



Grant Thornton

Consolidated Financial Statements

Paqtnkek Mi'kmaw Nation

March 31, 2020

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Paqtnkek Mi'kmaw Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate, and the Band's assets are appropriately accounted for and adequately safeguarded.

The Band Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters, and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements, and the external auditors' report.

The consolidated financial statements have been audited by Grant Thornton LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Grant Thornton LLP has full and free access to the Council.



Director of Operations



Chief

Independent auditor's report

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To the Chief and Councillors of:

Paqtnekek Mi'kmaw Nation

Opinion

We have audited the consolidated financial statements of Paqtnekek Mi'kmaw Nation ("the First Nation"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations, changes in net financial liabilities 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, the accompanying consolidated financial statements present fairly in all material respects, the financial position of Paqtnekek Mi'kmaw Nation as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 Consolidated Financial Statements* section of our report. We are independent of the First Nation 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 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 First Nation'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 First Nation or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the First Nation'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 First Nation'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 First Nation'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 First Nation 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.

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.

Sydney, Canada
July 28, 2020

Grant Thornton LLP
Chartered Professional Accountants

Paqtnkek Mi'kmaw Nation

Consolidated Statement of Operations

Year ended March 31	Budget	2020	2019
Revenue			
Education	\$ 1,147,670	\$ 1,208,827	\$ 1,167,259
Social services	2,230,559	2,080,503	2,250,029
Capital	348,000	738,797	465,769
Operations and maintenance	128,586	333,596	106,431
Economic development and native employment	523,700	678,358	1,923,808
First Nation financial management	653,429	586,198	623,976
Health Canada programs	850,519	992,523	839,564
CMHC subsidized housing			
- 13 537 394	13,000	15,712	26,797
- 19 042 894	215,300	237,366	204,195
Non-subsidized housing projects	130,000	239,607	132,600
Gaming	-	71,491	82,000
Paqtnkek Tobacco Fund	1,998,288	2,079,480	2,050,241
Paqtnkek Fisheries	1,281,925	1,494,213	1,117,255
Paqtnkek Gas Bar	1,072,581	957,061	1,051,312
Paqtnkek VLT	1,312,159	1,302,556	1,235,332
Bayside Development Corporation	240,000	3,093,238	7,833
	<u>\$ 12,145,716</u>	<u>\$ 16,109,526</u>	<u>\$ 13,284,401</u>
Expenditures			
Education	1,018,938	1,167,143	1,100,752
Social services	2,304,150	2,257,142	2,309,423
Capital	506,535	523,613	596,271
Operations and maintenance	356,377	581,211	449,558
Economic development and native employment	479,257	830,763	933,117
First Nation financial management	1,211,609	1,631,998	1,268,833
Health Canada programs	747,529	659,954	916,640
CMHC subsidized housing			
- 13 537 394	4,600	5,778	1,111
- 19 042 894	144,395	218,850	158,663
Non-subsidized housing projects	97,000	132,670	123,331
Paqtnkek Tobacco Fund	2,001,460	2,236,470	2,279,580
Paqtnkek Fisheries	1,026,832	1,073,157	955,093
Paqtnkek Gas Bar	1,083,915	1,112,291	1,184,041
Paqtnkek VLT	664,233	636,313	642,122
Bayside Development Corporation	403,760	109,775	35,416
Depreciation	-	627,437	641,244
	<u>\$ 12,050,590</u>	<u>\$ 13,804,565</u>	<u>\$ 13,595,195</u>
Annual surplus (deficit)	<u>\$ 95,126</u>	<u>\$ 2,304,961</u>	<u>\$ (310,794)</u>
Accumulated surplus, beginning of year		9,336,876	9,647,670
Accumulated surplus, end of year		<u>\$ 11,641,837</u>	<u>\$ 9,336,876</u>

See accompanying notes to the consolidated financial statements.

Paqtnkek Mi'kmaw Nation

Consolidated Statement of Financial Position

March 31

2020

2019

Financial assets

Cash	\$ 3,539,092	\$ 12,294,279
Receivables (Note 2)	1,083,835	1,406,947
Inventory	54,486	27,252
Restricted cash		
Replacement reserve fund (Note 3)	328,695	291,445
Debt reserve fund	540,111	531,490
	<u>5,546,219</u>	<u>14,551,413</u>

Financial liabilities

Payables and accruals (Note 5)	2,697,982	1,672,256
Deferred revenue (Note 6)	444,879	3,269,371
Long term debt (Note 7)	12,737,910	12,943,896
	<u>15,880,771</u>	<u>17,885,523</u>

Net financial liabilities

(10,334,552) (3,334,110)

Non-financial assets

Capital assets (Note 4)	21,439,598	10,467,840
Capital projects under construction	532,804	2,165,924
	<u>21,972,402</u>	<u>12,633,764</u>
Prepays	3,987	37,222
	<u>21,976,389</u>	<u>12,670,986</u>

Accumulated surplus

\$ 11,641,837 \$ 9,336,876

Contingencies (Note 9)

Subsequent events (Note 15)

On behalf of the Band Council



Chief



Councillor

See accompanying notes to the consolidated financial statements.

Paqtnkek Mi'kmaw Nation **Consolidated Statement of Changes in Net Financial** **Liabilities**

March 31	2020	2019
Excess of revenue over expenditure	\$ 2,304,961	\$ (310,794)
Depreciation	627,437	641,244
Purchase of property and equipment	<u>(9,966,075)</u>	<u>(2,277,781)</u>
	<u>(7,033,677)</u>	<u>(1,947,331)</u>
Acquisition of prepaid expenses, net of usage	<u>33,235</u>	<u>2,687</u>
	<u>33,235</u>	<u>2,687</u>
Change in net financial liabilities	(7,000,442)	(1,944,644)
Net financial liabilities, beginning of year	<u>(3,334,110)</u>	<u>(1,389,466)</u>
Net financial liabilities, end of year	<u>\$(10,334,552)</u>	<u>\$ (3,334,110)</u>

See accompanying notes to the consolidated financial statements.

Paqtnkek Mi'kmaw Nation

Consolidated Statement of Cash Flows

Year ended March 31

2020

2019

(Decrease) increase in cash and cash equivalents

Operating		
Excess of revenue over expenditure	\$ 2,304,961	\$ (310,794)
Depreciation	<u>627,437</u>	<u>641,244</u>
	2,932,398	330,450
 Change in non-cash operating working capital		
Receivables	323,112	(384,685)
Inventory	(27,234)	30,856
Prepays	33,235	2,687
Payables and accruals	1,025,726	34,815
Deferred revenue	<u>(2,824,492)</u>	<u>3,269,371</u>
	1,462,745	3,283,494
 Financing		
Receipt of long-term debt	-	8,950,000
Repayment of long-term debt	<u>(205,986)</u>	<u>(215,240)</u>
	(205,986)	8,734,760
 Investing		
Purchase of property and equipment	<u>(9,966,075)</u>	<u>(2,277,781)</u>
	(9,966,075)	(2,277,781)
 Net (decrease) increase in cash and cash equivalents	(8,709,316)	9,740,473
 Cash and cash equivalents, beginning of year	<u>13,117,214</u>	<u>3,376,741</u>
Cash and cash equivalents, end of year	<u>\$ 4,407,898</u>	<u>\$ 13,117,214</u>
 Cash and cash equivalents, consists of:		
Cash	\$ 3,539,092	\$ 12,294,279
Restricted cash		
Replacement reserve fund	328,695	291,445
Debt reserve fund	<u>540,111</u>	<u>531,490</u>
	<u>\$ 4,407,898</u>	<u>\$ 13,117,214</u>

See accompanying notes to the consolidated financial statements.

Paqtnkek Mi'kmaw Nation

Notes to the Consolidated Financial Statements

March 31, 2020

1. Summary of significant accounting policies

Reporting entity and principles of financial reporting

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

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

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

The various funds have been amalgamated for the purpose of presentation in the consolidated financial statements. The Paqtnkek Mi'kmaw Nation maintains the following funds and unincorporated entities:

- The Operating Fund which reports the general activities of the First Nation Administration, including social services, band support, education, operations capital, operating and maintenance, economic development, community health and welfare, employment training, and miscellaneous.
- The Paqtnkek Mi'kmaw Nation Canada Mortgage and Housing Projects Fund which reports the social housing assets of the First Nation, together with related activities.
- The Paqtnkek Tobacco Fund which reports the First Nation's tobacco activities.
- The Paqtnkek Fisheries which reports the First Nation's commercial fishing operation.
- The Paqtnkek Gas Bar which reports the First Nation's commercial operations.
- The Paqtnkek VLT which reports the First Nation's gaming operations.
- Bayside Development Corporation reports the First Nation's operations at the Bayside site.

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

Principles of consolidation

The First Nation maintains a separate self-balancing set of accounts for the Operating Fund, the Capital Fund, and the Canada Mortgage and Housing Projects Fund. The Operating Fund includes the following statement of operations:

Social development	Education program
Band government	Economic development
Capital projects	Employment development
Operations and maintenance	Health Canada programs
Band operated school	Gaming
Miscellaneous	

Cash and cash equivalents

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

Paqtnkek Mi'kmaw Nation

Notes to the Consolidated Financial Statements

March 31, 2020

1. Summary of significant accounting policies (continued)

Inventory

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

The cost of inventory recognized as an expense in these financial statements during fiscal 2020 was \$1,893,682 (2019 - \$2,657,619). There were no write downs of inventory below cost to net realizable value during the year. There were no reversals of inventories written down previously that are no longer estimated to sell below cost.

Capital assets

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. Depreciation, at rates noted below, is expensed in the current year.

Rates and methods of depreciation applied to write off the cost of capital assets over their estimated useful lives are as follows:

Buildings	2.5 - 5% declining balance
Housing properties	25 years, straight line
Infrastructure and roads	4 - 10% declining balance
Equipment	20% declining balance
Motor vehicles	30% declining balance
Vessels	15% declining balance
Radio equipment	5% declining balance

In the year of acquisition, depreciation of capital assets is calculated at half the full annual rate as stated above.

Paqtnkek Mi'kmaw Nation

Notes to the Consolidated Financial Statements

March 31, 2020

1. Summary of significant accounting policies (continued)

Revenue recognition

Unconditional and conditional transfers from other governments for operating and capital purposes are recognized as revenue in the period in which all eligibility criteria and/or stipulations have been met and the amounts are authorized. Any funding received prior to satisfying these conditions is deferred until the conditions have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer is authorized.

All non-government contributions or grant revenues that are externally restricted for specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted revenues not yet used for the purpose or purposes specified are reported as deferred revenue.

Commercial revenues are recognized as revenues when product is sold and when services are provided if the amounts can be reasonably estimated and collection is reasonably assured.

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

Use of estimates

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

Income taxes

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

RRAP expenditures

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

Net debt

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

Trust Funds

The Trust Funds being administered by the Nation are not considered to be part of the government reporting entity and therefore not consolidated with the accounts of the Nation. Trust Funds administered by the Nation are disclosed in Note 8 to the consolidated financial statements.

Paqtnkek Mi'kmaw Nation

Notes to the Consolidated Financial Statements

March 31, 2020

2. Receivables	<u>2020</u>	<u>2019</u>
Indigenous Services Canada	\$ 430,761	\$ 574,671
Health Canada	-	195,188
Mi'kmaq Employment Training Secretariat	66,969	24,806
Mi'kmaw Kina'matnewey	-	75,035
Canada Mortgage and Housing Corporation	85,315	77,749
Province of Nova Scotia	150,908	162,312
Commodity taxes	81,687	76,537
Trade receivables	<u>319,934</u>	<u>277,057</u>
	1,135,574	1,463,355
Less: allowance for doubtful accounts	<u>(51,739)</u>	<u>(56,408)</u>
	<u>\$ 1,083,835</u>	<u>\$ 1,406,947</u>

3. Replacement reserve fund

Under the terms of the agreement with the CMHC, the replacement reserve account is to be increased by annual charges to equity. The charge in the current year is \$37,250 (2019 - \$37,250). These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by the CMHC from time to time. The funds in the account may only be used as approved by the CMHC. Withdrawals are credited to interest first and then principal.

As of March 31, 2020, the reserve was fully funded.

4. Capital assets	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Net book value</u>
Land	\$ 1,647,058	\$ -	\$ 1,647,058	\$ 277,176
Buildings and housing properties	22,158,377	5,951,432	16,206,945	6,870,815
Equipment	1,097,629	499,244	598,385	174,926
Vehicles	764,312	680,445	83,867	123,913
Vessels	976,079	690,305	285,774	250,811
Radio equipment	412,416	42,052	370,364	398,009
Infrastructure and roads	<u>4,210,674</u>	<u>1,963,469</u>	<u>2,247,205</u>	<u>2,372,190</u>
	<u>\$ 31,266,545</u>	<u>\$ 9,826,947</u>	<u>\$21,439,598</u>	<u>\$ 10,467,840</u>

Paqtnkek Mi'kmaw Nation

Notes to the Consolidated Financial Statements

March 31, 2020

5. Payables and accruals	<u>2020</u>	<u>2019</u>
Indigenous Services Canada	\$ 109,050	\$ 109,050
Health Canada	-	23,132
Mi'kmaw Kina'matnewey	31,499	-
Trade payables and accruals	<u>2,557,433</u>	<u>1,540,074</u>
	<u>\$ 2,697,982</u>	<u>\$ 1,672,256</u>

6. Deferred revenue	<u>2020</u>	<u>2019</u>
Indigenous Services Canada	\$ 444,879	\$ 3,269,371
	<u>\$ 444,879</u>	<u>\$ 3,269,371</u>

7. Long term debt	<u>2020</u>	<u>2019</u>
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Canada Mortgage and Housing Corporation

1.69% mortgage maturing in May 2024, payable in equal monthly instalments of principal and interest of \$399

\$ 19,261 \$ 23,680

1.03% mortgage maturing in March 2026, payable in equal monthly instalments of principal and interest of \$370

25,836 29,989

1.43% mortgage maturing in February 2027, payable in equal monthly instalments of principal and interest of \$1,140

90,175 102,489

2.5% mortgage maturing in January 2028, payable in equal monthly instalments of principal and interest of \$379

32,381 36,079

1.92% mortgage maturing in March 2029, payable in equal monthly instalments of principal and interest of \$352

34,983 38,519

1.69% mortgage maturing in September 2029, payable in equal monthly instalments of principal and interest of \$716

75,097 82,307

1.01% mortgage maturing in December 2030, payable in equal monthly instalments of principal and interest of \$676

82,732 89,981

Paqtnekek Mi'kmaw Nation

Notes to the Consolidated Financial Statements

March 31, 2020

7. Long term debt (continued)	<u>2020</u>	<u>2019</u>
1.03% mortgage maturing in July 2031, payable in equal monthly instalments of principal and interest of \$407	52,219	56,540
1.84% mortgage maturing in July 2032, payable in equal monthly instalments of principal and interest of \$722	95,750	102,604
2.5% mortgage maturing in April 2033, payable in equal monthly instalments of principal and interest of \$1,097	147,262	156,662
2.5% mortgage maturing in June 2033, payable in equal monthly instalments of principal and interest of \$2,022	274,289	291,538
1.83% mortgage maturing in December 2034, payable in equal monthly instalments of principal and interest of \$358	55,678	58,936
1.23% mortgage maturing in April 2035, payable in equal monthly instalments of principal and interest of \$741	122,592	129,942
1.13% mortgage maturing in May 2036, payable in equal monthly instalments of principal and interest of \$1,287	228,398	241,200
1.25% mortgage maturing in May 2022, payable in equal monthly instalments of principal and interest of \$367	7,638	11,927
1.86% mortgage maturing in August 2037, payable in equal monthly instalments of principal and interest of \$312	55,808	58,496
2.5% mortgage maturing in March 2038, payable in equal monthly instalments of principal and interest of \$571	99,559	103,885
1.69% mortgage maturing in August 2039, payable in equal monthly instalments of principal and interest of \$492	97,880	102,080
2.39% mortgage maturing in August 2023, payable in equal monthly instalments of principal and interest of \$857	32,470	42,072

Paqtnkek Mi'kmaw Nation

Notes to the Consolidated Financial Statements

March 31, 2020

7. Long term debt (continued)	<u>2020</u>	<u>2019</u>
2.39% mortgage maturing in March 2043, payable in equal monthly instalments of principal and interest of \$611	129,990	134,180
2.39% mortgage maturing in February 2043, payable in equal monthly instalments of principal and interest of \$564	119,751	123,382
2.39% mortgage maturing in March 2043, payable in equal monthly instalments of principal and interest of \$531	113,035	116,679
Bank of Nova Scotia		
4.25% mortgage maturing in February 2028, payable in equal monthly instalments of principal and interest of \$508	40,686	44,881
4.25% mortgage maturing in February 2028, payable in equal monthly instalments of principal and interest of \$508	40,686	44,881
4.25% mortgage maturing in February 2028, payable in equal monthly instalments of principal and interest of \$508	40,686	44,881
4.25% mortgage maturing in February 2029, payable in equal monthly instalments of principal and interest of \$327	28,285	31,008
4.25% mortgage maturing in February 2029, payable in equal monthly instalments of principal and interest of \$327	28,285	31,008
4.25% mortgage maturing in February 2029, payable in equal monthly instalments of principal and interest of \$327	28,285	31,008
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4.25% mortgage maturing in February 2029, payable in equal monthly instalments of principal and interest of \$327	28,285	31,008

Paqtnkek Mi'kmaw Nation

Notes to the Consolidated Financial Statements

March 31, 2020

7. Long term debt (continued)	<u>2020</u>	<u>2019</u>
4.25% mortgage maturing in February 2029, payable in equal monthly instalments of principal and interest of \$327	28,285	31,008
4.25% mortgage maturing in February 2029, payable in equal monthly instalments of principal and interest of \$327	28,284	31,008

First Nations Finance Authority

2.72% loan, payable in equal monthly instalments of Principal and interest of 43,646, maturing October 2049	8,950,000	8,950,000
3.41% loan, payable in equal annual instalments of \$58,764 plus interest, maturing December 2027	<u>1,475,074</u>	<u>1,509,030</u>
	12,737,910	12,943,896
Less: Current portion of long-term debt		
Principal payments due within one year	<u>401,690</u>	<u>297,490</u>
	<u>\$ 12,336,220</u>	<u>\$ 12,646,406</u>

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

The aggregate maturities of long-term debt, assuming mortgages are renewed under the same terms and conditions currently in effect, for each of the next five years subsequent to March 31, 2020, are as follows:

2021	\$	401,690
2022	\$	412,077
2023	\$	419,277
2024	\$	431,274
2025	\$	431,197

Paqtnkek Mi'kmaw Nation

Notes to the Consolidated Financial Statements

March 31, 2020

8. Funds held in trust

The Trust Fund arises from monies derived from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the *Indian Act*.

	<u>2020</u>	<u>2019</u>
Assets		
Indigenous Services Canada	\$ <u>538,350</u>	\$ <u>527,229</u>
Equity		
Trust Equity	\$ <u>538,350</u>	\$ <u>527,229</u>

The changes in net assets of the Trust Fund during the year are as follows:

	<u>2020</u>	<u>2019</u>
Net assets, beginning of year	\$ <u>527,229</u>	\$ <u>22,353</u>
Contributions	780	499,280
Interest earned	<u>10,341</u>	<u>5,596</u>
Net assets, end of year	\$ <u>538,350</u>	\$ <u>527,229</u>

9. Contingencies

The Band has entered into contribution agreements with various government departments. Funding received under these contribution agreements is subject to repayment if the Band fails to comply with the terms and conditions of the agreements.

10. Line of credit

The First Nation has a \$50,000 operating line of credit with Bank of Nova Scotia at a rate of prime plus 2%. The balance of the line of credit as at March 31, 2020, was nil (2019 – nil).

11. Pension costs and obligations

The First Nation is required to match contributions to a group registered retirement savings plan for certain full time employees. Total contributions during the year amounted to \$64,003 (2019 - \$65,448).

Paqtnkek Mi'kmaw Nation

Notes to the Consolidated Financial Statements

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12. Expenditures by object	<u>2020</u>	<u>2019</u>
Bad debt (recoverable) provision	\$ 22,901	\$ 58,389
Business development and promotion	24,959	9,437
Cash shortages (overage)	903	860
Community support	912,911	687,044
Contracted services	792,023	926,773
Cost of goods sold	1,893,682	2,657,619
Depreciation	627,437	641,244
Dues and fees	196,485	110,847
Education and training	687,683	859,572
Fuel, bait, and boat maintenance	177,185	138,832
Health programs	222,794	114,165
Infrastructure	752,705	501,094
Insurance	165,105	130,914
Interest	458,220	256,558
Repairs and maintenance	463,164	415,112
Salaries, wages, and benefits	3,311,860	3,141,408
Social	1,943,556	2,071,037
Supplies	968,028	582,479
Travel	182,964	291,811
	<u>\$ 13,804,565</u>	<u>\$ 13,595,195</u>

13. Government transfers

	Operating	Capital	<u>2020</u> Total	Operating	Capital	<u>2019</u> Total
Indigenous Services Canada	\$ 4,026,425	\$ 3,618,420	\$ 7,644,845	\$ 3,332,004	\$ 1,059,042	\$ 4,391,046
Health Canada	-	-	-	839,564	-	839,564
Canada Mortgage and Housing Corporation	92,528	-	92,528	116,046	-	116,046
Mi'kmaw Kina'matnewey	1,208,827	-	1,208,827	1,167,259	-	1,167,259
Other	295,661	-	295,661	193,670	-	193,670
	<u>\$ 5,623,441</u>	<u>\$ 3,618,420</u>	<u>\$ 9,241,861</u>	<u>\$ 5,648,543</u>	<u>\$ 1,059,042</u>	<u>\$ 6,707,585</u>

Paqtnkek Mi'kmaw Nation

Notes to the Consolidated Financial Statements

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14. Accumulated surplus

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

	<u>2020</u>	<u>2019</u>
Unallocated	\$ 2,052,407	\$ 9,329,320
Operating Reserve	32,518	32,518
Replacement Reserve	328,695	291,445
Tangible Capital Asset Reserve	<u>9,228,217</u>	<u>(316,407)</u>
	<u>\$ 11,641,837</u>	<u>\$ 9,336,876</u>

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

15. Subsequent events

Subsequent to the year end the Company received \$2,500,400 in long-term debt. Installments of \$96,678 of principal and interest, will be payable monthly, bearing interest at 2.35% per annum.

On June 22, 2020, Bayside Gas and Convenience (3318639 Nova Scotia Limited) began operating a Gas and Convenience Store at the site of Bayside Development. This company is owned and operated by Paqtnkek Mi'kmaw Nation.

16. Impact of COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long 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.

The spread of COVID-19 has had an impact on the First Nation as of March 31, 2020 because of the temporary closure of some commercial operations. The closure was not lengthy and there is no reason why the entity cannot continue as a going concern. Management has also responded by adjusting to work from home arrangements, and by managing cash appropriately.
