



Grant Thornton

Consolidated Financial Statements

Abegweit First Nation

March 31, 2019

Contents

Management's Responsibility for Financial Reporting	Page 1
Independent Auditor's Report	2 - 3
Consolidated Statement of Operations	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Cash Flows	6
Consolidated Statement of Changes in Net Debt	7
Notes to the Consolidated Financial Statements	8 - 17
Schedule of Segmented Disclosure	18 - 19
Schedule of Tangible Capital Assets	20
Schedule of Salaries, Honoraria and Travel paid to Chief and Council	21

Independent Auditor's Report

To the Chief and Band Council of

Abegweit First Nation

Grant Thornton LLP
Suite 410
98 Fitzroy Street, PO Box 187
Charlottetown, PE
C1A 7K4
T +1 902 892 6547
F +1 902 566 5358
www.GrantThornton.ca

Qualified Opinion

We have audited the consolidated financial statements of Abegweit First Nation ("the Band"), which comprise the consolidated statement of financial position as at March 31, 2019, the consolidated statement of operations, changes in net debt and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Band as at March 31, 2019, and its results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public accounting standards.

Basis for Qualified Opinion

The statement of financial position includes intangible assets in the amount of \$445,000 for fishing licenses and permits purchased by Abegweit First Nation. 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 \$445,000 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 \$445,000.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedule included on Page 21 is presented for purposes of additional information and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion on the audit of the consolidated financial statements taken as a whole.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Chartered Professional Accountants

Charlottetown, Canada
July 29, 2019

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements and schedules of the Abegweit First Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief on behalf of the Council.

The consolidated financial statements and schedules 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 judgements. 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 Council 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 Band 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 and schedules 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.

Chris Hunt Chief
July 20/12 Date

Abegweit First Nation

Consolidated Statement of Financial Position

March 31

2019

2018

Financial assets

Cash and cash equivalents	\$ 221,631	\$ 918,680
Accounts receivable (Note 3)	1,116,168	983,931
Inventory held for resale (Note 4)	201,880	157,931
Replacement reserve (Note 5)	148,175	112,394
Restricted cash	157,152	157,152
Trust Funds ISC (Note 6)	<u>14,054</u>	<u>13,897</u>
	<u>1,859,060</u>	<u>2,343,985</u>

Financial liabilities

Bank indebtedness (Note 8)	20,000	-
Accounts payable and accrued liabilities	410,339	442,019
Deferred revenue	383,662	277,289
Long-term debt (Note 9)	2,106,453	2,749,927
RRAP liability (Note 10)	<u>164,612</u>	<u>228,271</u>
	<u>3,085,066</u>	<u>3,697,506</u>

Net debt

	<u>(1,226,006)</u>	<u>(1,353,521)</u>
--	--------------------	--------------------

Non financial assets

Prepays (Note 7)	7,469	8,121
Intangible assets	445,000	445,000
Tangible capital assets (Page 20)	<u>8,620,221</u>	<u>8,936,936</u>
	<u>9,072,690</u>	<u>9,390,057</u>

Net assets

	<u>\$ 7,846,684</u>	<u>\$ 8,036,536</u>
--	---------------------	---------------------

Accumulated surplus	\$ 7,684,455	\$ 7,910,245
Replacement reserve (Note 5)	148,175	112,394
Trust Funds ISC (Note 6)	<u>14,054</u>	<u>13,897</u>
	<u>\$ 7,846,684</u>	<u>\$ 8,036,536</u>

On behalf of the Band Council



See accompanying notes and schedules to the consolidated financial statements.

Abegweit First Nation

Consolidated Statement of Operations

March 31 Budget 2019 2018

Revenue

Indigenous Services Canada (ISC)	\$ 2,568,749	\$ 2,961,807	\$ 2,783,623
ACOA	-	80,417	261,049
Canada Mortgage & Housing Corporation	-	181,256	105,705
Department of Fisheries & Oceans Canada	158,011	529,587	780,311
Employment Development Agency	-	68,824	24,421
Fuel & tobacco rebates	667,000	907,400	908,150
Government of Canada	-	34,455	-
Government of PEI	150,000	540,989	215,165
Health Canada	1,315,757	1,446,011	1,266,670
Heritage Canada	10,000	11,200	11,400
Mi'kmaq Confederacy of PEI	95,000	493,712	718,500
Miscellaneous	207,502	233,800	500,869
(Loss) gain on sale of assets	-	(6,680)	90,003
Revenue from sale of products or services	8,113,207	7,511,898	9,174,587
	<u>13,285,226</u>	<u>14,994,676</u>	<u>16,840,453</u>

Expenditures

Administration	1,199,402	2,030,387	1,496,884
Capital, Operating & Maintenance	847,936	1,579,654	1,352,163
Conservation Society	72,036	453,488	332,985
Early Years Centre	208,392	309,642	354,811
Economic Development	105,047	105,844	128,076
Education	997,920	1,174,985	1,034,511
Epekwitk Gas Bar	4,972,540	5,425,849	4,953,772
Fisheries	1,803,711	1,630,285	2,799,784
Fisheries – AFS	110,000	144,704	130,092
Hatchery	124,400	128,322	118,684
Health Services	1,252,759	1,465,893	1,265,089
Redstone Auto & Marine	602,100	390,576	680,362
Social Services	444,206	344,899	303,011
	<u>12,740,449</u>	<u>15,184,528</u>	<u>14,950,224</u>

Net (expenditures) revenue 544,777 (189,852) 1,890,229

Accumulated surplus, beginning of year 8,036,536 8,036,536 6,146,307

Net (expenditures) revenue 544,777 (189,852) 1,890,229

Accumulated surplus, end of year \$ 8,581,312 \$ 7,846,684 \$ 8,036,536

See accompanying notes and schedules to the consolidated financial statements.

Abegweit First Nation

Consolidated Statement of Cash Flows

March 31

2019

2018

Increase (decrease) in cash and cash equivalents

Operating activities		
Net (loss) income	\$ (189,852)	\$ 1,890,229
Items not affecting cash		
Depreciation	1,066,588	921,682
Loss (gain) on sale of assets	6,680	(90,003)
Change in non-cash working capital items		
Increase in accounts receivable	(132,237)	(314,422)
Increase in inventory	(43,949)	(6,935)
Decrease in prepaid expenses	655	3,306
(Increase) decrease in replacement reserve	(35,781)	12,184
Increase in trust funds ISC	(157)	(442)
Increase (decrease) in accounts payable and accrued liabilities	(31,680)	203,463
Increase (decrease) in deferred revenue	106,373	10,215
Increase in RRAP liabilities	(63,659)	60,412
	<u>682,981</u>	<u>2,689,689</u>
Financing activities		
Proceeds from issuance of long term debt	79,014	885,840
Principal repayments of long term debt	(722,488)	(574,660)
Increase (decrease) in bank indebtedness	<u>20,000</u>	<u>(232,135)</u>
	<u>(623,474)</u>	<u>79,045</u>
Investing activities		
Increase in restricted cash	-	(67,456)
Purchase of tangible capital assets	(762,056)	(1,855,598)
Purchase of intangible assets	-	(60,000)
Proceeds from disposal of assets	<u>5,500</u>	<u>133,000</u>
	<u>(756,556)</u>	<u>(1,850,054)</u>
Net change in cash and cash equivalents	(697,049)	918,680
Cash and cash equivalents,		
Beginning of year	<u>918,680</u>	<u>-</u>
End of year	<u>\$ 221,631</u>	<u>\$ 918,680</u>

See accompanying notes and schedules to the consolidated financial statements.

Abegweit First Nation**Consolidated Statement of Changes in Net Debt**

March 31	Budget	2019	2018
Net revenues (expenditures)	\$ 544,777	\$ (189,852)	\$ 1,890,229
Loss (gain) on sale of assets	-	6,680	(90,003)
Amortization	607,000	1,066,588	921,682
Acquisition of tangible capital assets	-	(762,056)	(1,855,598)
Acquisition of intangible capital assets	-	-	(60,000)
Proceeds from sale of tangible capital assets	-	5,500	133,000
	1,151,777	126,860	939,310
Use of prepaid expense, net of acquisitions	-	655	3,306
Change in net debt	1,151,777	127,515	942,616
Net debt beginning of year	(1,353,521)	(1,353,521)	(2,296,137)
Net debt, end of year	\$ (201,744)	\$ (1,226,006)	\$ (1,353,521)

See accompanying notes and schedules to the consolidated financial statements.

Abegweit First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

1. Summary of significant accounting policies

Consolidation

These consolidated financial statements consolidate the assets, liabilities and results of operations of the Abegweit First Nation's reporting entity.

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, cash flows and changes in net debt of the reporting entity. The reporting entity is comprised of all organizations and committees that are accountable to the Band for administration of their financial affairs and resources and which are owned by the Band. Interdepartmental and organizational transactions and balances are eliminated.

Basis of presentation

The consolidated financial statements of Abegweit First Nation are the representations of management prepared in accordance with generally accepted accounting principles for local governments as established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The focus of PSAB consolidated financial statements is on the consolidated financial position of the Band and the changes thereto. The Consolidated Statement of Financial Position includes all of the assets and liabilities of the Band.

Revenue recognition

Government transfers and rebates are recognized as revenues in the period in which the events giving rise to the transfer and rebates occur, providing the amounts are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Transfers associated with capital projects are restricted in their use and are recorded as deferred revenue until the qualifying capital project funds have been expended. All other revenues and unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor and are recognized as revenue when used for the specific purpose.

Revenue from sales of fish products are recognized when the price is fixed or determinable, collectability is reasonably assured and upon shipment to, and acceptance by, the buyer.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and term deposits net of any bank overdraft. Bank borrowings are considered to be financing activities.

Inventories for resale

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value.

Abegweit First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

1. Summary of significant accounting policies (cont'd)

Intangible assets

Fishing licenses have indefinite lives, are not amortized and are tested for impairment annually or more frequently, if events or changes in circumstances indicate that the assets might be impaired. Fishing licenses are determined to have infinite lives as the annual renewal fee is nominal, the Band has both the ability and intent to renew or extend the life of the license and there has been a history of being able to obtain renewals from government. The impairment test compares the fair value of fishing licenses to their carrying values. When the fair value is less than the carrying value then an impairment loss would be recognized in the consolidated statement of operations.

Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development and betterment of the asset. The cost of the tangible capital asset is amortized using the declining balance method at the following rates:

Boats	15% declining balance
Buildings	4% declining balance
Computer hardware	30% declining balance
Computer software	100% declining balance
Equipment	20% declining balance
Fencing	8% declining balance
Furniture and equipment	20% declining balance
Housing – CMHC Section 95	10% declining balance
Infrastructure	10% declining balance
Landscaping	8% declining balance
Office furniture	20% declining balance
Parking lot	8% declining balance
Sign	20% declining balance
Vehicles	30% declining balance

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenditures, provides the consolidated change in net debt for the year.

Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- I. an environmental standard exists;
- II. contamination exceeds the environmental standards;
- III. the Municipality is directly responsible or accepts responsibility; and
- IV. a reasonable estimate of the amount can be made.

Management has reviewed potential sites where they feel a material liability may exist and has concluded there is no known liability at this time.

Abegweit First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

1. Summary of significant accounting policies (cont'd)

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepting account principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include valuation of accounts receivable and the estimated useful lives of property and equipment. Actual results could differ from these estimates used in these consolidated financial statements.

2. Band employee benefits

The Band matches employee's contributions to a Registered Retirement Savings Plan (RRSP). During the year there was \$102,742 (2018 - \$84,029) contributed to RRSP plans. This represented both the Band's and the employees' portion of the contribution and was included in expenses for the year.

3. Accounts receivable	2019	2018
Indigenous Services Canada (ISC)	\$ 152,960	\$ 5,095
ACOA	18,677	59,836
Department of Fisheries and Oceans	246,879	491,000
Government of Prince Edward Island	189,654	42,500
CMHC	60,488	-
Mi'kmaq Confederacy of PEI	99,722	289,463
Health Canada	222,892	-
Lennox Island	39,472	-
Miscellaneous	64,470	49,495
Payroll advances	316	4,364
Province of PEI tax rebates	20,638	14,587
Ulooweg Development Corporation	-	27,591
	<u>\$1,116,168</u>	<u>\$ 983,931</u>

4. Inventory held for resale

Inventory held for resale included in the consolidated statement of financial position are comprised of the following amounts:

	2019	2018
Gas bar inventory	\$ 144,011	\$ 118,514
Redstone Auto and Marine inventory	<u>57,869</u>	<u>39,417</u>
	<u>\$ 201,880</u>	<u>\$ 157,931</u>

Abegweit First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

5. Replacement reserve

Under the terms of an agreement with Canada Mortgage and Housing Corporation, the replacement reserve is being credited annually based on \$1,000 per unit, per year pro rated in the year of acquisition. The funds for this reserve are maintained in accounts that are secured by the Canadian Deposit Insurance Corporation and may be used as approved by Canada Mortgage and Housing Corporation.

6. Trust funds ISC

	March 31, 2018	Additions 2019	Withdrawals 2019	March 31, 2019
Trust funds	\$ 13,897	\$ 157	\$ -	\$ 14,054

The trust funds arise 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. The management of these funds is primarily governed by Sections 63 to 69 of the *Indian Act*.

7. Prepaids

Prepaid expenses included in the consolidated statement of financial position are comprised of the following amounts:

	2019	2018
Post-secondary education – living allowance	\$ 4,228	\$ 4,580
Social assistance	3,241	3,541
	<u>\$ 7,469</u>	<u>\$ 8,121</u>

8. Bank indebtedness

The Band has access to operating lines of credit with approved borrowing amounts of \$750,000 from January 15 to April 2 and a borrowing limit of \$500,000 for the remainder of the year. The credit facility bears interest at a rate of prime plus 1.15%. As of March 31, 2019, \$730,000 (2018 - \$ 750,000) of the line of credit was unused.

Abegweit First Nation
Notes to the Consolidated Financial Statements
March 31, 2019

9. Long-term debt	<u>2019</u>	<u>2018</u>
1.83% demand loan maturing in 2019, repayable in equal monthly instalments of principal and interest of \$497.	\$ 81,796	\$ 86,240
3.19% demand loan maturing in 2019, repayable in equal monthly instalments of principal and interest of \$584.	84,140	88,386
1.44% demand loan maturing in 2022, repayable in equal monthly instalments of principal and interest of \$531.	100,298	105,198
1.43% demand loan maturing in 2022, repayable in equal monthly instalments of principal and interest of \$535.	102,502	107,436
1.43% demand loan maturing in 2022, repayable in equal monthly instalments of principal and interest of \$535.	102,499	107,433
1.43% demand loan maturing in 2022, repayable in equal monthly instalments of principal and interest of \$545.	103,836	108,860
1.14% demand loan maturing in 2021, repayable in equal monthly instalments of principal and interest of \$543.	101,588	106,917
1.14% demand loan maturing in 2021, repayable in equal monthly instalments of principal and interest of \$543.	101,588	106,917
2.44% demand loan maturing in 2022, repayable in equal monthly instalments of principal and interest of \$1,657.	225,770	239,981
2.4% demand loan maturing in 2022, repayable in equal monthly instalments of principal and interest of \$553.	75,224	79,990
2.4% demand loan maturing in 2022, repayable in equal monthly instalments of principal and interest of \$553.	75,224	79,990
2.49% demand loan maturing in 2019, repayable in equal monthly instalments of principal and interest of \$627.	75,654	79,547
Prime plus 1.15% demand loan maturing in 2020, to be repaid as follows: \$35,000 per year, payable on June 1 of each year, from June 1, 2014 to and including June 1, 2019 and \$25,000 on or before June 1, 2020.	60,000	95,000
2.49% term loan maturing in 2023, repayable in equal monthly instalments of principal and interest of \$627.	114,129	118,764

Abegweit First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

9. Long term debt (cont'd)	<u>2019</u>	<u>2018</u>
1.98% term loan maturing in 2019, repayable in equal monthly instalments of principal and interest of \$603.	120,570	125,392
2.18% term loan maturing in 2019, repayable in equal monthly instalments of principal and interest of \$617.	119,462	124,232
4.81% term loan maturing in 2020, repayable in equal annual instalments of principal and interest of \$9,110.	8,692	15,780
1.17% demand loan maturing in 2021, repayable in equal monthly instalments of principal and interest of \$546.	126,163	131,216
4.00% term loan maturing in 2021, repayable in equal monthly instalments of principal and interest of \$861.	17,234	25,603
Prime plus 1.10% term loan maturing in 2020, to be repaid as follows: \$18,000 per year, payable on June 1 of each year, from June 1, 2020 to and including June 1, 2026.	144,000	160,669
The terms of the demand loan have not been finalized as of the date of this report.	110,090	110,100
4.20% term loan maturing in 2021, repayable in equal monthly instalments of principal and interest of \$660.	19,327	26,276
6.99% capital lease maturing in 2020, repayable in equal monthly instalments of principal and interest of \$3,500.	36,667	-
Loans repaid during the year	-	520,000
	<u>\$2,106,453</u>	<u>\$2,749,927</u>

Based on these terms the principal repayments in the next five years are due as follows:

2020	\$ 166,103
2021	146,687
2022	112,671
2023	109,600
2024	111,083
Thereafter	1,460,309

Demand loans are secured by a general security agreement constituting a first ranking security interest in all property and irrevocable Band Council resolution authorizing borrowings.

Abegweit First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

10. RRAP liability

Canada Mortgage and Housing Corporation ("CMHC") has granted forgivable loans to Abegweit First Nation through the Residential Rehabilitation Assistance Program to finance modifications for the accessibility of disabled members. The loans are only forgivable if the First Nation fulfils a list of conditions proposed by CMHC and must be repaid if these conditions are not met. The loans are forgivable over periods of three to five years and give rise to a liability until the funds are fully forgiven. The liability for the remaining balance of the loans to be forgiven as of March 31, 2019, totals \$164,612 (2018 - \$228,271).

11. CMHC funding

Abegweit First Nation is an eligible recipient under the Section 95 housing program operated by Canada Mortgage and Housing Corporation.

12. Commitments

The Abegweit First Nation has provided a letter of guarantee to Ultramar Ltd. and has a franchise agreement with Merrik Franchising (Maritimes) Limited relating to the gas bar operation.

13. Economic dependence

The Abegweit First Nation receives a major portion of its revenues pursuant to a funding arrangement with Indigenous Services Canada (ISC). As this is the major source of revenues, the organization's ability to continue viable operations is dependent upon maintaining this funding source.

14. Prior year's figures

Certain prior year's figures have been reclassified to conform with the current year financial statement presentation.

15. Related party transactions

During the year, Abegweit First Nation, incurred expenses from Kitpu Construction, a company owned by a band member in the amount of \$315,190 (2018 - \$191,587).

Abegweit First Nation
Notes to the Consolidated Financial Statements
March 31, 2019

16. Government transfers

	2019			2018		
	Operating	Capital	Total	Operating	Capital	Total
Federal Government Transfers:						
Indigenous Services Canada	2,808,786	153,021	2,961,807	2,529,992	253,631	2,783,623
Atlantic Canada Opportunities Agency	80,417		80,417	-		-
Canada Mortgage & Housing Corporation	181,256		181,256	105,705		105,705
Department of Fisheries & Oceans	359,587	170,000	529,587	193,700	453,011	646,711
Government of Canada	34,455		34,455	-		-
Health Canada	1,446,011		1,446,011	1,266,670		1,266,670
Heritage Canada	11,200		11,200	11,400		11,400
Total	4,921,713	323,021	5,244,734	4,107,467	706,642	4,814,109
Provincial Government Transfers	609,812	-	609,812	165,165	50,000	215,165
	<u>\$5,531,525</u>	<u>\$323,021</u>	<u>\$5,854,546</u>	<u>\$4,272,632</u>	<u>\$756,642</u>	<u>\$5,029,274</u>

17. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Band Council.

Abegweit First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

18. Funding reconciliation

Programs	Funding received	Unexpended federal funding beginning of year	Adjustments / Transfers	Total federal funding available	Federal funding expended	Unexpended funding at year end
INAC						
Block - Indian Government Support - Band	\$ 349,732	\$ -	\$ -	\$ 349,732	\$ 349,732	\$ -
Block - LTS Core Funding - Registration and membership	3,906	-	-	3,906	3,906	-
Block - Elementary/Secondary	804,577	-	-	804,577	788,965	-
Block - Post Secondary education	128,006	-	-	128,006	130,686	-
Block - Income Assistance	420,351	-	-	420,351	448,213	-
Block - Assisted living - block funding	34,307	-	-	34,307	34,307	-
Block - LEDSP Ec Dev Allocations	45,545	-	-	45,545	45,545	-
Block - Other - Capital	153,021	-	-	153,021	322,550	-
Block - Other - Facilities O&M	120,278	-	-	120,278	120,278	-
Fixed - Instruc Serv Formula	69,753	-	-	69,753	69,754	-
Fixed - Enhanced Teachers Sal	1,094	-	-	1,094	1,094	-
Fixed - Jordan's Principle	17,002	-	-	17,002	17,002	-
Fixed - School Effectiveness	23,514	-	-	23,514	23,514	-
Fixed - Language and Culture	18,505	-	-	18,505	18,505	-
Fixed - First Nation and Inuit - Summer Work Exp	20,471	-	-	20,471	20,471	-
Fixed - First Nation and Inuit - Skill Link Prog	142,258	-	-	142,258	142,258	-
Fixed - Post Secondary Student Supplement Program	16,899	-	-	16,899	16,899	-
Fixed - Leadership Gov Cap Dev	17,500	-	-	17,500	17,500	-
Fixed - Plan and Risk Management Government Program	49,285	-	-	49,285	49,285	-
Fixed - Consult & Policy Development	10,000	-	-	10,000	10,800	-
Fixed - Water Systems	85,218	-	-	85,218	85,218	-
Fixed - Renovations and additions	57,911	17,978	-	75,889	75,889	-
Fixed - Other Mitigation	-	3,478	-	3,478	3,478	-
Fixed - Family Violence Prevention	38,900	-	-	38,900	48,816	-
Fixed - Capacity/Innovation	22,000	-	-	22,000	22,000	-
Flexible - AAC Water	-	35,433	-	35,433	36,703	-
Flexible - Preparedness	22,500	-	-	22,500	22,500	-
Flexible Emergency Recovery	38,225	-	-	38,225	163,804	-
Flexible Response	56,073	-	-	56,073	56,073	-
Subtotal ISC	2,766,830	56,839	-	2,823,669	3,145,193	-
Health Canada						
Block - KA01 - Prenatal	8,581	-	-	8,581	8,581	-
Block - KA03 - Maternal Child Health	16,885	-	-	16,885	16,885	-
Block - KA04 - Health - COHO	5,080	-	-	5,080	5,080	-
Block - KA05 - Headstart	52,063	-	-	52,063	52,063	-
Block - KA05 - IELEC	37,890	-	-	37,890	37,890	-
Block - KB01 - Building Healthy Communities	33,496	-	-	33,496	33,496	-
Block - KB02 - Brighter Futures	33,372	-	-	33,372	33,372	-
Block - KB02 - Missing & Murdered AB Women	15,181	-	-	15,181	15,181	-
Block - KB03 - Suicide Prevention	5,681	-	-	5,681	5,681	-
Block - KB05 - Mental Well, Team	150,000	-	-	150,000	150,000	-
Block - KB10 - National Native Alcohol and Drug Abuse	111,705	-	-	111,705	111,705	-
Block - KB12 - YSAP	6,930	-	-	6,930	6,930	-
Block - KB13 - Harm Reduction	10,000	-	-	10,000	10,000	-
Block - KC01 - Aboriginal Diabetes Initiatives	37,103	-	-	37,103	37,103	-
Block - KC40 - Federal Tobacco Control	10,000	-	-	10,000	10,000	-
Block - KC09 - HL Pub Hlth & Chr	133,634	-	-	133,634	133,634	-
Block - KD10-KD40 - Communicable Disease Control	7,000	-	-	7,000	7,000	-
Block - KED0 - Drinking Water	20,814	-	-	20,814	20,814	-
Block - KG01 - HCC Service Del	74,635	-	-	74,635	74,635	-
Block - KJ00 - Health Planning and Management	103,690	-	-	103,690	103,690	-
Block - KJ10 - MAR funds	-	158,237	-	158,237	-	158,237
Block - KJ10 - Accreditation	30,000	-	-	30,000	30,000	-
Block - KM10 - Operations and Maintenance programs	43,560	-	-	43,560	43,560	-
Block - KN00 - HSIF	77,000	-	-	77,000	77,000	-
Flexible - KM00 - Capital Investment	50,000	21,508	-	71,508	15,981	55,528
Flexible - KB99 Public Health NS & CHR (MW)	49,200	-	-	49,200	49,200	-
Flexible - KL - Jordan's Principle	151,044	14,882	-	165,926	130,561	71,800
Set - KB32 - IRS	110,000	-	-	110,000	110,000	-
Set - KH60 - Traditional Healer	22,000	-	-	22,000	22,000	-
Set - KH30 - MT Clients ins.	39,371	-	-	39,371	39,371	-
Set - KH44 - MT-CA Admin	3,937	-	-	3,937	3,937	-
Set - KH60 - Victims of Family Violence	81,000	-	-	81,000	81,000	-
Set - KP31 - Telehealth Maint	6,097	-	-	6,097	6,097	-
Total Health Canada	1,536,949	194,627	-	1,731,576	1,682,447	285,565
Department of Fisheries and Oceans (DFO)						
AICFI Component 2.3	40,000	-	-	40,000	40,000	-
AICFI Component 2.4	5,850	-	-	5,850	5,850	-
AIS	110,000	-	-	110,000	110,000	-
FP&GO-18103	100,000	-	-	100,000	100,000	-
RFQIP	40,841	-	-	40,841	40,841	-
2018AIFSAR3066	53,060	-	-	53,060	53,060	-
2018AIFSAR3065 - Midgell	74,836	-	-	74,836	74,836	-
FACTAP	35,000	-	-	35,000	35,000	-
AICFI 4.0 Hatchery	50,000	-	-	50,000	50,000	-
AICFI 4.0 Solar Panels	37,500	-	-	37,500	20,000	17,500
Subtotal DFO	547,087	-	-	547,108	529,608	17,500
Headstart EYC	108,211	26,931	-	135,142	103,435	31,707
Total funding	\$ 4,959,077	\$ 278,397	\$ -	\$ 5,237,495	\$ 5,260,683	\$ 334,772

Abegweit First Nation

Notes to the Consolidated Financial Statements

March 31, 2019

19. Segmented reporting

The presentation by segment is based on the same accounting policies as described in the summary of significant accounting policies as described in Note 1. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Band services are provided by departments and their activity is reported in these funds. The services provided by these departments are as follows:

Administrative

This segment includes departments that are responsible for the overall financial and local government administration. The tasks include, but are not limited to, daily accounting functions, preparation and coordination of the annual audited financial statements, coordination of the development of the annual budget, human resource functions for the entire municipal unit, economic development initiatives and maintenance of bylaws and policies. This would also include administrative and policy support for the Chief and all members of the Council.

Capital/Housing

This segment is responsible for providing housing and capital infrastructure for the Band's residents. This includes the operation of water and sewer utilities.

Social Services

This segment is responsible for providing social assistance to band members in need. This includes the basic needs and social needs programs.

Education Services

This segment is responsible for providing education funding. This includes tuition agreements, student's costs and supplies as required.

Health Services

Services provided by the Health department are included in this segment. The following tasks are delivered by this department: Aboriginal diabetes initiatives, adult care, brighter futures program, the early learning centre, health planning and various other programs depending on the funding obtained.

Epikwik Gas Bar

The Band operates a gas station on the reserve. The revenues and expenses associated with the operations of the gas station are included in this segment.

Fisheries/Fisheries AFS

This segment is responsible for the commercial fishing of lobster, snow crab, etc. and other related fishing projects such as the hatchery.

Redstone Auto & Marine

The Band operates an auto and marine mechanic shop on the reserve. The revenues and expenses associated with the operations of the mechanic shop are included in this segment.

Economic Development

The Band is involved in activities to promote economic development that benefits its community and members.

Abegweit Conservation Society

This segment is a registered charity, with the purpose of protecting the environment of Prince Edward Island by saving, supporting, protecting and assisting stressed and endangered fish, plant and animal species as well as cleaning, remediating and protecting streams, rivers, watersheds and forests.

Abegweit First Nation Schedule of Segmented Disclosure March 31, 2019

The following table presents the expenses incurred and the revenue generated by main object of expense and by major revenue type. The segment results for the period are as follows:

Revenues	Admin	Capital/ Housing	Social Services	Education Services	Health Services	Epekwik Gas Bar	Fisheries	Hatchery	Fisheries AFS	Redstone Auto & Marine	Economic Development	Abegweit Conservation Society	Total	Less Intercompany Eliminations	2019
Indigenous & Northern Affairs Canada	\$ 634,062	\$ 727,701	\$ 454,658	\$ 1,099,821	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,545	\$ -	\$ 2,961,807	\$ -	\$ 2,961,807
Other Federal government	92,817	191,256	-	-	1,446,011	-	45,850	50,000	110,000	100,000	-	256,993	2,282,927	-	2,282,927
Provincial government	219,057	100,000	-	-	132,554	-	-	110,080	-	-	24,000	56,941	642,632	-	642,632
Mik'mac Confederacy of PEI	263,640	-	-	-	168,676	-	61,396	-	-	-	-	-	493,712	-	493,712
Economic activities	-	-	-	-	17,942	5,547,318	1,731,239	-	-	417,571	39,590	6,760	7,760,410	(248,511)	7,511,899
Fuel & tobacco rebates	907,400	-	-	-	-	-	-	-	-	-	-	-	907,400	-	907,400
Other revenue	75,164	3,179	-	-	45,597	-	7,906	-	-	8,252	8,749	187,400	336,247	(141,948)	194,299
	\$ 2,192,160	\$ 1,012,136	\$ 454,658	\$ 1,099,821	\$ 1,810,781	\$ 5,547,318	\$ 1,846,391	\$ 160,080	\$ 110,000	\$ 525,822	\$ 117,874	\$ 508,095	\$ 15,385,136	\$ (390,459)	\$ 14,994,676
Expenditures															
Salaries & benefits	\$ 906,903	\$ 170,869	\$ 94,637	\$ 213,643	\$ 1,061,531	\$ 405,953	\$ 808,130	\$ 97,815	\$ 116,477	\$ 101,600	\$ 49,801	\$ 268,638	\$ 4,293,997	\$ -	\$ 4,293,997
Goods & services	1,145,781	763,923	250,160	954,459	710,802	4,947,157	796,732	30,507	28,228	303,816	56,043	102,940	10,095,568	(390,459)	9,705,109
Amortization	-	599,024	82	11,976	32,990	44,314	285,318	-	-	6,768	-	86,118	1,066,590	-	1,066,590
Interest	11,153	45,839	-	-	212	28,426	28,942	-	-	3,166	-	1,094	118,832	-	118,832
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2,063,837	1,579,655	344,899	1,176,078	1,805,535	5,425,850	1,919,122	128,322	144,705	420,350	105,844	458,790	15,574,987	(390,459)	15,184,528
Net revenues (expenditures)	\$ 128,323	\$ (567,519)	\$ 109,759	\$ (78,257)	\$ 5,245	\$ 121,468	\$ (72,731)	\$ 31,758	\$ (34,705)	\$ 105,473	\$ 12,030	\$ 40,304	\$ (189,852)	\$ -	\$ (189,852)

Abegweit First Nation Schedule of Segmented Disclosure March 31, 2018

Admin	Capital/ Housing	Social Services	Education Services	Health Services	Erekwit Gas Bar	Fisheries AFS	Mathew AFS	Redstone Auto & Machine	Economic Development	Abegweit Conservation Society	Total	Less Intercompany Eliminations	2018
Indigenous & Northern Affairs Canada	\$ 844,503	\$ 596,701	\$ 418,754	\$ 1,053,695	\$ 34,177	\$ -	\$ -	\$ -	\$ 35,792	\$ -	\$ 2,783,623	\$ -	\$ 2,783,623
Other Federal Government	11,400	105,705	-	1,266,670	-	133,600	-	-	-	454,748	2,425,135	-	2,425,135
Provincial Government	79,421	50,000	-	98,136	-	-	-	-	-	147,573	375,120	-	375,120
Mik'maq Confederacy of PEI	358,711	-	-	249,443	-	-	-	-	50,000	-	718,498	-	718,498
Economic Activities	-	-	-	21,965	5,090,486	3,324,536	-	595,537	32,064	-	9,174,588	-	9,174,588
Fuel & tobacco rebates	503,150	-	-	-	-	-	-	-	-	-	908,150	-	908,150
Other revenue	89,124	2,855	-	11,896	-	123,732	7,213	7,552	-	212,667	455,339	-	455,339
\$2,091,309	\$ 755,161	\$ 418,754	\$ 1,053,695	\$ 1,682,277	\$ 5,090,486	\$ 3,324,536	\$ 7,213	\$ 703,389	\$ 117,856	\$ 814,988	\$ 16,840,453	\$ -	\$ 16,840,453
Expenditures													
Salaries & benefits	\$ 671,575	\$ 149,805	\$ 84,800	\$ 166,117	\$ 973,655	\$ 381,509	\$ 515,401,864	\$ 95,949	\$ 99,953	\$ 136,793	\$ 45,372	\$ 233,332	\$ 4,569,654
Goods & services	814,755	580,674	218,211	856,815	613,908	4,496,958	1,005,213	22,735	50,138	82,704	97,945	-	9,360,631
Amortization	-	568,070	-	11,157	32,337	46,207	237,589	-	-	-	433	-	921,681
Interest	10,574	35,614	-	408	-	38,998	16,798	-	-	715	98,258	-	98,258
Other	1,436,884	1,352,163	308,011	1,034,511	1,619,900	4,983,772	2,759,784	113,684	130,092	680,362	128,076	-	14,950,224
\$ 594,425	\$ (596,503)	\$ 115,743	\$ 19,185	\$ 62,377	\$ 136,714	\$ 1,171,840	\$ (111,471)	\$ 3,508	\$ 23,027	\$ (10,220)	\$ 482,003	\$ -	\$ 1,890,229
Net revenues (expenditures)													

Abegweit First Nation **Schedule of Tangible Capital Assets**

Year ended March 31, 2019

	<u>Boats</u>	<u>Infrastructure</u>	<u>Housing</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>2019</u>	<u>2018</u>
Cost:								
Opening balance	\$ 2,673,923	\$ 5,230,953	\$ 6,231,526	\$ 2,643,479	\$ 679,066	\$ 3,233,473	\$ 20,692,420	\$ 19,109,937
Acquisition of tangible capital assets	67,895	189,778	40,352	37,150	85,951	340,928	762,054	1,855,597
Disposal of tangible capital assets	-	(12,613)	-	(32,970)	-	(2,000)	(47,583)	(273,114)
Balance, end of year	\$ 2,741,818	\$ 5,408,118	\$ 6,271,878	\$ 2,647,659	\$ 765,017	\$ 3,572,401	\$ 21,406,891	\$ 20,692,420
Accumulated amortization								
Opening balance	\$ 1,431,463	\$ 2,938,115	\$ 3,725,492	\$ 928,994	\$ 531,244	\$ 2,200,176	\$ 11,755,484	\$ 11,063,919
Annual amortization	187,218	268,306	244,999	70,265	45,588	250,212	1,066,588	921,682
Accumulated amortization On disposals	-	(2,871)	-	(32,531)	-	-	(35,402)	(230,117)
Balance, end of year	1,618,681	3,203,550	3,970,491	970,437	576,832	2,450,388	12,786,670	11,755,484
Net book value of tangible capital assets	\$ 1,123,137	\$ 2,204,568	\$ 2,301,387	\$ 1,677,222	\$ 188,185	\$ 1,122,013	\$ 8,620,221	\$ 8,936,936