



Consolidated Financial Statements

Membertou Reserve Band Council

March 31, 2019

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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 Financial Officer


CEO

Independent Auditor's Report

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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, 2019, 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

Membertou Reserve Band Council

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.

Basis for qualified opinion

The statement of financial position includes intangible assets in the amount of \$2,064,336 for fishing licenses and permits purchased by the Band. Recording intangible assets is a departure from Canadian public sector accounting standards. Accordingly, both the purchased licenses and permits and accumulated surplus are overstated by \$2,064,336 as at March 31, 2019. If intangible assets were not recorded in order to be in compliance with Canadian public sector accounting standards, purchased licenses and permits and accumulated surplus would both decrease by \$2,064,336.

Qualified opinion

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Membertou Reserve Band Council as at March 31, 2019, 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, 2019


Chartered professional accountants
Licensed Public Accountants

Membertou Reserve Band Council

Consolidated Statement of Operations

Year ended March 31	Budget	2019	2018
Revenues			
Fisheries	\$ 3,201,420	\$ 3,769,245	\$ 3,789,307
Rental	2,522,975	2,135,490	4,867,335
Commercial sales	40,273,415	40,614,067	39,065,890
(Loss) gain on disposal of property	-	-	(4,525)
Government transfers (Note 23)	12,874,896	19,330,533	18,456,729
Other revenues	546,237	1,268,351	911,049
	<u>59,418,943</u>	<u>67,117,686</u>	<u>67,085,785</u>
Expenditures			
Administrative	3,218,908	3,421,056	3,851,279
Community expenses	3,566,512	3,645,766	3,433,381
Core funding and benefits	1,006,200	1,014,278	926,317
Cost of sales – commercial	15,594,737	17,271,691	15,387,429
Education and training	1,184,125	1,595,739	1,372,794
Fishing	254,753	295,714	258,460
Health programs	855,722	954,738	1,226,042
Insurance	638,085	550,385	608,676
Interest	2,417,076	2,496,245	2,816,810
Other	2,654,443	2,642,337	3,204,383
Professional fees	259,810	265,724	276,905
Repairs and maintenance	4,111,403	6,266,707	7,521,684
Salaries and benefits	15,712,310	15,313,007	15,341,774
Security and policing	272,820	374,520	884,978
Social	3,942,938	3,728,020	3,718,839
	<u>55,689,842</u>	<u>59,835,927</u>	<u>60,829,751</u>
Less: transfers/recoveries	<u>(2,042,216)</u>	<u>(1,908,957)</u>	<u>(1,782,922)</u>
	53,647,626	57,926,970	59,046,829
Annual surplus before depreciation	5,771,317	9,190,716	8,038,956
Depreciation	<u>5,074,139</u>	<u>5,635,243</u>	<u>5,992,809</u>
Annual surplus	<u>\$ 697,178</u>	<u>3,555,473</u>	<u>2,046,147</u>
Accumulated surplus, beginning of year		<u>64,459,281</u>	<u>60,413,134</u>
Accumulated surplus, end of year		<u>\$ 66,014,754</u>	<u>\$ 62,459,281</u>

See accompanying notes to the consolidated financial statements.

Membertou Reserve Band Council

Consolidated Statement of Financial Position

March 31

2019

2018

Financial assets

Cash	\$ 4,580,155	\$ 12,961,236
Receivables (Note 2)	5,393,593	3,894,121
Inventory (Note 3)	538,639	402,647
Band funds in trust (Note 4)	121,610	120,208
Restricted cash	2,378,839	2,363,159
Due from related party	5,200,762	-
Investments (Note 5)	2,700,206	2,740,821
Investment in government business enterprise (Note 6)	337,193	-
	<u>21,250,998</u>	<u>22,482,192</u>

Financial liabilities

Payables and accruals (Note 10)	5,908,394	5,295,678
Deferred revenue (Note 11)	1,070,024	3,345,960
Long term debt (Note 13)	71,087,652	84,270,262
Deferred trust contributions (Note 15)	6,480,207	6,226,207
Capital lease obligations (Note 14)	1,570,904	385,804
	<u>86,117,181</u>	<u>99,523,911</u>

Net financial liabilities (Page 6) (64,866,183) (77,041,719)

Non-financial assets


Purchased fishing licenses and permits (Note 12)	2,064,336	2,064,336
Capital assets (Note 8)	128,349,656	136,715,931
Prepays (Note 7)	466,945	720,733
	<u>130,880,937</u>	<u>139,501,000</u>

Accumulated surplus (Page 2) \$ 66,014,754 \$ 62,459,281

Contingencies (Note 19)

Commitments (Note 20)

On behalf of the Band Council

 Chief

 Councillor

See accompanying notes to the consolidated financial statements.

Membertou Reserve Band Council

Consolidated Statement of Cash Flows

Year ended March 31

2019

2018

Increase in cash and cash equivalents

Operating		
Excess (deficiency) of revenue over expenditures	\$ 3,555,473	\$ 2,046,147
Depreciation	5,634,963	5,992,809
Write off of investments	100,000	-
Loss (gain) on disposal of capital assets	-	4,525
Equity income from government business enterprise (Note 5)	(33,055)	-
Share of limited partnership income	<u>(109,385)</u>	<u>(105,143)</u>
	9,147,996	7,938,338
Change in non-cash operating working capital		
Receivables	(4,610,201)	3,236,202
Prepays	256,951	(188,345)
Inventory	(135,992)	(6,978)
Payables and accruals	613,590	(2,429,293)
Net change from government business entity	2,938,539	-
Deferred revenue	<u>(2,275,936)</u>	<u>1,913,551</u>
	5,321,357	10,463,475
Investing		
Decrease in deficiency in government business enterprise	(337,139)	-
Partnership draws	100,000	100,000
Purchase of investments	<u>(50,000)</u>	<u>(25,000)</u>
	(287,139)	75,000
Financing		
New deferred trust contributions	254,000	128,000
Repayment of long term capital lease obligation	(130,273)	(93,246)
Receipt of capital lease	1,315,382	89,990
Receipt of long term debt	3,595,055	15,281,323
Repayment of long term debt	<u>(3,835,423)</u>	<u>(3,482,073)</u>
	1,198,741	11,923,994
Capital		
Proceeds on disposal of assets	320,000	144,095
Capital assets acquired	<u>(14,916,958)</u>	<u>(13,165,698)</u>
	(14,596,958)	(13,021,603)
Net (decrease) increase in cash and cash equivalents	(8,363,999)	9,440,866
Cash and cash equivalents, beginning of year	<u>15,444,603</u>	<u>6,003,737</u>
Cash and cash equivalents, end of year	\$ 7,080,604	\$ 15,444,603
<hr/>		
Cash and cash equivalents consist of:		
Cash	\$ 4,580,155	\$ 12,961,236
Funds in trust	121,610	120,208
Restricted cash	<u>2,378,839</u>	<u>2,363,159</u>
	\$ 7,080,604	\$ 15,444,603

See accompanying notes to the consolidated financial statements.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

1. Summary of significant accounting policies

Reporting entity and principles of financial reporting

These financial statements have been prepared in accordance with Public Sector Accounting Standards (PSAS), 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., 3237395 Nova Scotia Limited (Operating as Membertou Insurance Brokers), Membertou Commercial Fisheries, Membertou Entertainment Centre, the Membertou Business Centre, the Membertou Cultural and Heritage Centre Foundation Inc., Membertou Data Centre, Membertou Geomatics, Membertou Sport and Wellness Centre, and Lanes @ Membertou in the current year.

Prior year also consolidated Membertou Properties Limited Partnership. In the current year, Membertou Properties Limited Partnership has met the definition of a government business enterprise, which is included in the consolidated financial statements on a modified equity basis (Note 6).

Cash and cash equivalents

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

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

1. Summary of significant accounting policies (continued)

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.

Unrestricted revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Rental revenue is recognized when received or receivable and collection is reasonably assured.

Gaming revenue from video lottery net of corresponding direct expenses are recognized at the time of play and are recorded net of commissions and credits paid out. Other gaming revenues are recognized as earned when received or receivable as long as collection is reasonably assured.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated depreciation and impairment.

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	4-20%, declining balance
Equipment under capital lease	20%, declining balance

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

1. Summary of significant accounting policies (continued)

Purchased fishing licenses and permits

Purchased fishing licenses and permits assets are intangible capital assets. These indefinite-lived fishing licenses and permits are recognized at cost and are not amortized. The capitalization of intangible assets is a departure from Canadian public sector accounting standards.

The Band evaluates the carrying value of its licenses and permits annually for impairment. Should a permanent impairment be identified, the impairment will be recognized as a reduction in the carrying value and as a charge against income on the statement of operations in the period the impairment occurred.

The Band also owns other communal fishing licenses and permits which were not purchased by the Band but were given to or granted to the Band.

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 expenditures 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*.

Government transfers

Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers to individuals and other entities are recognized as an expenditures when the transfers are authorized and all eligibility criteria have been met.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

1. Summary of significant accounting policies (continued)

Moveable Capital Asset Reserve

The Band is required to maintain a Moveable Capital Asset Reserve in accordance with the consolidated contribution agreement with the Department of Indigenous Services Canada – First Nations and Inuit Health Branch. The reserve is for the maintenance or replacement of capital assets transferred to the Band by the Department of Indigenous Services Canada – First Nations and Inuit Health Branch. 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.

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 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 2019 was \$12,930,926 (2018 - \$10,960,012). No write-down of inventories below their cost to their net realizable value was made in fiscal 2019. 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 Band 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 expenditures and amortized straight-line over the life of the lease. Operating lease payments are charged to expenditures.

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.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

1. Summary of significant accounting policies (continued)

Hedge accounting

The Band uses derivative instruments to manage the Band's exposure to interest rate risks. When derivative instruments are used, the Band determines whether hedge accounting can be applied. Where hedge accounting can and will be applied, the hedge is documented at inception, detailing the hedging relationship, identifying the hedged item, the related hedging item, the nature of the specific risks being hedged and the intended term of the hedging relationship. Both at the inception of the hedging relationship, and throughout the term, the Band has reasonable assurance that the critical terms of the hedging item and the hedged item are, and will remain, the same. For all hedged items which are anticipated transactions, the Band has determined that it is probable that the transaction will occur at the time and in the amount documented at the inception of the hedging relationship.

The Band has elected to use hedge accounting for the following qualifying hedging relationships: A prime plus 1.5% mortgage has been hedged with a 3.495% fixed interest rate swap to mitigate the effect of changes in interest rates.

2. Receivables	<u>2019</u>	<u>2018</u>
Department of Indigenous Services Canada	\$ 28,167	\$ 639,851
Housing rents	666,291	567,467
Mi'kmaq Employment Training Secretariat	36,480	107,395
Health Canada	195,569	-
Commodity sales tax	481,294	16,350
Department of Fisheries and Oceans	256,230	94,230
Atlantic Integrated Commercial Fisheries Initiative	791,878	67,603
Province of Nova Scotia	206,205	239,933
Atlantic Canada Opportunities Agency	53,192	-
Mi'kmaw Kina'matnewey	412,574	256,275
Sundry	509,384	818,516
Canada Mortgage and Housing Corporation	64,253	196,242
Trade less allowance for doubtful accounts	<u>1,692,075</u>	<u>890,259</u>
	<u>\$ 5,393,593</u>	<u>\$ 3,894,121</u>

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

3. Inventory	<u>2019</u>	<u>2018</u>
Membertou Sports and Wellness	\$ 12,436	\$ 11,389
Membertou Trade and Convention Centre Limited	70,322	98,569
Membertou Entertainment Centre	20,407	16,472
Membertou Cultural and Heritage Centre Foundation Inc.	156,029	122,686
Membertou Market	135,012	153,531
Membertou Enterprise Fund	121,108	-
Lanes @ Membertou	<u>23,325</u>	<u>-</u>
	<u>\$ 538,639</u>	<u>\$ 402,647</u>

4. Band funds in trust

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>2019</u>	<u>2018</u>
Net assets, beginning of year	\$ 120,208	\$ 116,380
Proceeds from reserve lands disposition	-	-
Interest earned	<u>1,402</u>	<u>3,828</u>
Net assets, end of year	<u>\$ 121,610</u>	<u>\$ 120,208</u>

5. Investments	<u>2019</u>	<u>2018</u>
Membertou Hotel Limited Partnership	\$ 2,674,206	\$ 2,664,821
Encyt Technologies Incorporated	26,000	26,000
Tylev Investments Inc.	<u>-</u>	<u>50,000</u>
	<u>\$ 2,700,206</u>	<u>\$ 2,740,821</u>

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

6. Investment in government business enterprise

The commercial government business enterprise that is included in the First Nation reporting entity, as described in Note 1 to these financial statements includes:

Membertou Properties Limited Partnership

The following table presents condensed financial information for the commercial enterprise:

	<u>2019</u>	
Assets		
Cash and cash equivalents	\$ 920,758	
Accounts receivables	75,173	
Prepays	196,660	
Capital assets	<u>17,069,331</u>	
Total Assets	<u>18,261,922</u>	
Liabilities		
Payables and accruals	155,250	
Due to related parties	<u>5,200,762</u>	
Long term debt	12,568,717	
Equity	<u>337,193</u>	
Total liabilities and equity	18,261,922	
Revenue	2,952,527	
Expenditures	<u>2,919,472</u>	
Net Income	<u>\$ 33,055</u>	

7. Prepays

	<u>2019</u>	<u>2018</u>
Core funding	\$ 191,222	\$ 175,950
Insurance	238,771	278,826
Miscellaneous	<u>36,952</u>	<u>265,957</u>
	<u>\$ 466,945</u>	<u>\$ 720,733</u>

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

Year ended March 31, 2019

8. Capital assets

	Cost, beginning of year	Additions	Transfers	Disposals	Cost, end of year	Accumulated depreciation, beginning of year	Depreciation	Depreciation on Disposal	Accumulated depreciation, end of year	2019 Net book value	2018 Net book value
Land	14,090,563	341,931	(1,581,292)	-	12,851,202	-	-	-	-	12,851,202	14,090,563
Buildings	82,843,411	285,967	(13,448,120)	-	69,681,258	14,707,064	1,892,786	(1,460,481)	15,139,737	54,541,521	68,136,347
Infrastructure	32,976,850	1,194,432	(20,995)	-	34,150,287	7,312,798	801,608	(1,050)	8,113,356	26,036,931	25,664,052
Housing Properties	31,372,325	131,009	-	-	31,503,334	12,825,423	1,044,027	-	13,869,450	17,633,884	18,546,902
Fishing vessels	2,042,154	73,745	-	-	2,115,899	983,201	152,170	-	1,135,371	980,528	1,058,953
Fishing equipment	395,426	-	-	-	395,426	308,787	17,329	-	326,116	69,310	86,639
Equipment	6,946,538	652,852	724,665	-	8,324,055	3,738,108	1,048,526	(21,707)	4,764,927	3,559,128	3,208,430
Motor Vehicles	1,026,132	54,856	-	-	1,080,988	596,518	99,461	-	695,979	385,009	429,614
Computer hardware & software	1,620,192	-	-	-	1,620,192	1,305,842	17,584	-	1,323,426	296,766	314,350
Office equipment	672,322	265,045	-	-	937,367	584,219	104,470	-	688,689	248,678	88,103
Parking lots	803,348	613,615	-	-	1,416,963	283,357	46,020	-	329,377	1,087,586	519,991
Leasehold improvements	2,896,941	124,680	(47,984)	-	2,973,637	1,724,598	363,896	(24,151)	2,064,343	909,294	1,172,343
Signage	421,519	15,527	-	-	437,046	265,840	47,086	-	312,926	124,120	155,679
Assets under construction	3,243,965	11,272,589	(4,570,854)	(320,000)	9,625,700	-	-	-	-	9,625,700	3,243,965
	181,351,686	15,026,247	(18,944,580)	(320,000)	177,113,353	44,635,755	5,634,963	(1,507,389)	48,763,697	128,349,656	136,715,931

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

9. Bank indebtedness

The Band Council has an established line of credit of \$2,500,000. The line of credit bears interest at a rate of prime plus 1%. At the year end, the line of credit had a balance outstanding of nil (2018 - nil).

10. Payables and accruals	<u>2019</u>	<u>2018</u>
Trade	\$ 5,050,714	\$ 2,144,555
Accrued liabilities	660,054	2,885,507
Commodity tax	113,405	124,360
Employee benefits	<u>84,221</u>	<u>141,256</u>
	<u>\$ 5,908,394</u>	<u>\$ 5,295,678</u>

11. Deferred revenue	<u>2019</u>	<u>2018</u>
Tui'kn Partnership	\$ 113,890	\$ 114,512
Department of Indigenous Services Canada	-	2,881,429
Health Canada	151,955	-
Department of Fisheries and Oceans	356,000	-
Province of Nova Scotia	44,000	-
Mi'kmaw Kina'matnewey	-	44,899
Miscellaneous	<u>404,179</u>	<u>305,120</u>
	<u>\$ 1,070,024</u>	<u>\$ 3,345,960</u>

12. Purchased fishing licenses and permits	<u>2019</u>	<u>2018</u>
Purchased fishing licenses and permits	<u>\$ 2,064,336</u>	<u>\$ 2,064,336</u>

The Band records all purchased commercial fishing licenses and permits as intangible assets. All other permits and licenses owned by Membertou Reserve Band Council have been granted for a nil consideration and therefore have not been capitalized.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

13. Long term debt	<u>2019</u>	<u>2018</u>
Canada Mortgage and Housing Corporation		
0.98% - 2.68% mortgages, repayable under various terms by September 2042.	\$ 5,878,752	\$ 6,303,479
First Nation Finance Authority		
2.9% - 3.79% loans, repayable under various terms, maturing June 2024.	40,138,630	41,056,891
Royal Bank of Canada		
2.21% - 5.25% mortgages, repayable under various terms by September 20, 2032.	876,363	974,622
Ford Credit		
4.89% retail instalment contract repayable in monthly instalments of \$610 on account of principal and interest maturing in October 2020.	11,118	17,833
4.89% retail instalment contract repayable in monthly instalments of \$610 on account of principal and interest maturing in October 2020.	11,106	17,826
6.29% retail instalment contract repayable in monthly instalments of \$3,126 on account of principal and interest maturing in January 2025.	28,000	34,071
2.99% loan repayable in monthly instalments of \$707 of principal and interest maturing in October 2023.	36,370	43,599
2.99% loan repayable in monthly instalments of \$684 of principal and interest maturing in October 2023.	35,160	42,150
2.99% loan repayable in monthly instalments of \$3,126 of principal and interest maturing in October 2023.	27,762	35,247
Bank of Montreal		
Prime plus 1.25% term loan, maturing in July 2020, repayable in equal annual instalments of \$40,714.	95,714	191,428
Prime plus 1.25% mortgage, repayable in equal monthly Instalments of \$5,378, including interest, matures August 2023.	253,588	307,483
2.79% term loan, due on demand, maturing in February 2037, repayable in monthly instalments of \$38,770.	6,539,693	6,816,361

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

13. Long term debt (continued)	<u>2019</u>	<u>2018</u>
Prime plus 0.25% term loan, due on demand, maturing in March 2020, repayable in annual principal instalments of \$1,000,000 plus monthly interest.	1,000,000	2,000,000
Prime plus 1% term loan, due on demand, maturing May 2024, repayable in principal instalments of \$10,252 including interest.	593,222	697,922
2.97% mortgage repayable in monthly instalments of \$7,310 on account of principal and interest maturing on December 2038, secured by a Department of Indigenous Services Canada Ministerial Guarantee.	1,305,341	1,353,524
3.59% mortgage repayable in monthly instalments of \$5,338 on account of principal and interest maturing on May 2020, secured by a Department of Indigenous Services Canada Ministerial Guarantee. Loan will be repayable over 25 years.	915,815	946,409
Prime plus 3.29% mortgage repayable in monthly instalments of \$15,988 on account of principal and interest maturing on July 2041, secured by a Department of Indigenous Services Canada Ministerial Guarantee.	3,028,828	3,119,440
Prime plus 2.75% mortgage repayable in monthly instalments of \$15,198 on account of principal and interest maturing on May 2027, secured by a Department of Indigenous Services Canada Ministerial Guarantee. Loan will be repayable over 25 years.	1,333,232	1,477,975
Prime plus 0.75% term loan advance	1,000,000	1,000,000
Prime plus 0.75% term loan advance.	614,767	438,229
Prime plus 0.75% term loan advance	576,165	182,795
Peace Hills Trust		
4.25% mortgage repayable in monthly instalments of \$17,162, matures July 2028.	1,552,117	1,695,438
4 % mortgage, repayable in monthly instalments of \$15,140, matures May 2028.	1,375,865	1,497,977

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

13. Long term debt (continued)	<u>2019</u>	<u>2018</u>
4.25% mortgage, repayable in monthly instalments of \$5,095, matures May 2022.	171,944	221,571
4.25% mortgage, repayable in monthly instalments of \$4,703, matures September 2022.	182,776	230,747
Bank of Nova Scotia		
Interest free loan, maturing in December 2019, repayable In equal monthly instalments of \$397.	3,572	8,336
Interest free loan, maturing in December 2019, repayable In equal monthly instalments of \$397.	3,573	8,336
Prime plus 0.5% repayable in monthly instalments of \$7,908, matures July 2030.	295,950	375,227
4.62% repayable in monthly instalments of \$1,112 matures in March 2023.	69,822	-
4.26% repayable in monthly instalments of \$18,593, maturing in November of 2038.	2,963,569	-
Atlantic Canada Opportunities Agency		
5.75% repayable loan, payments begin July 2015, repayable in monthly instalments of \$6,479, matures June 2021.	<u>167,038</u>	<u>233,104</u>
	71,087,652	84,270,262
Current portion of long term debt Principal payments due within one year.	<u>6,029,167</u>	<u>4,374,896</u>
	<u>\$ 65,058,485</u>	<u>\$ 79,895,366</u>

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

13. Long term debt (continued)

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

As security, the Bank of Montreal has been given a general security agreement constituting a first ranking security interest in all personal property of the Membertou Reserve Band Council, Membertou Gaming Commission and the Membertou Trade and Convention Centre, as well as guarantees in the amount of \$2,700,000 from each entity.

In conjunction with the mortgage from the Bank of Nova Scotia with a balance of \$11,991,578 at March 31, 2019 (2018 - \$12,354,980), an interest rate swap is designated as a hedge of the interest rate risk in the Company's 25 year floating rate mortgage. The swap matures at the same time as the debt and requires the Company to pay 3.495%. The floating rate side of the swap exactly matches the interest payments on the debt, at a rate of prime plus 1.5%. All payments are due on the 17th day of each month; therefore interest is accrued at the reporting date.

Repayments in each of the next five (5) years are as follows:

2019	\$ 6,038,170
2020	2,757,447
2021	2,716,796
2022	2,613,842
2023	2,548,602
Thereafter	<u>54,415,974</u>
	<u>\$ 71,087,652</u>

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

14. Capital lease obligations	<u>2019</u>	<u>2018</u>
John Deere		
2.9% capital lease, repayable in monthly instalments of \$7,694, maturing in October 2021.	\$ 223,034	\$ 306,964
4.17% capital lease, repayable in monthly instalments of \$1,690, maturing in June 2022.	61,705	78,840
Bank of Nova Scotia		
5.31% capital lease repayable in monthly instalments of \$3,049.59, including interest, maturing December 2023.	153,339	-
5.45% capital lease repayable in monthly instalments of \$12,502.95, including interest, maturing December 2023.	<u>1,132,826</u>	<u>-</u>
	1,570,904	385,804
Less: current portion	<u>224,584</u>	<u>101,977</u>
	<u>\$ 1,346,320</u>	<u>\$ 283,827</u>

Repayments in each of the next five (5) years are as follows:

2020	\$ 224,584
2021	234,780
2022	199,398
2023	145,765
2024	140,140
Thereafter	<u>626,237</u>
	<u>\$ 1,570,904</u>

15. Deferred trust contributions	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 6,226,207	\$ 6,098,207
Contributions during the year	(530,500)	(656,500)
Deferrals during the year	<u>784,500</u>	<u>784,500</u>
	6,480,207	6,226,207
Contributions due within one year	<u>(882,000)</u>	<u>(782,000)</u>
Deferred trust contributions	<u>\$ 5,598,207</u>	<u>\$ 5,444,207</u>

The Membertou Reserve Band Council has setup a Children's Trust Fund for all children on the Membertou Reserve Band Council list. An annual contribution is made on each child's behalf to the trust fund.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

16. Accumulated surplus

The First Nation segregates its accumulated surplus into the following categories:

	<u>2019</u>	<u>2018</u>
Unallocated	\$ 65,390,267	\$ 61,842,745
Funds on deposit with Department of Indigenous Services Canada	121,610	120,208
Health Canada Moveable Capital Asset Reserve	101,042	97,257
Replacement Reserve	-	-
Tangible Capital Asset Reserve	<u>401,835</u>	<u>399,071</u>
	<u>\$ 66,014,754</u>	<u>\$ 62,459,281</u>

The funds on deposits have been set aside to be spent on specific projects.

17. Moveable Capital Asset Reserve

	<u>2019</u>	<u>2018</u>
Opening balance	\$ 97,257	\$ 89,350
Allocations during the year	3,785	8,117
Withdrawals	<u>-</u>	<u>(210)</u>
	<u>\$ 101,042</u>	<u>\$ 97,257</u>

18. Tangible Capital Asset Reserve

	<u>2019</u>	<u>2018</u>
Opening balance	\$ 399,071	\$ -
Allocations during the year	2,764	399,071
Withdrawals	<u>-</u>	<u>-</u>
	<u>\$ 401,835</u>	<u>\$ 399,071</u>

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

19. Contingencies

- a) The Band has entered into a five year alternative funding arrangement with the Department of Indigenous Services Canada, effective April 1, 2013. 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) As at March 31, 2019, the Band has provided a guarantee for mortgages payable by Band members, totalling \$1,147,555 (2018 - \$1,046,715), which were obtained under Section 10 of the *Indian Act*. In the event that the individual is unable to meet its obligations at some future date and the Band is required to honour its guarantee, any payments will be accounted for as a charge to operations in the year such payments are made.
- c) The Band's pension plan contributions are funded by the Indigenous and Department of Indigenous Services Canada. Any unexpended portion of these funds is repayable by the band.
- d) The Band has entered into contribution agreements with various government departments. Funding received under these contribution agreements is subject to repayment if the band fails to comply with the terms and conditions of the agreements.
- e) Under an agreement with the Bank of Nova Scotia, the Band is jointly and severally liable for loans provided by the Bank of Nova Scotia to Membertou Properties Limited Partnership. The Band has provided the Bank of Nova Scotia with a General Security Agreement providing a 2nd security interest in all present and future personal property subject with appropriate insurance coverage, loss if any, payable to the Bank and including specific charges over equipment financed. At March 31, 2019, outstanding loan balances were \$11,991,578.

20. Commitments

- a) Membertou Entertainment Centre has entered into an agreement to lease handsets which expires in November 2024. The annual rent of the handsets consists of a minimum monthly payment. Minimum lease payments for the next six (6) years are as follows:

2020	\$ 290,304
2021	\$ 290,304
2022	\$ 290,304
2023	\$ 290,304
2024	\$ 290,304
2025	\$ 193,536

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

20. Commitments (continued)

- b) Membertou Reserve Band Council has entered into an agreement to lease video lottery terminals (VLTs) from Eskasoni First Nation which expires in June 2022. The annual rent of the VLTs consists of a minimum monthly payment. Minimum lease payments for the next three (3) years are as follows:

2020	\$ 250,000
2021	\$ 250,000
2022	\$ 62,500

21. Replacement reserve fund

Under the terms of the agreement with the CMHC, the replacement reserve account is to be increased by annual charges to equity. The charge in the current year is \$108,918 (2018 - \$110,286). 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 CMHC from time to time. The funds in the account may only be used as approved by the CMHC. Withdrawals are credited to interest first and then principal.

As of March 31, 2019, the reserve was fully funded.

22. Pension costs and obligations

The Band is required to match contributions to a group registered retirement savings plan for all full time employees to a limit of 5.5% of the yearly maximum pensionable earnings for non-band members and 9% for band members. Total contributions during the year amounted to \$514,677 (2018 - \$464,564).

23. Government transfers

	Operating	2019 Capital	Total	Operating	2018 Capital	Total
Department of Indigenous Services						
Canada	\$ 6,819,383	\$ 3,924,161	\$ 10,743,544	\$ 7,064,531	\$ 2,640,579	\$ 9,705,110
Department of Indigenous Services						
Canada - First Nations and Inuit						
Health Branch	1,858,128	-	1,858,128	2,009,850	-	2,009,850
Canada Mortgage and Housing						
Corporation	336,219	-	336,219	334,650	-	334,650
Mikmaw Kina'matnewey	4,284,976	305,193	4,590,169	4,025,219	1,097,450	5,122,669
Other	1,054,507	581,693	1,636,200	862,784	238,566	1,101,350
Total	14,353,213	4,811,047	19,164,260	14,297,034	3,976,595	18,273,629
Province of Nova Scotia	166,273	-	166,273	183,100	-	183,100
	\$ 14,519,486	\$ 4,811,047	\$ 19,330,533	\$ 14,480,134	\$ 3,976,595	\$ 18,456,729

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2019

24. Comparative figures

Certain 2018 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2019.

25. Segment disclosure

Membertou First Nation provides a wide range of services to its members, including training, education, social, health care and housing. For management reporting purposes Membertou First Nation's operations and activities are organized and reported by divisions. The divisions were created for the purpose of recording activities to comply with specific regulations and requirements.

Divisions that have been separately disclosed in the consolidated schedules of revenues and expenditures on the following pages are:

- Social Development – social assistance provided to qualifying members.
- Band Government – all associated with the administration of the First Nation operations.
- Human Resources and Quality Management – associated with payroll, hiring, and HR
- Capital Projects – provides capital construction projects for the community.
- Operations and Maintenance – repairs and maintenance carried out during the year to the community buildings.
- Economic Development – specified development projects undertaken by the First Nation.
-
- Education – providing elementary, secondary and post-secondary tuition for qualifying members along with related programs and support.
- Employment Development – activities related to job training and skills.
- Health Canada – activity of the Health Centre which provides a variety of health care programs and support.
- Department of Fisheries and Oceans – AFS Program – management of the DFO fisheries operations.
- Miscellaneous – all other items not reported in a specified division.
- Housing Fund – Section 95 and non-subsidized housing operation.
- Public Works – infrastructure, maintenance and repairs
- Membertou Lands – land and waste management
- Commercial enterprises – Operating results from Membertou Development Corporation, the Membertou Market, the Membertou Trade & Convention Centre Limited, the Membertou Gaming Commission Inc., 3237395 Nova Scotia Limited (Operating as Membertou Insurance Brokers), Membertou Commercial Fisheries, Membertou Entertainment Centre, the Membertou Business Centre, the Membertou Cultural and Heritage Centre Foundation Inc., Membertou Data Centre, Membertou Geomatics, Membertou Sport and Wellness Centre, and Lanes @ Membertou

See Schedule A – Schedule of Segment Disclosure for current year details.

Membertou Reserve Band Council

Schedule A – Segment Disclosure

Year ended March 31, 2019

	Social Development			Band Government			Human Resources/Quality Mgmt.			Capital Projects			Operations and Maintenance		
	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018
Revenues															
Federal government operating transfers	\$ 4,587,563	\$ 4,622,013	\$ 4,589,507	\$ 571,400	\$ 573,199	\$ 569,169			\$ -	\$ 350,000	\$ 1,099,049	\$ 160,000	\$ 264,885	\$ 266,760	\$ 264,885
Federal government capital transfers											350,072				
Provincial government operating transfers															
Provincial government capital transfers															
Contributed assets															
Economic activities															
Income from investment in GBE's															
Other															
	4,587,563	4,622,013	4,589,507	571,400	573,199	569,169			-	350,000	1,099,049	510,072	264,885	266,760	264,885
Expenses															
Salaries and benefits	732,140	716,505	651,411	1,932,334	1,820,961	1,843,272	463,160	409,604	418,518				765,734	707,571	699,803
Amortization					54,959	27,678							44,863	44,864	50,128
Interest															
Other	3,982,538	3,773,308	4,541,105	1,591,519	1,678,908	1,649,689	223,863	176,303	190,485	75,000	598,857	204,529	(380,767)	(383,227)	(411,105)
	4,714,678	4,489,813	5,192,516	3,523,853	3,554,828	3,520,639	687,023	585,907	609,003	75,000	598,857	204,529	429,830	369,208	338,826
Surplus (deficit) for the year	\$ (127,115)	\$ 132,200	\$ (603,009)	\$ (2,952,453)	\$ (2,981,629)	\$ (2,951,470)	\$ (687,023)	\$ (585,907)	\$ (609,003)	\$ 275,000	\$ 500,192	\$ 305,543	\$ (164,945)	\$ (102,448)	\$ (73,941)

	Economic Development			Education			Employment Development			Health Canada			Department of Fisheries and Oceans		
	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018
Revenues															
Federal government operating transfers	\$ 130,000	\$ 141,809	\$ 212,288	\$ 3,809,756	\$ 4,303,507	\$ 4,031,858	\$ 434,580	\$ 742,348	\$ 536,755	\$ 1,638,972	\$ 1,858,128	\$ 2,009,850	\$ 162,000	\$ 162,000	\$ 162,000
Federal government capital transfers					305,193	1,097,450			76,819						
Provincial government operating transfers															
Provincial government capital transfers															
Contributed assets															
Economic activities															
Income from investment in GBE's															
Other					(18,531)	(6,639)									
	130,000	141,809	212,288	3,809,756	4,590,169	5,122,669	434,580	742,348	613,574	1,638,972	1,858,128	2,009,850	162,000	162,000	162,000
Expenses															
Salaries and benefits	83,378	93,639	103,015	2,645,832	2,361,488	2,611,000	98,416	94,807	80,111	536,945	559,581	534,186	109,240	99,687	121,739
Amortization				420,031	407,023	410,301				15,838	15,838	16,567	5,235	5,325	6,657
Interest															
Other	103,487	111,320	163,633	1,884,301	2,040,488	1,862,275	342,812	560,092	418,784	1,098,928	1,196,981	1,455,951	53,240	56,236	36,229
	186,865	204,959	266,648	4,950,164	4,808,999	4,883,576	441,228	654,899	498,895	1,651,711	1,772,400	2,006,704	167,715	161,248	164,625
Surplus (deficit) for the year	\$ (56,865)	\$ (63,150)	\$ (54,360)	\$ (1,140,408)	\$ (218,830)	\$ 239,093	\$ (6,648)	\$ 87,449	\$ 114,679	\$ (12,739)	\$ 85,728	\$ 3,146	\$ (5,715)	\$ 752	\$ (2,625)

Membertou Reserve Band Council

Schedule A – Segment Disclosure (continued)

Year ended March 31, 2019

	Miscellaneous			Housing Fund			Public Works			Membertou Lands			Commercial Entities		
	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018
Revenues															
Federal government operating transfers			\$ -	\$ 315,648	\$ 519,098	\$ 1,359,247			\$ -	\$ 102,483	\$ 116,553	\$ 404,085			\$ 141,915
Federal government capital transfers					187,661	765,672		1,101,335						3,216,858	1,432,438
Provincial government operating transfers	201,720	166,273	183,100			-									-
Provincial government capital transfers			-												94,144
Contributed assets													50,000	50,000	50,000
Economic activities															-
Income from investment in GBE's			-			-									33,055
Other	26,720	144,256	170,137	1,378,404	1,009,714	957,147			1,151				45,394,813	46,517,408	47,164,628
	228,440	310,529	353,237	1,694,052	1,528,812	3,082,066		1,101,335	1,151	102,483	116,553	404,085	45,444,813	49,817,321	49,191,232
Expenses															
Salaries and benefits				294,273	317,633	263,862	775,344	804,922	729,805	118,960	136,373	153,714	7,156,584	7,190,233	7,131,338
Amortization				667,308	1,081,136	1,066,580	963,955	993,306	1,008,234			-	2,956,909	3,032,881	3,406,664
Interest	1,513,212	1,517,580	1,439,985	242,328	384,710	335,669	13,827	14,770	14,130			-	647,709	579,185	1,027,026
Other	2,250,000	2,279,500	2,342,636	2,257,831	3,468,015	3,087,339	320,955	426,814	1,100,722	161,809	135,198	441,052	21,552,695	23,998,837	23,804,931
	3,763,212	3,797,080	3,782,621	3,461,740	5,251,494	4,753,450	2,074,081	2,239,812	2,852,891	280,769	271,571	594,766	32,313,897	34,801,136	35,369,959
Surplus (deficit) for the year	\$ (3,534,772)	\$ (3,486,551)	\$ (3,429,384)	\$ (1,767,688)	\$ (3,722,682)	\$ (1,671,384)	\$ (2,074,081)	\$ (1,138,477)	\$ (2,851,740)	\$ (178,286)	\$ (155,018)	\$ (190,681)	\$ 13,130,916	\$ 15,016,185	\$ 13,821,273

	Budget 2019	Actual 2019	Actual 2018
Revenues			
Federal government operating transfers	12,367,287	14,353,213	14,441,559
Federal government capital transfers	-	4,811,047	3,722,451
Provincial government operating transfers	201,720	166,273	183,100
Provincial government capital transfers	-	-	94,144
Contributed assets	50,000	50,000	50,000
Economic activities	-	-	-
Income from investment in GBE's	-	33,055	308,107
Other	46,799,936	47,704,098	48,286,424
	59,418,943	67,117,686	67,085,785
Expenses			
Salaries and benefits	15,712,340	15,313,004	15,341,774
Amortization	5,074,139	5,635,332	5,992,809
Interest	2,417,076	2,496,245	2,816,810
Other	35,518,210	40,117,632	40,888,245
	58,721,765	63,562,213	65,039,638
Surplus (deficit) for the year	\$ 697,178	\$ 3,555,473	\$ 2,046,147