



Grant Thornton

Consolidated Financial Statements

Acadia First Nation

March 31, 2020

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Independent Auditor's Report

To the Chief and Council of
Acadia First Nation

Opinion

We have audited the consolidated financial statements of **Acadia First Nation** (the "Band"), which comprise the statement of financial position as at March 31, 2020, and the consolidated statements of operations, accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Acadia First Nation** as at March 31, 2020, and the results of its consolidated operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements taken as a whole. The Schedules of revenues and expenditures on pages 25 to 37 are presented for purposes of additional information and are not a required part of the consolidated financial statements. Such information has been subject to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the consolidated financial statements taken as a whole.

Basis for Opinion

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 financial statements* section of our report. We are independent of the Band 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.

Responsibilities of management and Chief and Council 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 Band'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 Band or to cease operations, or has no realistic alternative to do so.

Chief and Council are responsible for overseeing the Band's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether these 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 Band'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 Band'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 Band 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 Band and its subsidiaries 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 Chief and Council 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.



Chartered Professional Accountants

Yarmouth, Canada
August 12, 2020

Acadia First Nation

Management's Responsibility for Financial Reporting

March 31, 2020

The accompanying consolidated financial statements of Acadia First Nation and all the information in this 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 Public Sector Accounting Standards. 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 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 external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Acadia First Nation and meet when required.

On behalf of Acadia First Nation:

Councillor

Band Manager

The image shows two handwritten signatures in blue ink. The top signature is for the Councillor and the bottom signature is for the Band Manager. Both signatures are written over a large, dark, irregular ink smudge or stamp.

Acadia First Nation

Consolidated Statement of Operations

Year Ended March 31

	<u>Budget</u> <u>2020</u>	<u>Actual</u> <u>2020</u>	<u>Actual</u> <u>2019</u>
Revenues			
Federal government operating transfers	\$ 2,757,035	\$ 3,502,525	\$ 3,871,747
Federal government capital transfers	220,000	111,684	1,103,135
Provincial government operating transfers	175,000	213,404	205,228
Economic activities	8,825,000	10,194,261	9,090,982
Economic activities – retail operations	26,400,000	26,212,222	25,423,798
Other	<u>1,396,791</u>	<u>2,097,008</u>	<u>1,164,123</u>
	<u>39,773,826</u>	<u>42,331,104</u>	<u>40,859,013</u>
Expenses			
Band management and support	10,605,050	11,325,897	10,025,803
Education	824,241	810,208	796,151
Community maintenance	1,157,500	1,388,486	999,470
Social services	795,250	1,040,259	985,757
Community health	488,150	622,678	527,603
Housing	527,550	561,878	593,592
Fisheries	3,153,750	3,176,833	3,825,562
Training	465,000	535,676	485,435
Forestry	186,500	149,849	176,923
Retail operations	<u>19,791,200</u>	<u>20,761,351</u>	<u>19,091,307</u>
	<u>37,994,191</u>	<u>40,373,115</u>	<u>37,507,603</u>
Annual surplus	<u>\$ 1,779,635</u>	<u>\$ 1,957,989</u>	<u>\$ 3,351,410</u>

Acadia First Nation**Consolidated Statement of Accumulated Surplus**

Year Ended March 31

2020 **2019**

	Investment in Capital Assets	Unrestricted Fund	Net Assets - externally restricted Funds on deposit with DISC	Replacement Reserve	Total	Total
Opening balance, as previously reported	\$ 8,821,260	\$ 10,657,688	\$ 11,353	\$ 178,554	\$ 19,668,855	\$ 16,338,621
Surplus	-	1,957,989	-	-	1,957,989	3,351,410
Change in prepaid expenses	-	(1,058)	-	-	(1,058)	(21,176)
Current year allocations	-	-	-	-	-	-
Interest earned	-	(3,043)	223	2,820	-	-
Ending balance	\$ 8,821,260	\$ 12,611,576	\$ 11,576	\$ 181,374	\$ 21,625,786	\$ 19,668,855

Acadia First Nation

Consolidated Statement of Financial Position

March 31

2020

2019

Financial assets

Cash and cash equivalents	\$ 13,554,305	\$ 4,022,100
Receivables (Note 5)	1,935,727	2,323,752
Inventory held for resale	973,140	866,946
Restricted cash and deposits		
Funds on deposit at DISC (Note 14 a))	11,576	11,353
Funds on deposit at FNFA (Note 14 b))	756,788	-
CMHC reserves (Note 9)	181,374	178,554
	<u>17,412,910</u>	<u>7,402,705</u>

Financial liabilities

Payables and accruals (Note 8)	2,451,033	1,506,709
Deferred revenue	2,186,246	2,232,028
Assessment of sales tax, penalties and interest (Note 16)	1,736,438	2,086,438
Long-term debt (Note 7)	19,903,517	4,978,342
	<u>26,277,234</u>	<u>10,803,517</u>

Net debt

	<u>(8,864,325)</u>	<u>(3,400,812)</u>
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Non-financial assets

Tangible capital assets (Note 6)	30,460,055	23,038,553
Prepaid expenses	30,056	31,114
	<u>30,490,111</u>	<u>23,069,667</u>

Accumulated surplus

	<u>\$ 21,625,786</u>	<u>\$ 19,668,855</u>
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Accumulated surplus (Page 5)

	<u>\$ 21,625,786</u>	<u>\$ 19,668,855</u>
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Contingencies and commitments (Note 16)

On behalf of the Band



Councillor



Band Manager

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

<u>March 31</u>	<u>Budget</u>	<u>2020</u>	<u>2019</u>
Surplus	\$ 1,779,635	\$ 1,957,989	\$ 3,351,410
Tangible capital asset additions	(16,765,000)	(9,092,302)	(6,841,783)
Loss on disposal of tangible capital assets	-	-	21,515
Amortization of tangible capital assets	<u>1,600,000</u>	<u>1,670,800</u>	<u>1,516,760</u>
Decrease in net debt	<u>\$(13,385,365)</u>	<u>(5,463,513)</u>	<u>(1,952,098)</u>
Net debt, beginning of year		<u>(3,400,812)</u>	<u>(1,448,714)</u>
Net debt, end of year		<u>\$ (8,864,325)</u>	<u>\$ (3,400,812)</u>

Acadia First Nation

Consolidated Statement of Cash Flows

March 31	2020	2019
Increase (decrease) in cash and cash equivalents		
Operations		
Annual surplus	\$ 1,957,989	\$ 3,351,410
Amortization	1,670,800	1,516,760
Loss on disposal of tangible capital assets	-	21,525
Changes in non-cash operating working capital balances (Note 10)	<u>70,542</u>	<u>531,663</u>
	<u>3,699,331</u>	<u>5,421,358</u>
Financing		
Repayment of long-term debt, net of advances	<u>14,925,175</u>	<u>(385,191)</u>
Capital transactions		
Purchase of tangible capital assets	<u>(9,092,302)</u>	<u>(6,841,783)</u>
Decrease in cash and cash equivalents	9,532,204	(1,805,616)
Cash and cash equivalents		
Beginning of year	<u>4,022,100</u>	<u>5,827,716</u>
End of year	<u>\$ 13,554,304</u>	<u>\$ 4,022,100</u>

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2020

1. Summary of significant accounting policies

Reporting entity and principles of financial reporting

The consolidated financial statements of Acadia First Nation (the "Band") are the representations of management prepared in accordance with Canadian public sector accounting standards for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

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

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

Principles of consolidation

The consolidated financial statements include the accounts of all funds and operations in which the Band has a controlling interest, after the elimination of inter-fund transactions and balances. The entities include the following Acadia First Nation Funds - Operating Fund, Capital Fund, Housing Fund, Development Fund, Fisheries Fund, Forestry Fund, Training Fund, Social Fund, Education Fund and Recreation Fund.

The Band had full control over the following enterprises during the year and their accounts have been consolidated. The enterprises recorded in this manner are Your Winner's World – AFN Ltd., Medway Entertainment – AFN, The Gold Nugget – AFN Ltd., Kespuwick Fisheries Incorporated, AFN Entertainment Centre/Winner's Corner – AFN, Hammonds Plains Entertainment AFN and 3321702 NS Ltd.

The retail enterprises operate a combination of video lottery terminals, bingo hall, convenience stores and gas bars. Kespuwick Resources manages the Fisheries operations on behalf of the Band.

Budget

The budget was approved by Chief and Council on March 26, 2019.

Revenues and expenditures – Canada Mortgage and Housing Corporation ("CMHC") Housing Projects

Revenues and expenditures are recorded according to the accrual basis of accounting. Rental revenue is recorded at a flat monthly rate and not on a rent-to-income basis as set out in the agreement with CMHC.

Rental revenue is only being collected from tenants on social assistance and all uncollected rental revenue is treated as bad debts. As part of consolidation, \$120,452 (2019 - \$84,191) was recorded as rental revenue in the Housing Fund and as rental expense in the Social Services Fund and \$177,401 (2019 - \$280,684) in contributions from the General Fund were eliminated.

Operating surplus reserve

The operating surplus reserve account is funded by an appropriation of surplus, including the annual charge to the replacement reserve as opposed to an annual charge to earnings for projects entered into under the 1997 Section 95 On-Reserve Housing Program.

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2020

1. Summary of significant accounting policies (continued)

Replacement reserve

The replacement reserve account is funded by an annual charge against earnings as opposed to an appropriation of surplus.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, bank overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to their acquisition, construction or betterment of the asset. Interest on construction is also included in cost. Amortization, at the rates noted below, is expensed in the current year.

Rates and bases of amortization applied to write-off the cost of property and equipment over their estimated lives are as follows:

Housing	25 yrs straight line basis
Commercial buildings	25 yrs straight line basis
Community buildings	25 yrs straight line basis
Furniture and equipment	10 yrs straight line basis
Paving and roads	30 yrs straight line basis
Forestry equipment	10 yrs straight line basis
Recreation	10 yrs straight line basis
Retail operations	10 yrs straight line basis
Motor vehicles	5 yrs straight line basis
Computers	4 yrs straight line basis
Fishing equipment and vessels	10 yrs straight line basis
Gas pumps	30 yrs straight line basis

Donated assets are recorded at a nominal value of \$1, unless otherwise noted. In the year of acquisition amortization of capital assets is calculated at the full annual rate as stated above.

RRAP expenditures

Repairs and renovations incurred under the CMHC Residential Renovations Assistance Program ("RRAP") are expensed in the Operating Fund in the year incurred.

Inventory held for resale

Inventory is valued at the lower of cost and net realizable value. The cost of inventories includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs such as storage costs, administrative overheads that do not contribute to bringing the inventories to their present location and condition, and selling costs are specifically excluded from the cost of inventories and are expensed in the period incurred. Inventory consists of tobacco products, gas and general retail products.

Investments

Investments, when held, are made up of treasury accounts with longer term maturities. Investments are recorded at cost which approximated market value. Share capital of the government business enterprises are recorded as long-term investments.

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2020

1. Summary of significant accounting policies (continued)

Interest rate risk

The Band has interest bearing loans on which general interest rate fluctuations apply. The financial risk is the risk to the Band's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Band does not use derivative instruments to reduce its exposure to interest and foreign currency risk.

Use of estimates

In preparing the Band's consolidated 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 and reported amounts of revenue and expenses. Actual amounts could differ from these estimates. Estimates include expected useful lives of assets, accrued liabilities and allowances for doubtful accounts.

Trust funds

The Trust Funds being administered by the Band are not consolidated with the accounts of the First Nation. At March 31, 2020, the equity in Trust Funds under its trusteeship amounted to \$nil (2019 - \$450,280), see page 36. Subsequent to year end the Trust was wound up.

Concentrations of credit risk

Concentrations of credit risk exist if a number of customers are engaged in similar economic activities or are located in the same geographic region, and indicate the relative sensitivity of the Band's performance to developments affecting a particular segment of borrowers or geographic region. Geographic credit risk exists for the Band due to most of the fish buyers they are dealing with are all located in South West Nova Scotia. The exposure to credit risk associated with the non-performance of these customers can be directly impacted by a decline in economic conditions which would impair the buyers' ability to satisfy their obligations to the Band.

Net debt

The Band's consolidated 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. Net debt is comprised of two components, non-financial assets and accumulated surplus.

Revenue

All revenue is recorded on the accrual basis whereby amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue. Funding received under the terms of contribution agreements with the federal government is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the federal government for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

Revenue from economic activities and other sources is recognized when goods or services are provided, the exchange amount is measureable and collectability of the amount is reasonably assured.

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2020

1. Summary of significant accounting policies (continued)

Revenue (continued)

In December 2017, the Band through several of its wholly owned enterprises entered into a new fuel supply agreement with Sobeys Atlantic Fuel Co., operating as Shell. From April 1, 2017 to November 30, 2017 fuel was supplied via Wilsons Fuels whereby the fuel was held on consignment, as a result no inventory was recognized and revenue was recognized on a net basis. Under the new agreement with Shell, the inventory is now owned by the Band or enterprise, as a result inventory is recognized and revenue is recognized on a gross basis.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver the Band's services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, prepaid expenses and inventories of supplies.

2. Future accounting standards

The Band will be required to adopt the following future accounting standards:

PS 3280 – *Asset retirement obligations*

This new section establishes the standards on how to account for and report a liability for asset retirement obligations. An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset. The new section is effective for fiscal years beginning on or after April 1, 2022 with early adoption permitted.

PS 3400 – *Revenues*

This new section establishes the standards on how to account for and report revenue. The section distinguishes between revenue that arises from transactions that include performance obligations and transactions that do not have performance obligations. The new section is effective for fiscal years beginning on or after April 1, 2023 with early adoption permitted.

PS 3450 – *Financial Instruments*

This section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives and enhanced disclosure. The new section is effective for fiscal years beginning on or after April 1, 2022 with early adoption permitted.

The Band is currently assessing the impact of the new standards.

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2020

3. Replacement reserve

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited annually with an amount established by CMHC as a charge against earnings plus interest. For projects entered into under the pre 1997 Section 95 On-Reserve Housing Program (Series 14-283-576) a combined amount of \$1,500 is charged annually, and for projects entered into under the 1997 Section 95 On-Reserve Housing Program (Series 19-042-795) an amount of \$1,000 per unit is charged annually unless otherwise specified by Acadia First Nation.

These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC under the pre 1997 Section 95 On-Reserve Program. Under the 1997 Section 95 On-Reserve Program, funds may be withdrawn in accordance with Replacement Reserve Criteria, CMHC 3022. Withdrawals are credited to interest first and then principal.

4. Operating surplus reserve

Under the terms of the agreement with CMHC, excess revenues over expenditures, including the annual allocation to the Replacement Reserve, for projects entered into under the 1997 Sections 95 On-Reserve Program (Series 19-042-795) are to be maintained as an operating reserve fund. The fund is to be credited annually with future surpluses of such projects plus interest. The projects operating reserve fund may only be used for the on-going operating costs of the housing projects and future years' deficits.

This reserve is to be comprised of monies deposited 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 Canada Mortgage and Housing Corporation from time to time.

5. Receivables	<u>2020</u>	<u>2019</u>
Mi'kmaw Kina'matnewey	\$ 12,482	\$ 18,107
Province of Nova Scotia	169,331	354,501
Department of Indigenous Services Canada	1,594,140	1,457,155
Canada Revenue Agency	86,265	126,431
Canada Mortgage and Housing Corporation	25,381	113,959
Mi'kmaq Employment/Training Secretariat	5,283	106,419
Other	<u>42,845</u>	<u>147,180</u>
	<u>\$ 1,935,727</u>	<u>\$ 2,323,752</u>

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2020

6. Tangible capital assets

	Land	Community Buildings	Commercial Buildings	Furniture & Equipment	Paving & Roads	Forestry Equipment	Housing	Balance Forward
Cost								
Balance, beginning of the year	\$ 1,098,052	\$10,234,024	\$ 10,175,735	\$ 316,176	\$ 998,604	\$ 181,248	\$ 9,336,781	\$ 32,340,619
Additions	277,121	231,036	7,623,611	24,403	101,556	-	416,489	8,674,216
Disposals	-	-	-	(66,619)	-	-	-	(66,619)
Balance, end of the year	<u>1,375,173</u>	<u>10,465,060</u>	<u>17,799,346</u>	<u>273,959</u>	<u>1,100,160</u>	<u>181,248</u>	<u>9,753,270</u>	<u>40,948,216</u>
Accumulated depreciation								
Balance, beginning of the year	-	5,806,579	1,146,918	275,611	345,724	169,061	4,003,256	11,747,148
Depreciation during the year	-	337,862	465,905	8,643	36,672	1,841	345,741	1,195,084
Disposals	-	-	-	(66,619)	-	-	-	(66,619)
Balance, end of the year	<u>-</u>	<u>6,142,023</u>	<u>1,612,931</u>	<u>217,636</u>	<u>382,396</u>	<u>170,902</u>	<u>4,348,997</u>	<u>12,875,613</u>
Net Book Value	<u>\$ 1,375,173</u>	<u>\$ 4,322,200</u>	<u>\$ 16,186,523</u>	<u>\$ 56,324</u>	<u>\$ 717,764</u>	<u>\$ 10,346</u>	<u>\$ 5,404,273</u>	<u>\$ 28,072,603</u>
Cost								
Balance, beginning of the year	\$ 102,340	\$ 804,004	\$ 3,783,909	\$ 710,851	\$ 777,567	\$ 293,959	\$38,813,249	\$ 32,398,260
Additions	-	40,008	315,443	62,635	-	-	9,092,302	6,841,783
Disposals	-	-	-	(13,646)	-	(121,686)	(201,952)	(426,793)
Balance, end of the year	<u>102,340</u>	<u>844,012</u>	<u>4,099,352</u>	<u>759,840</u>	<u>777,567</u>	<u>172,273</u>	<u>47,703,600</u>	<u>38,813,250</u>
Accumulated depreciation								
Balance, beginning of the year	61,404	721,958	2,266,686	449,710	311,797	215,994	15,774,697	14,663,215
Depreciation during the year	10,234	48,760	290,643	66,035	25,919	34,126	1,670,800	1,516,760
Disposals	-	-	-	(13,646)	-	(121,687)	(201,952)	(405,278)
Balance, end of the year	<u>71,638</u>	<u>770,718</u>	<u>2,557,329</u>	<u>502,099</u>	<u>337,716</u>	<u>128,433</u>	<u>17,243,585</u>	<u>15,774,697</u>
Net Book Value	<u>\$ 30,702</u>	<u>\$ 73,294</u>	<u>\$ 1,542,023</u>	<u>\$ 257,741</u>	<u>\$ 439,851</u>	<u>\$ 43,840</u>	<u>\$30,460,055</u>	<u>\$ 23,038,553</u>

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2020

7. Long-term debt	<u>2020</u>	<u>2019</u>
2.06% mortgage, maturing November 1, 2039, payable in monthly instalments of \$351, including principal and interest.	\$ 68,381	\$ 71,246
1.31% mortgage, maturing December 1, 2041, payable in monthly instalments of \$539, including principal and interest.	122,500	127,335
1.01% mortgage, maturing February 1, 2041, payable in monthly instalments of \$400, including principal and interest.	90,584	94,450
2.06% mortgage, maturing September 1, 2039, payable in monthly instalments of \$1,018, including principal and interest.	196,140	204,408
2.06% mortgage, maturing November 1, 2042, payable in monthly instalments of \$456, including principal and interest.	99,163	102,561
1.92% mortgage, matured April 1, 2019	-	447
0.97% mortgage, maturing January 1, 2021, payable in monthly instalments of \$520, including principal and interest.	2,075	8,264
1.89% mortgage, maturing November 1, 2044, payable in monthly instalments of \$1,509, including principal and interest.	356,956	-
2.06% mortgage, maturing October 1, 2033, payable in monthly instalments of \$652, including principal and interest.	92,672	98,505
Prime plus 1.5% BMO loan, maturing in November 2028, payable in monthly instalment of \$ 5,858, including principal and interest.	324,170	379,539
1.86% mortgage, maturing April 1, 2034, payable in monthly instalments of \$1,004, including principal and interest.	<u>149,279</u>	<u>158,460</u>
Total carried forward	<u>\$ 1,501,920</u>	<u>\$ 1,245,215</u>

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2020

7. Long-term debt (continued)	<u>2020</u>	<u>2019</u>
Balance carried forward	\$ 1,501,920	\$ 1,245,215
1.30% mortgage, maturing December 1, 2022, payable in monthly instalments of \$339, including principal and interest.	10,998	14,900
1.86% mortgage, maturing January 1, 2024, payable in monthly instalments of \$301, including principal and interest.	14,156	17,461
2.14% mortgage, maturing January 1, 2024, payable in monthly instalments of \$354, including principal and interest.	14,975	18,859
1.30% mortgage, maturing August 1, 2025, payable in monthly instalments of \$305, including principal and interest.	19,136	22,524
1.31% mortgage, maturing October 1, 2026, payable in monthly instalments of \$291, including principal and interest.	22,051	25,237
1.30% mortgage, maturing May 1, 2027, payable in monthly instalments of \$295, including principal and interest.	24,209	27,411
3.67% BNS loan, maturing January 1, 2021 payable in monthly payments of \$1,500, including principal and interest.	45,510	61,537
1.97% mortgage, maturing December 1, 2027, payable in monthly instalments of \$298, including principle and interest.	25,727	28,770
1.14% mortgage, maturing July 1, 2036, payable in monthly instalments of \$1,414, including principle and interest.	252,895	266,899
2.39% mortgage, maturing March 1, 2043, payable in monthly instalments of \$3,761, including principle and interest.	799,016	824,770
2.72% First Nation Finance Authority (FNFA) debenture, maturing June 2028, payable in annual instalments of \$665,378 including principle and interest	14,948,000	-
2.49% vehicle loan, matured October 2019	-	3,747
Total carried forward	<u>\$ 17,678,593</u>	<u>\$ 2,557,330</u>

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2020

7. Long-term debt (continued)	<u>2020</u>	<u>2019</u>
Balance carried forward	\$ 17,678,593	\$ 2,557,330
4.75% BNS loan, maturing April 2020, with monthly payments of \$2,500, including principal and interest.	110,168	152,003
2.06% mortgage, maturing August 1, 2028, payable in monthly instalments of \$297, including principal and interest.	27,484	30,410
1.86% mortgage, maturing January 1, 2029, payable in monthly instalments of \$297, including principal and interest.	28,987	31,971
1.05% mortgage, maturing July 1, 2031, payable in monthly instalments of \$411, including principal and interest.	52,652	57,003
4.25% BNS loan, maturing in May 2020 payable in monthly instalments of \$2,500, including principal and interest.	108,826	134,958
1.01% mortgage, maturing February 1, 2031, payable in monthly instalments of \$885, including principal and interest.	109,673	119,127
0.94% mortgage, maturing July 1, 2030 payable in monthly instalments of \$576, including principal and interest.	68,062	74,304
1.30% mortgage, maturing April 1, 2032 payable in monthly instalments of \$1,304, including principal and interest.	174,914	188,194
1.31% mortgage, maturing December 1, 2031 payable in monthly instalments of \$633, including principal and interest.	82,720	89,189
1.44% mortgage, maturing February 1, 2032 payable in monthly instalments of \$2,030, including principal and interest.	266,593	286,952
1.83% mortgage, maturing November 1, 2034 payable in monthly instalments of \$2,053, including principal and interest.	316,779	335,436
1.37% mortgage, maturing June 1, 2035 payable in monthly instalments of \$977, including principal and interest.	<u>161,358</u>	<u>170,806</u>
Total carried forward	<u>\$ 19,186,809</u>	<u>\$ 4,227,683</u>

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2020

7. Long-term debt (continued)	<u>2020</u>	<u>2019</u>
Balance carried forward	\$ 19,186,809	\$ 4,227,683
1.01% mortgage, maturing January 1, 2036, payable in monthly instalments of \$469, including principle and interest.	82,354	87,125
1.84% mortgage, maturing September 1, 2037, payable in monthly instalments of \$1,493, including principle and interest.	267,945	280,812
1.30% mortgage, maturing June 1, 2037, payable in monthly instalments of \$944, including principle and interest.	175,065	184,058
1.46% mortgage, maturing March 1, 2042, payable in monthly instalments of \$847, including principle and interest.	<u>191,344</u>	<u>198,664</u>
	<u>\$ 19,903,517</u>	<u>\$ 4,978,342</u>

The Minister of the Department of Indigenous Services Canada has provided guarantees for all Canada Mortgage and Housing Corporation mortgages.

The First Nation Finance Authority (FNFA) debenture is secured by Provincial Gaming Revenues.

The Band has a credit facility in the form of an operating loan with a credit limit of \$750,000 which bears interest at prime plus 0.75%. As at March 31, 2020 the amount drawn was \$nil (2019 - \$nil).

Principal instalments required in the next five years are as follows:

2021	\$675,269
2022	\$836,268
2023	\$838,478
2024	\$831,039
2025	\$802,912

8. Payables and accruals

	<u>2020</u>	<u>2019</u>
Vendors	\$ 295,159	\$ 267,939
Accruals	2,021,659	989,184
Harmonized sales tax	30,262	46,449
Government remittances	71,310	122,255
Other	<u>32,643</u>	<u>80,882</u>
	<u>\$ 2,451,033</u>	<u>\$ 1,506,709</u>

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2020

9. Funded reserves

The Acadia First Nation operates thirty-three (33) CMHC subsidized housing projects. Replacement reserves for the Pre 1997 projects are funded through a joint Replacement Reserve bank account and replacement reserves for Post 1997 projects are to be funded through a second joint replacement reserve bank account.

As at March 31, 2020, the Acadia First Nation has provided for funding of Reserves as follows:

(Pre 1997) Projects 1 to 11 Amount of reserve	(1997 Agreement) Projects 12 + Amount of reserve	Amount funded
\$ -	\$186,259	\$ 181,374

At March 31, 2020, an amount of \$4,885 has been underfunded (2019 - \$nil).

10. Changes in non-cash operating working capital balances	2020	2019
Receivables	\$ 388,025	\$ 499,405
Restricted cash and deposits	(759,831)	(2,310)
Inventory held for resale	(106,194)	(167,457)
Payables and accruals	944,324	537,260
Deferred revenue	(45,782)	(10,235)
Assessment of sales tax, penalties and interest	(350,000)	(325,000)
	<u>\$ (70,542)</u>	<u>\$ (531,663)</u>

11. Economic dependence

The Band receives a portion of its revenues pursuant to a funding arrangement with the Department of Indigenous Services Canada (DISC) and other federal departments.

12. Federal assistance payments

The housing projects have received assistance through CMHC pursuant to Section 56.1 of the National Housing Act to reduce mortgage interest expense to enable the project to provide housing to low-income individuals. The amount of assistance received in the year ended March 31, 2020 was \$183,331 (2019 - \$179,583).

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2020

13. Non compliance

The Band does not apply the rent-to-income scale with respect to Section 95 housing units.

14. Funds on deposit

a) At DISC

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 Section 63 to 69 of the Indian Act.

The changes in net assets of the Funds on deposit during the year are as follows:

	<u>2020</u>	<u>2019</u>
Net assets, beginning of year	\$ 11,353	\$ 111,222
Interest earned	<u>223</u>	<u>131</u>
	<u>\$ 11,576</u>	<u>\$ 11,353</u>
Represented by		
Restricted for capital projects	\$ 4,362	\$ 4,362
Unrestricted	<u>7,214</u>	<u>6,991</u>
	<u>\$ 11,576</u>	<u>\$ 11,353</u>

b) At FNFA

During the year Acadia First Nation participated in the issuance of a debenture from First Nation Finance Authority (FNFA). The Band borrowed \$14,948,000 to be used to finance the construction of the Tru Hotel by Hilton in Yarmouth and the Hammonds Plains retail store/office. Part of the obligation in this borrowing agreement was the creation of a 5% reserve, or \$747,400, to be held by FNFA. This reserve is interest bearing and will be returned to the Band at the end of the agreement. The debt reserve fund was created by FNFA to assist in the event of payment difficulties or default by a borrower.

15. Related party transactions

The Band had the following transactions with related parties:

	<u>2020</u>	<u>2019</u>
Building rental charged to related companies	\$ 87,256	\$ 76,256
Royalties received from the gaming companies	4,940,942	4,867,388
Acadia Commodity Taxes charged	1,112,303	1,103,101
Agency fee charged from Kespuwick Resources	45,000	45,000

The rental charges, royalties and agency fees are charged on the basis of contractual agreement. The Acadia Commodity Tax is charged on the basis of the legal authority of the Band. These amounts have been eliminated on consolidation.

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2020

16. Contingencies and commitments

Canada Revenue Agency

In prior years, a long standing matter, arising between 1997 and 2002, with respect to the payment by the Band of HST on certain of its activities was confirmed. Acadia First Nation is a self-governing authority that has implemented an aboriginal taxation system which, it proposes, has dominance over the HST on the basis of the aboriginal right of self-government. Canada Revenue Agency ("CRA") disputed this belief.

As a result of the dispute, taxes including penalties and interest were assessed in the amount of \$8,392,939. Of this amount, taxes total approximately \$4,565,504 and the remaining \$3,827,435 is represented by the interest and penalties.

A wholly owned subsidiary, Your Winners World – AFN, was assessed by CRA under the same conditions as above. As the result, taxes including penalties and interest have been assessed in the amount of \$678,431. Of this amount, taxes total approximately \$190,852 and the remaining \$487,579 is represented by the interest and penalties.

During 2010, the Band filed an appeal under the provisions of the Fairness Legislation to seek administrative relief from some or all of the penalties and interest. CRA authorized relief for penalties and interest in written correspondence dated April 22, 2010 for both Your Winners World – AFN and the Acadia First Nation. Penalty and interest relief can only be granted back for 10 years, as this liability was initiated in 1999, the first year of penalties and interest will be included in the necessary repayment. As well, they have agreed to accept payments of \$25,000 per month until the original HST liability has been fulfilled. Each year that the payments are made in full, CRA waives the interest and penalties for the earliest year applicable.

The authorization of CRA was recognized in prior years' financial statements as a Government Transfer, reversing \$3,749,161 in penalties and interest in Acadia First Nation and \$372,431 in the wholly owned subsidiary.

With respect to the HST liability, if the Band fails to make their monthly payments, the penalties and interest that were waived will become payable. Management believes that all future payments will be made on time and that no future repayment of penalties and interest will be required.

The HST liability in the subsidiary has been fully repaid and all required payments have been made by the Band to date. During the current year, the Band made all 12 payments as required by CRA.

Contracts

The Band has entered into a contract with RCS Construction for the construction of a Tru by Hilton in Yarmouth. The project is expected to be completed during fiscal 2021 and the estimated value of the contract is \$14,500,000. At year end approximately \$5 million had been expended.

In relation to the construction of the Tru by Hilton, the Band has entered into a management contract with Crescita Hotels and Resorts Limited Partnership ("Crescita") to manage the construction of the hotel and manage the operations of the hotel once completed. The Band is paying a monthly management fee of \$25,000 to Crescita during the construction of the hotel.

17. Comparative figures

Certain of the 2019 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2020. Certain balances within the consolidated financial statements may also be affected by rounding.

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2020

18. Ponhook land claim settlement

During 2003, the Band ratified a settlement agreement with Her Majesty The Queen in Right of Canada ("Canada") in connection with compensation for the illegal alienation of reserve lands. Under the terms of the settlement, Canada agreed to pay to the Band the sum of \$1,956,450 subject to the repayment of \$105,903 previously advanced by Canada to the Band.

During the year, \$488,226 (2019 - \$nil) was withdrawn from the trust to reimburse the Band for expenses approved through the trust agreement.

The remaining funds (see page 35) were to be held in trust for the Band and the Band members. The trustees of the trust were originally the Chief and Council of the Band and subsequently four members of the Band and three external trustees. The funds held by the trust were invested as follows:

- i) The majority in a "fixed income account" that will distribute to the Acadia First Nation approximately one fifth of the original principal per year for five years. The funds so distributed are restricted by the terms of the trust agreement for use by Acadia First Nation in specified purposes consistent with the objectives of the Acadia First Nation; and
- ii) Approximately \$175,000 in a "land acquisition account" to be held for up to fifteen years for the purpose of distributing to the Acadia First Nation to acquire land. Any unexpended funds in the land acquisition account after fifteen years are to be used for the same specified purposes as the funds in the fixed income account.

In 2018 membership voted to utilize the remainder of the funds for the Hammonds Plains Entertainment Centre project completed in December 2019. During the year, the remaining funds were transferred to Acadia First Nation. Subsequent to year end the Trust has been wound up.

19. Post employment benefits

The Band has a defined contribution pension plan for its employees, the Band's obligation is limited to matching up to a maximum of 2% of the contributions made by employees. Obligations for contributions to the defined contribution pension plan are recognized as an employee benefit expense in the statement of operations during which the services are rendered by the employees. During the year, the Band made contributions in the amount of \$44,253 (2019 - \$45,849) to the defined contribution pension plan.

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2020

20. Segmented information

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

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

Band Support – all other activities not described in another fund. Mainly centralized and shared activities.

Education – providing elementary, secondary and post-secondary tuition for qualifying members along with related programs and support.

Community Maintenance – repairs and maintenance carried out during the year to Acadia First Nation's fixed assets. This includes garbage and snow removal.

Social Services – social assistance provided to qualifying members.

Community Health Representative – activity of the two Health Centres which provide a variety of health care programs and support.

Development Fund – inactive at this time.

Housing Fund – Section 95 housing and related expenditures.

Fisheries Fund – encompasses the fisheries activities of Acadia First Nation.

Training Fund – activities related to job training and skills.

Forestry Fund – logging and mill activities of Acadia First Nation.

Economic Activities – purchase and sale of band tobacco.

Retail Operations – operation of facilities with VLTs, store and gas stations.

See financial data on Page 34 and 35.

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2020

21. Subsequent events

Since March 31, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

Acadia First Nation manages a first nation community, as well as, several subsidiaries that operate in a retail environment which have Video Lottery Terminals (VLTs). When the State of Emergency was enacted in March 2020 in Nova Scotia, the Province halted use of all VLTs and the subsidiaries saw reduced traffic in their stores. In response, Acadia First Nation implemented measures to reduce controllable expenses. They temporarily closed locations to the public, reduced hours of operation for the drive throughs, laid off employees and then applied for the Canada Emergency Wage Subsidy. Starting on June 9th the Atlantic Lottery Corporation (ALC) began moving the VLTs to socially distance and turning them back on.

Acadia First Nation has determined that these events are non-adjusting subsequent events as there was no significant impact up to the end of March 31, 2020. Accordingly, the financial position and results of operations, as of and for the year end, have not been adjusted to reflect any potential impact.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of future periods. However, based on what is known at this time, it is expected that both revenue and expense for March 31, 2021 will be less than current operations.