elimination of inter-fund transactions and balances. The entities include the following Membertou Reserve Band Council Funds - Operating Fund, Housing Fund, Public Works Fund, Capital Fund, Economic Development Fund, Enterprise Fund, Employment Development Fund, Health Fund, AFS Program Fund, Social Fund, Enterprise Fund, and Education Fund, as well as, the Membertou Development Corporation, the Membertou Market, the Membertou Trade & Convention Centre Limited, the Membertou Gaming Commission Inc., Membertou Insurance Brokers Inc., Membertou Commercial Fisheries, Membertou Entertainment Centre, the Membertou Business Centre, and the Membertou Cultural and Heritage Centre Foundation Inc., Membertou Data Centre and Membertou Geomatics.

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 or capital expenditures 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.

CASH AND CASH EQUIVALENTS

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

CAPITAL ASSETS

Capital assets are recorded at cost.

INVESTMENTS

Investments are valued at the lower of cost and net realizable value.

USE OF ESTIMATES

In preparing the Band's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

INCOME TAXES

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

MOVEABLE CAPITAL ASSET RESERVE

The Band is required to maintain a Moveable Capital Asset Reserve in accordance with the consolidated contribution agreement with Health Canada. The reserve is for the maintenance or replacement of capital assets transferred to the band by Health Canada. Expenditures of capital funds under the reserve are restricted to expenditures on these assets only and there can be no transfer of these funds to the operating budget.

NET DEBT

The Band's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Band is determined by its liabilities less its financial assets.

INVENTORY

The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present location and condition, such as freight. The cost is reduced by the value of rebates and allowances

Membertou Reserve Band Council

Notes to the Consolidated Financials Statements

Summary of significant accounting policies Cont.

received from vendors. The Band estimates net realizable value as the amount that inventories are expected to be sold. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage, or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling price, the amount of the write-down previously recorded is reversed. Costs that do not contribute to bringing inventories to their present location and condition, such as storage and administrative overheads, are specifically excluded from the cost of inventories and are expensed in the period incurred.

The cost of inventory recognized as an expense during fiscal 2014 was \$9,665,445 (2013 \$9,430,148). No write-down of inventories below their cost to their net realizable value was made in fiscal 2014. There were no reversals of inventories written down previously that are no longer estimated to sell below cost.

LEASES

Leases are classified as either capital or operating in nature. Capital leases are those which transfer substantially all the benefits and risks of ownership to the lessee. If the lease contains a term that allows ownership to pass to the Company or there is a bargain purchase option the capitalized value is depreciated over the estimated useful life of the related asset. Otherwise, the capitalized value is depreciated on a straight line basis over the lesser of the lease term and its estimated useful life. Obligations recorded under capital leases are reduced by the principal portion of lease payments as incurred and the imputed interest portion of capital lease payments is charged to expense and amortized straight-line over the life of the lease. Operating lease payments are charged to expense.

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 over the lesser of the lease term and its estimated useful

Depreciation	
Rates and bases of depreciation applied to write off the cost of property and equipment over their estimated lives are as follows:	
Buildings	4%, declining balance
Housing properties	25 year, straight line
Infrastructure	4%, declining balance
Fishing vessels	15%, declining balance
Fishing equipment	20%, declining balance
Equipment	20%, declining balance
Motor vehicles	20%, declining balance
Moveable equipment	20%, declining balance
School buses	20%, declining balance
Computer hardware and software	20%, declining balance
Office equipment and furniture	20%, declining balance
Parking lots	20%, declining balance
Leasehold improvements	20%, declining balance
Equipment under capital lease	20%, declining balance

Charitable Donations

From the Membertou Entertainment Centre since 2007

The Kinsmen Club of Sydney	\$50,170
Membertou Recreation	\$65,000
Big Brothers Big Sisters	\$150,590
MADD Cape Breton Chapter	\$89,830
Knights of Columbus	\$197,520
Sydney Minor Hockey	\$165,270
Rotary Club of Sydney Sunrise	\$230,910
Two Rivers Wildlife Park	\$15,250
Cape Breton Crime Stoppers	\$98,210



Thank You

