



Tel: 902-444-5540
Fax: 902-444-5539
www.bdo.ca

BDO Canada LLP
230 Brownlow Avenue
Suite 120
Dartmouth NS B3B 0G5 Canada

July 17, 2018

Annapolis Valley First Nation
29 Toney Blvd
Cambridge Station, NS
B0P 1G0

Dear Mr. Toney

During the course of our audit of the consolidated financial statements ("financial statements") of Annapolis Valley First Nation for the year ended March 31, 2018, we identified matters which may be of interest to management. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of any material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. Accordingly an audit would not usually identify all such matters.

The responsibility for producing financial statements and ensuring adequate internal controls and sound business practices is the responsibility of the Board of Directors through management and is a part of management's overall responsibility for the ongoing activities of the First Nation. Policies and procedures developed by the First Nation to safeguard its assets and to provide reasonable assurance that errors and irregularities or illegal acts are promptly identified, must be properly monitored to ensure that all staff are complying with the guidelines provided. Where we determined, from our testing, that there exists a need for improvement in existing systems of internal control or if we detected that the First Nation's staff are not complying with the critical accounting policies and procedures provided by management, we increased our year-end testing of account balances to ensure that audit risk was kept to an appropriately low level.

The comments and concerns expressed herein did not have a material effect on the First Nation's financial statements and, as such, our opinion thereon was without reservation. However, in order for the First Nation to ensure the safeguarding of its assets and the accuracy of its records, we believe our comments and concerns should be taken into consideration by management. Our comments are not intended to reflect upon the honesty or competence of the First Nation's employees.

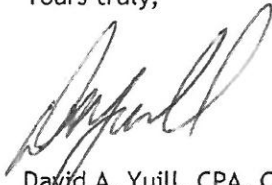
The matters we have identified are discussed in Appendix 1.

This communication is prepared solely for the information of management and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

We would like to express our appreciation for the cooperation and assistance which we received during the course of our audit from Lisa Toney and John McCaul.

We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.

Yours truly,

A handwritten signature in black ink, appearing to read 'D. Yuill', written over the printed name.

David A. Yuill, CPA, CA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

Appendix 1

Liquidity Ratios - Indigenous Services Canada

During the course of our audit, it was noted that the sustainability ratio is below the threshold established by Indigenous Services Canada. It is recommended that these ratios be monitored on a monthly basis to ensure compliance.

VLTs on Reserve Lands

It should be noted that VLTs on reserve lands have been an item of debate in Nova Scotia in recent months. The Nova Scotia Government, through the Atlantic Lottery Corporation ("ALC"), was reassessed and required to pay \$54M in HST to the Canada Revenue Agency ("CRA"). This related to VLTs operating on reserve lands. Currently, CRA appears to be of the view bets placed through VLTs on reserve lands are actually placed with the ALC. If this is correct, the ALC is responsible for any applicable HST associated with those bets. Under this scenario, the amounts retained by AVFN is an HST exempt payment to the Band. Given the disagreement between the CRA and the Province of NS, this situation should be monitored.

Tax Free Sales on Reserve Lands

First Nations individuals are entitled to purchase goods on an HST exempt basis on reserve. The CRA is of the view that retailers must take measures to ensure that only eligible individuals are allowed to make purchases on a tax free basis. The CRA - through administrative policy - suggests that on-reserve retailers are required to have a system to request and maintain a copy of the purchasers identification number as set out on Certificate of Indian Status (status card). It is recommended that the First Nation reviews the CRA administrative policy - so as to ensure the appropriate information is being kept. Also of note is that the CRA is of the view that Metis Cards are not acceptable support and do not provide the same tax exempt status as Indian Status Cards.

Payroll support

Please ensure that time sheets are attached to payroll documents and ensure that management signature is present as a sign of review on all such documents.

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

Annapolis Valley First Nation
Consolidated Financial Statements
For the year ended March 31, 2018

CONTENTS

INDEX

PAGE

Management's Responsibility for the Consolidated Financial Statements

1

Independent Auditor's Report

2

Consolidated Statement of Financial Position

3

Consolidated Statement of Operations

4

Consolidated Statement of Change in Net Financial Assets (Debt)

5

Consolidated Statement of Cash Flows

6

Notes to the Consolidated Financial Statements

7 - 24

ANNAPOLIS VALLEY FIRST NATION

Management's Responsibility for the Consolidated Financial Statements March 31, 2018

The accompanying consolidated financial statements of Annapolis Valley First Nation are the responsibility of management and have been approved by the Council.

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The external auditors, BDO Canada LLP, conduct an audit, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have access to financial management of Annapolis Valley First Nation and meet when required.

On behalf of Annapolis Valley First Nation:

Chief

Date

Councillor

Date

Councillor

Date



Tel: 902 444 5540
Fax: 902 444 5539
www.bdo.ca

BDO Canada LLP
230 Brownlow Ave, Suite 120
Dartmouth, Nova Scotia B3B 0G5

INDEPENDENT AUDITOR'S REPORT

To the Members of
Annapolis Valley First Nation

We have audited the accompanying consolidated financial statements of Annapolis Valley First Nation, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations, change in net financial assets (debt), cash flows and the accompanying schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

Band Management's Responsibility for the Consolidated Financial Statements

Band management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Annapolis Valley First Nation as at March 31, 2018, and its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

CHARTERED PROFESSIONAL ACCOUNTANTS, LICENSED PUBLIC ACCOUNTANTS

Dartmouth, Nova Scotia
July 17, 2018

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018**

	2018	2017
	\$	\$
ASSETS		
Cash	2,225,550	1,735,294
Restricted cash (Note 2)	172,845	172,130
Temporary investments (Note 4)	77,328	77,197
Accounts receivable (Note 5)	1,412,839	1,068,491
Investment in government business enterprise (Note 6)	5,809,767	-
	<u>9,698,329</u>	<u>3,053,112</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	689,225	88,056
Deferred revenue (Note 10)	182,869	611,521
Long-term debt (Note 11)	6,941,481	1,504,128
	<u>7,813,575</u>	<u>2,203,705</u>
NET FINANCIAL ASSETS	<u>1,884,754</u>	<u>849,407</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	6,022,712	4,715,926
Inventory	124,373	106,768
Prepays	4,769	5,944
	<u>6,151,854</u>	<u>4,828,638</u>
ACCUMULATED SURPLUS (Note 13)	<u>8,036,608</u>	<u>5,678,045</u>

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2018**

	Budget 2018	2018	2017
		\$	\$
REVENUE			
Indigenous Services Canada	2,758,072	2,758,072	844,937
Canada Mortgage and Housing Corporation	-	45,970	111,930
Confederacy of Mainland Mi'kmaq	48,397	48,397	45,069
Department of Fisheries and Oceans	75,000	75,000	74,747
Province of Nova Scotia	-	70,918	2,840
Health Canada	324,009	309,100	345,827
Mi'kmaq Employment Training Secretariat	111,517	124,236	132,716
Mi'kmaw Kina'matnewey	164,243	187,035	172,812
Rent - Social Housing	-	77,601	146,110
Replacement reserve withdrawal	-	-	15,544
Amounts earned and held in trust by federal government (Note 3)	-	443	443
Other revenue	85,223	6,373,454	6,243,697
	3,566,461	10,070,226	8,136,672
EXPENDITURES			
Administration	589,152	535,922	615,572
Commercial Buildings	-	7,596	7,952
Commercial Fisheries	-	1,623,903	1,027,987
Community Health	348,291	332,420	313,726
Community Fisheries	75,508	75,508	74,747
Courses and summer students	130,828	135,175	107,965
Economic Development	46,514	46,514	44,964
Education	211,108	185,676	172,922
Gaming	1,000,000	3,927,528	3,350,780
Operations, Capital & Maintenance	274,165	204,899	181,066
Social Housing	31,056	389,152	234,831
Social Services	236,753	236,752	201,934
	2,943,375	7,701,045	6,334,446
ANNUAL OPERATING SURPLUS	623,086	2,369,181	1,802,226
ACCUMULATED OPERATING SURPLUS - beginning of year	5,531,580	5,531,580	3,729,354
ACCUMULATED OPERATING SURPLUS - end of year	6,154,666	7,900,761	5,531,580

The accompanying notes are an integral part of these financial statements.

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED MARCH 31, 2018**

	Budget 2018	2018	2017
		\$	\$
ANNUAL SURPLUS	623,086	2,369,181	1,802,226
Acquisition of tangible capital assets	-	(1,891,285)	(988,294)
Amortization of tangible capital assets	-	584,499	474,326
Decrease in replacement reserve	-	(11,333)	(276)
Increase in trust held by federal government	-	715	395
	-	(1,317,404)	(513,849)
Decrease in supplies inventories	-	(17,605)	23,115
Increase in prepaid expense	-	1,175	(1,663)
	-	(16,430)	21,452
INCREASE IN NET FINANCIAL ASSETS (DEBT)	623,086	1,035,347	1,309,829
NET FINANCIAL (DEBT) - beginning of year	849,407	849,407	(460,422)
NET FINANCIAL ASSETS (DEBT) - end of year	1,472,493	1,884,754	849,407

The accompanying notes are an integral part of these financial statements.

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018**

	2018	2017
	\$	\$
CASH FLOWS FROM: OPERATING ACTIVITIES		
Annual surplus	2,369,181	1,802,226
Items in earnings not involving cash		
Amortization	584,499	474,326
Increase in investment in government business enterprises	(5,809,767)	-
	(2,856,087)	2,276,552
Net changes in working capital balances		
Accounts receivable	(344,348)	(742,340)
Inventory	(17,605)	23,115
Prepays	1,175	(1,663)
Accounts payable and accrued liabilities	601,169	(122,709)
Deferred revenue	(428,652)	601,574
	3,044,348)	2,034,529
CAPITAL ACTIVITIES		
Decrease in replacement reserve	(11,333)	(276)
Purchase of tangible capital assets	(1,891,285)	(988,294)
	1,902,618)	(988,570)
INVESTING ACTIVITIES		
Purchase of short term investments	(846)	(9,351)
Investment in capital fund	715	395
	(131)	(8,956)
FINANCING ACTIVITIES		
Repayments of long-term debt	(117,655)	(104,675)
Advances of long-term debt	5,555,008	545,899
Repayment of bank operating loan	-	(140,000)
	5,437,353	301,224
INCREASE CASH AND EQUIVALENTS DURING THE YEAR	490,256	1,338,227
CASH AND EQUIVALENTS - beginning of year	1,735,294	397,067
CASH AND EQUIVALENTS - end of year	2,225,550	1,735,294
Supplementary cash flow information		
Interest received in year	14,217	14,618
Interest paid in year	46,775	49,002

The accompanying notes are an integral part of these financial statements.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

1. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards and include all organizations, operations and activities that are accountable for the administration of their financial affairs and resources directly to the Annapolis Valley First Nation ("First Nation").

b. Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations which are owned or controlled by the First Nation. These financial statements include:

- Annapolis Valley First Nation Gaming Commission
- Annapolis Valley Commercial Fisheries
- 2501745 Nova Scotia Limited

c. Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis.

d. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having amounts of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

e. Income Taxes

Income taxes are not reflected on these financial statements as the First Nation's operations are conducted entirely on reserve lands and are therefore not taxable.

f. Pension Plan

The First Nation provides a defined contribution plan for its employees. The pension costs are charged to operations as contributions are due. Contributions are a defined amount based on a set percentage of salary.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Tangible Capital Assets

Tangible capital assets are valued at acquisition cost and amortized over their useful life using the straight line method for the following number of years:

Band Owned Housing	25 years
Commercial Buildings	40 years
Computer Equipment	4 years
Land & Improvements	30 years
Fishing Vessels	5 years
Roadways	5 years
Underground Networks	50 years
Vehicles & Equipment	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nations' ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

h. Revenue Recognition

Revenues are recognized in the period in which the transactions or events occur that give rise to the revenues. All revenues are recorded on an accrual basis.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

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 related to fees or services received in advance of the fee being earned or the service performed is deferred and recognized when the fee is earned or service is performed.

i. Investment in Government Business Enterprise

Government business enterprises are accounted for by the modified equity method. Under this method the business enterprises' accounting principles are not adjusted to conform with those of the First Nation and inter-organizational transactions and balances are not eliminated. The government business enterprise acquired at year-end, as such, the results of operations do not reflect any operating results for the government business enterprise.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

2. RESTRICTED CASH

Under the terms of an agreement with Canada Mortgage and Housing Corporation ("CMHC"), the First Nation must set aside funds annually for the repair, maintenance and replacement of aged assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation with any interest earned to be credited as revenue to the Replacement Reserve.

The First Nation is also required to have trust funds in Ottawa in a separate bank account. These funds increase annually by the interest earned. They can be withdrawn for their intended purposes if requested.

	2018 \$	2017 \$
<u>Unrestricted</u>		
Operating	1,922,341	1,690,846
Housing	303,209	44,448
	<u>2,225,550</u>	<u>1,735,294</u>
 <u>Externally Restricted</u>		
Replacement Reserve	150,418	150,418
Ottawa Trust Funds (Note 3)	22,427	21,712
	<u>172,845</u>	<u>172,130</u>

3. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

	March 31, 2017 \$	Additions 2018 \$	Withdrawals 2018 \$	March 31, 2018 \$
Revenue	16,065	715	-	16,780
Capital	5,647	-	-	5,647
Total	<u>21,712</u>	<u>715</u>	<u>-</u>	<u>22,427</u>

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 Section 63 to 69 of the Indian Act.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

4. TEMPORARY INVESTMENTS

	2018 \$	2017 \$
GIC maturing on April 14, 2018 at a rate of 0.50%	50,945	50,945
GIC maturing on February 24, 2019 at a rate of 0.50%	15,935	15,804
GIC maturing on March 22, 2019 at a rate of 0.50%	10,448	10,448
	<u>77,328</u>	<u>77,197</u>

5. ACCOUNTS RECEIVABLE

	2018 \$	2017 \$
Atlantic Integrated Commercial Fisheries Initiative	-	149,500
Canadian Mortgage and Housing Corporation	13,982	174,870
Confederacy of Mainland Mi'kmaq	2,000	10,055
Department of Fisheries and Oceans	357,500	7,443
Groundfish quota	301,186	27,667
Indigenous Services Canada	101,741	446,250
Mi'kmaq Employment Training Secretariat	46,342	27,080
Mi'kmaw Kina'matnewey	37,437	14,182
Other	552,651	49,271
Scallop quota	-	162,173
	<u>1,412,839</u>	<u>1,068,491</u>

6. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE

On March 29, 2018, the First Nation acquired 100% of the shares of a government business enterprise for \$5,751,874. The government business enterprise operates as an agricultural enterprise in Nova Scotia. Due to the date of the acquisition, there are no financial results included in the consolidated financial statements.

The following net assets have been acquired.

	Carrying Value	Fair Value
Total Assets	1,837,764	5,819,347
Total Liabilities	67,473	67,473
Total net assets acquired	<u>1,770,291</u>	<u>5,751,874</u>

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

7. BANK INDEBTEDNESS

The First Nation has the following operations loans:

An operating loan, secured by a Band Council Resolution. It has a borrowing facility available of \$200,000 bearing interest at a rate of prime plus 0.70%.

An overdraft, secured by a Band Council Resolution. It has a borrowing facility available of \$140,000 bearing interest at a rate of prime plus 0.70%.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018 \$	2017 \$
Trade payables and accruals	677,013	71,400
Accrued interest	1,700	1,891
Government remittances payable	10,512	14,765
	<u>689,225</u>	<u>88,056</u>

9. EMPLOYEE BENEFIT OBLIGATIONS

The First Nation provides defined contribution plan for eligible members of its staff. Members are required to contribute 5% of their salary. The First Nation contributes 5% which is directed to the Member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the Member's share of the pension plan at the time of the Member's withdrawal from the plan. Annapolis Valley First Nation contributed during the year \$23,992 (2017 - \$22,278) for retirement benefits.

10. DEFERRED REVENUE

	2018 \$	2017 \$
Indigenous Services Canada - Housing & Renovations	50,000	525,000
Indigenous Services Canada - Housing Capacity Development	28,548	37,011
Indigenous Services Canada - FNWWAP Water	75,000	-
Confederacy of Mainland Mi'kmaq	-	2,651
Give us Wings Projects	7,000	7,477
Government of Canada	20,000	31,249
Province of Nova Scotia	2,321	8,133
	<u>182,869</u>	<u>611,521</u>

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

11. LONG-TERM DEBT

	2018 \$	2017 \$
Prime plus 2.75% loan payable to Royal Bank of Canada, secured by a vessel with book value of \$53,346, maturing March 2019. Repayable in semi-annual principal payments of \$14,475 plus interest paid monthly. General security agreement in place.	144,750	173,700
Prime plus 1.48% loan payable to Royal Bank of Canada, secured by a vessel with book value of \$301,000. This loan is for a 5 year term maturing April 2022 and is amortized to 2027. Repayable in semi-annual principal payments of \$16,125 plus interest paid monthly. General security agreement in place.	306,375	322,500
Prime plus 0.70% loan payable to Royal Bank of Canada, secured by a general security agreement, repayable in monthly blended payments of \$28,419. The loan has a renewal date of 2019 and matures in 2043.	5,300,000	-
1.34% first mortgage payable to CMHC requires monthly installments of principal and interest of \$626. The loan is secured by a first mortgage over certain buildings with a carrying value of \$3,151 and a ministerial guarantee, Government of Canada. The loan matures in April 2018.	626	8,085
1.30% first mortgage payable to CMHC requires monthly installments of principal and interest of \$528. The loan is secured by a first mortgage over certain buildings with a carrying value of \$23,357 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2021 and matures in 2022.	19,179	25,237
2.55% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$377. The loan is secured by a first mortgage over certain buildings with a carrying value of \$18,291 and a ministerial guarantee, Government of Canada. The loan matures in 2022.	19,895	23,508

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

11. LONG-TERM DEBT (continued)

	2018 \$	2017 \$
4.56% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$861. The loan is secured by a first mortgage over certain buildings with a carrying value of \$38,512 and a ministerial guarantee, Government of Canada. The loan matures in 2023.	46,811	54,809
2.65% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$471. The loan is secured by a first mortgage over certain buildings with a carrying value of \$22,155 and a ministerial guarantee, Government of Canada. The loan matures in 2023.	16,301	21,450
2.65% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$404. The loan is secured by a first mortgage over certain buildings with a carrying value of \$30,771 and a ministerial guarantee, Government of Canada. The loan matures in 2026.	15,091	19,475
1.03% mortgage payable to CMHC requires monthly installments of principal and interest of \$293. The loan is secured by a first mortgage over certain buildings with a carrying value of \$28,507 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2021 and matures in 2026.	28,093	31,305
1.53% mortgage payable to CMHC requires monthly installments of principal and interest of \$291. The loan is secured by a first mortgage over certain buildings with a carrying value of \$38,565 and a ministerial guarantee, Government of Canada. The loan matures in 2027.	31,200	34,171
1.92% mortgage payable to CMHC requires monthly installments of principal and interest of \$281. The loan is secured by a first mortgage over certain buildings with a carrying value of \$44,442 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2019 and matures in 2029.	33,716	36,421

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

11. LONG-TERM DEBT (continued)

	2018 \$	2017 \$
1.39% mortgage payable to CMHC requires monthly installments of principal and interest of \$300. The loan is secured by a first mortgage over certain buildings with a carrying value of \$71,920 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2020 and matures in 2030.	40,534	43,549
1.11% mortgage payable to CMHC requires monthly installments of principal and interest of \$303. The loan is secured by a first mortgage over certain buildings with a carrying value of \$62,786 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2021 and matures in 2031.	44,101	47,238
1.43% mortgage payable to CMHC requires monthly installments of principal and interest of \$320. The loan is secured by a first mortgage over certain buildings with a carrying value of \$58,020 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2022 and matures in 2032.	48,833	51,968
1.53% mortgage payable to CMHC requires monthly installments of principal and interest of \$324. The loan is secured by a first mortgage over certain buildings with a carrying value of \$56,336 and a ministerial guarantee, Government of Canada. The loan matures in 2032.	51,189	54,234
2.04% mortgage payable to CMHC requires monthly installments of principal and interest of \$815. The loan is secured by a first mortgage over certain buildings with a carrying value of \$127,666 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2019 and matures in 2034.	132,494	139,517

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

11. LONG-TERM DEBT (continued)

	2018 \$	2017 \$
2.35% mortgage payable to CMHC requires monthly installments of principal and interest of \$345. The loan is secured by a first mortgage over certain buildings with a carrying value of \$63,594 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2018 and matures in 2033.	53,882	56,735
1.83% mortgage payable to CMHC requires monthly installments of principal and interest of \$326. The loan is secured by a first mortgage over certain buildings with a carrying value of \$90,102 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2019 and matures in 2034.	56,578	59,440
1.30% mortgage payable to CMHC requires monthly installments of principal and interest of \$677. The loan is secured by a first mortgage over certain buildings with a carrying value of \$210,467 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2022 and matures in 2042.	169,126	173,370
2.39% mortgage payable to CMHC requires monthly installments of principal and interest of \$620. The loan is secured by a first mortgage over certain buildings with a carrying value of \$137,200 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2023 and matures in 2048.	140,283	-
Non-interest bearing promissory note payable to Indigenous Services Canada on or before March 31, 2021 or the date on which the claim is settled.	242,424	127,416
	<u>6,941,481</u>	<u>1,504,128</u>

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

11. LONG-TERM DEBT (continued)

Approximate principal payments for the next 5 years are as follows:

	\$
2019	258,054
2020	341,096
2021	321,488
2022	378,614
2023	267,265

	2018 \$	2017 \$
Interest expense for the year on long-term debt	<u>37,055</u>	<u>27,443</u>

The First Nation has agreed to the following security agreement in place with the Royal Bank of Canada:

Guarantee and postponement of claim in the amount of \$5,300,000, supported by:

- a) a general security agreement constituting a first ranking security interest in all personal property of Webster Farms Limited;
- b) a collateral mortgage constituting a first fixed charge in the amount of \$4,100,000 on the lands and improvements located at 5989 Highway #1, Cambridge, King's County, Nova Scotia;
- c) Certificate of insurance evidencing fire and other perils coverage on the property located at 5989 Highway #1, Cambridge, King's County, Nova Scotia, showing the Bank as first rank mortgagee.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

12. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated Amortization				Net Book Value			
	Opening Balance	Additions	Disposals	Transfers of Assets	Closing Balance	Opening Balance	Amort.	Disposals, W/O & Other Adj.	Closing Balance	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
CMHC Housing	2,708,090	140,000	-	-	2,848,090	1,563,184	104,539	-	1,667,723	1,180,367	1,144,906
Band Owned Housing	2,019,461	475,000	-	-	2,494,461	981,552	54,304	-	1,035,856	1,458,605	1,037,909
Commercial Buildings	2,060,064	-	-	-	2,060,064	940,613	50,310	-	990,923	1,069,141	1,119,451
Computer Equipment	64,170	23,067	-	-	87,237	37,934	12,959	-	50,893	36,344	26,236
Land & Improvements	175,078	274,030	-	-	449,108	22,448	10,404	-	32,851	416,257	152,630
Fishing Vessels	1,042,605	59,465	-	-	1,102,070	523,170	171,105	-	694,275	407,795	519,435
Roadways	405,491	89,600	-	-	495,091	187,481	2,987	-	190,468	304,623	218,010
Underground Networks	205,058	539,500	-	-	744,558	105,363	11,686	-	117,050	627,508	99,695
Vehicles & Equipment	2,369,873	290,623	-	-	2,660,496	1,972,219	166,205	-	2,138,424	522,072	397,654
	8,341,800	1,751,285	-	-	10,093,085	4,770,780	479,960	-	5,250,740	4,842,345	3,571,020
	11,049,890	1,891,285	-	-	12,941,175	6,333,964	584,499	-	6,918,463	6,022,712	4,715,926

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

13. ACCUMULATED SURPLUS

	2018 \$	2017 \$
Housing Projects - Replacement Reserve (Note 14)	113,420	124,753
Accumulated Operating Surplus	7,900,761	5,531,580
Ottawa Trust Funds (Note 3)	22,427	21,712
	<u>8,036,608</u>	<u>5,678,045</u>

14. REPLACEMENT RESERVE

	2018 \$	2017 \$
Balance - beginning of year	124,753	125,029
Current year allocation	15,095	15,268
Withdrawals	(26,428)	(15,544)
	<u>113,420</u>	<u>124,753</u>

	2018 \$ Pre 1997 Units	2018 \$ Post 1997 Units
ACCUMULATED INTEREST		
Balance - beginning of year	<u>3,474</u>	<u>3,315</u>
Balance - end of year	<u>3,474</u>	<u>3,315</u>

The First Nation operates 26 CMHC subsidized housing projects as at March 31, 2018. These funds, plus accumulated interest, must be held in a separate bank account and used for future repairs or other expenditures only as approved by CMHC.

As at March 31, 2018, the First Nation has provided funding of reserves as follows:

	Amount of Reserve \$	Amount Funded \$
Replacement Reserve (Note 2)	<u>113,420</u>	<u>150,418</u>

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

15. ECONOMIC DEPENDENCE

The First Nation receives its principal source of funding under a funding arrangement with Indigenous Services Canada. The present agreement is for a five year term ending March 31, 2023.

16. CONTINGENCIES

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

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

17. GOVERNMENT TRANSFERS

	2018			2017		
	Operating	Capital	Total	Operating	Capital	Total
	\$	\$	\$	\$	\$	\$
Federal government transfers:						
Indigenous Services Canada	2,418,798	339,274	2,758,072	821,946	585,002	1,406,948
Health Canada	309,100	-	309,100	312,155	33,672	345,827
Canada Mortgage and Housing Corporation	45,970	-	45,970	111,930	-	111,930
Department of Fisheries and Oceans	75,000	-	75,000	74,747	-	74,747
Total	2,848,868	339,274	3,188,142	1,320,778	618,674	1,939,452
Provincial grant transfer:						
Province of Nova Scotia	70,918	-	70,918	2,840	-	2,840
Total	2,919,786	339,274	3,259,060	1,323,618	618,674	1,942,292

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

18. SEGMENT DISCLOSURE

The First Nation is a diversified community that provides a wide range of services to its members. For management reporting purposes, the First Nation's operations and activities are organized and reported by program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations. The activities can be categorized into segments. The following segments have been identified and as such are separately disclosed.

Administration

The administration department oversees the delivery of all government services that are needed to run the First Nation.

Social Services

The social assistance department is responsible for administering assistance payments as well as providing services directed towards members.

Community Health

The community health department provides medical services to band members.

Education

The education department contains activities that provide education to band members for primary, secondary schooling, and sponsorship to attend post secondary institutions.

Capital, Operations and Maintenance

The operations, maintenance and capital department provides public services that contribute to community development and sustainability through the provision of operating services such as roads, water and sanitation, fire protection, electrical and community buildings. They are also responsible for all capital asset activities occurring in the First Nation during the year, including housing construction and renovations.

Other Projects

The First Nation provides a wide array of other services, including youth employment projects, economic development, housing activities, and others.

Annapolis Valley Gaming Commission

The Gaming Commission was set up to enter into an Agreement with Atlantic Lottery Corporation for the operations of video lottery terminals on the First Nation reserve. It also operates a convenience store, gaming facility and gas bar on the reserve.

Annapolis Valley Commercial Fisheries

Annapolis Valley Commercial Fisheries is an enterprise operated by the First Nation. It operates two lobster vessel and maintains three lobster licences.

2501745 Nova Scotia Limited

2501745 Nova Scotia Limited was incorporated for the purposes of constructing a gaming facility and bingo hall on reserve lands which is leased to the Annapolis Valley First Nation Gaming Commission.

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

19. SEGMENT DISCLOSURE

For the year ended March 31, 2018	Administration	Social Services	Community Health	Education	Capital, Operations & Maintenance	Other Projects	Gaming Commission	Commercial Fisheries	2501745 NS Ltd.	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	193,585	461,414	-	-	2,103,073	-	-	-	-	2,758,072
Indigenous Services Canada										
Atlantic Integrated Commercial										
CMHC	-	-	-	-	-	45,970	-	-	-	45,970
Confederacy of Mainland										
Mi'kmaq	-	-	-	-	-	48,397	-	-	-	48,397
Dept. of Fisheries & Oceans	-	-	-	-	-	75,000	-	-	-	75,000
Health Canada	-	-	309,100	-	-	-	-	-	-	309,100
Mi'kmaq Employment Training										
Secretariat	-	-	-	-	-	124,236	-	-	-	124,236
Mi'kmaq Kina'matnewey	-	-	-	187,035	-	-	-	-	-	187,035
Rent	-	-	-	-	-	77,601	-	-	-	77,601
Other Revenue	-	-	-	-	-	80,982	4,555,743	1,808,090	-	6,444,815
	193,585	461,414	309,100	187,035	2,103,073	452,186	4,555,743	1,808,090	-	10,070,226
Salaries and wages	130,209	39,733	153,857	111,909	20,395	210,736	464,633	429,936	-	1,561,408
Employee benefits	76,123	-	-	6,380	-	-	162,248	15,561	-	260,312
Supplies and services	-	189,009	129,718	176,750	-	12,679	2,068,419	144,040	-	2,720,615
Bank charges and interest	-	793	-	-	-	-	15,640	417	-	16,850
Repairs and maintenance	5,195	-	11,261	-	178,547	34,088	79,606	142,261	-	450,958
Professional fees	36,840	-	-	-	-	398	125,529	701	-	163,468
Debt servicing	9,720	-	-	-	-	15,433	-	21,622	-	46,775
Other	137,453	7,217	37,584	25,811	5,956	145,980	901,541	634,617	-	1,896,159
Amortization	127,702	-	-	-	-	104,539	109,912	234,751	7,596	584,500
	523,242	236,752	332,420	320,850	204,898	523,853	3,927,528	1,623,906	7,596	7,701,045
Total	(329,657)	224,662	(23,320)	(133,815)	1,898,175	(71,667)	628,215	184,184	(7,596)	2,369,181

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

19. SEGMENT DISCLOSURE (continued)

For the year ended March 31, 2017	Administration	Social Services	Community Health	Education	Capital, Operations & Maintenance	Other Projects	Gaming Commission	Commercial Fisheries	2501745 NS Ltd.	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Indigenous Services Canada	233,377	421,525	-	-	190,035	-	-	-	-	844,937
Atlantic Integrated Commercial CMHC	-	-	-	-	-	111,930	-	-	-	111,930
Confederacy of Mainland Mi'kmaq	-	-	-	-	-	45,069	-	-	-	45,069
Dept. of Fisheries & Oceans	-	-	-	-	-	74,747	-	-	-	74,747
Health Canada	-	-	-	-	-	-	-	-	-	-
Mi'kmaq Employment Training	-	-	345,827	-	-	-	-	-	-	345,827
Secretariat	-	-	-	-	-	132,716	-	-	-	132,716
Mi'kna'w Kina'matnewey	-	-	-	172,812	-	-	-	-	-	172,812
Rent	-	-	-	-	-	146,110	-	-	-	146,110
Replacement Reserve	-	-	-	-	-	15,544	-	-	-	15,544
Other Revenue	-	-	-	-	-	48,874	4,281,485	1,916,621	-	6,246,980
	233,377	421,525	345,827	172,812	190,035	574,990	4,281,485	1,916,621	-	8,136,672
Salaries and wages	346,432	37,743	178,214	109,584	26,016	55,136	370,149	606,734	-	1,730,008
Employee benefits	47,998	-	-	5,897	-	-	99,054	25,340	-	178,289
Supplies and services	-	158,827	80,890	148,096	-	-	1,919,489	142,982	-	2,450,284
Bank Charges and interest	-	1,094	-	-	-	-	19,848	220	-	21,162
Repairs and maintenance	7,546	-	11,743	-	133,063	47,413	55,381	54,984	-	310,130
Professional fees	(300)	-	-	-	-	403	121,387	2,300	-	123,790
Debt servicing	23,392	-	-	-	-	15,216	1,834	10,394	-	50,836
Other	86,301	4,270	42,879	17,310	21,987	142,221	670,647	2,053	-	987,668
Amortization	104,203	-	-	-	-	94,153	92,991	182,980	7,952	482,279
	615,572	201,934	313,726	280,887	181,066	354,542	3,350,780	1,027,987	7,952	6,334,446
Total	(382,195)	219,591	32,101	(108,075)	8,969	220,448	930,705	888,634	(7,952)	1,802,226

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

20. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2018 \$	2017 \$
Salaries and wages	1,561,408	1,730,008
Employee benefits	260,312	178,289
Repairs and maintenance	450,958	310,130
Supplies and services	2,720,615	2,450,284
Bank charges and interest	16,850	21,162
Debt servicing	46,775	50,836
Professional services	163,468	123,790
Amortization	584,500	482,279
Atlantic Lottery Commission	195,886	173,805
Assistance to band members	303,572	247,254
Sydney Casino Profit Share	52,400	49,825
Travel	101,473	52,465
Other	1,242,828	464,319
	<u>7,701,045</u>	<u>6,334,446</u>