

**ANNAPOLIS VALLEY FIRST NATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

Annapolis Valley First Nation  
Consolidated Financial Statements  
For the year ended March 31, 2019

---

CONTENTS

---

INDEX

PAGE

Management's Responsibility for the Consolidated Financial Statements

1

Independent Auditor's Report

2-3

Consolidated Statement of Financial Position

4

Consolidated Statement of Operations

5

Consolidated Statement of Change in Net Financial Assets (Debt)

6

Consolidated Statement of Cash Flows

7

Notes to the Consolidated Financial Statements

8 - 25

**ANNAPOLIS VALLEY FIRST NATION**

**Management's Responsibility for the Consolidated Financial Statements**  
**March 31, 2019**

---

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



---

## Independent Auditor's Report

---

### To the Members of Annapolis Valley First Nation

#### Opinion

We have audited the consolidated financial statements of Annapolis Valley First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and 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 financial position of the First Nation as at March 31, 2019 and the results of its operations, changes in net financial assets (debt) 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 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 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 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 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 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 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 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 financial statements, including the disclosures, and whether the 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.

*BDO Canada LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

Dartmouth, Nova Scotia  
July 22, 2019

**ANNAPOLIS VALLEY FIRST NATION  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2019**

	2019	2018 Restated (Note 2)
<b>FINANCIAL ASSETS</b>		
Cash (Note 3)	\$ 1,773,933	\$ 2,225,550
Restricted cash (Note 3)	173,106	172,845
Temporary investments (Note 5)	77,328	77,328
Accounts receivable (Note 6)	774,352	1,412,739
Investment in government business enterprise (Note 7)	5,980,649	5,809,767
	<u>8,779,368</u>	<u>9,698,229</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 9)	409,161	689,225
Deferred revenue (Note 11)	143,145	228,315
Long-term debt (Note 12)	8,606,554	6,941,481
	<u>9,158,860</u>	<u>7,859,021</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u>(379,492)</u>	<u>1,839,208</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 13)	8,639,441	6,022,712
Inventory	120,616	124,373
Prepays	4,769	4,769
	<u>8,764,826</u>	<u>6,151,854</u>
<b>ACCUMULATED SURPLUS (Note 14)</b>	<u>\$ 8,385,334</u>	<u>\$ 7,991,062</u>

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

**ANNAPOLIS VALLEY FIRST NATION  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2019**

	2019 Budget	2019	2018 Restated (Note 2)
<b>REVENUE</b>			
Indigenous Services Canada (Note 20)	\$ 1,124,569	\$ 1,028,226	\$ 2,758,072
Canada Mortgage and Housing Corporation (Note 20)	-	46,759	45,970
Confederacy of Mainland Mi'kmaq	54,052	53,782	48,397
Department of Fisheries and Oceans (Note 20)	75,000	75,000	75,000
Province of Nova Scotia (Note 20)	-	31,767	70,918
Health Canada (Note 20)	368,617	366,177	309,100
Mi'kmaq Employment Training Secretariat	114,237	102,308	124,236
Mi'kmaw Kina'matnewey	186,231	252,143	173,356
Rent - Social Housing	-	92,102	77,601
Amounts earned and held in trust by federal government (Note 4)	-	261	715
Other revenue (Note 19)	113,634	6,275,437	6,342,030
	<b>2,036,340</b>	<b>8,323,962</b>	<b>10,025,395</b>
<b>EXPENSES</b>			
Administration	523,304	638,929	535,922
Commercial Buildings	-	7,266	7,596
Commercial Fisheries	-	1,281,536	1,623,903
Community Health	396,964	359,665	332,420
Community Fisheries	75,000	75,000	75,508
Courses and summer students	115,941	98,602	135,175
Economic Development	54,353	55,966	46,514
Education	-	247,566	185,676
Gaming	-	4,355,469	3,927,528
Operations, Capital & Maintenance	200,249	248,546	204,899
Social Housing	55,963	241,578	400,485
Social Services	304,448	304,448	236,752
	<b>1,726,222</b>	<b>7,914,571</b>	<b>7,712,378</b>
<b>NET SURPLUS FROM OPERATIONS</b>	<b>310,118</b>	<b>409,391</b>	<b>2,313,017</b>
<b>LOSS FROM GOVERNMENT BUSINESS ENTERPRISE</b>	<b>-</b>	<b>(15,119)</b>	<b>-</b>
<b>ANNUAL SURPLUS</b>	<b>310,118</b>	<b>394,272</b>	<b>2,313,017</b>
ACCUMULATED SURPLUS - beginning of year	7,991,062	7,991,062	5,678,045
ACCUMULATED SURPLUS - end of year (Note 14)	<b>\$ 8,301,180</b>	<b>\$ 8,385,334</b>	<b>\$ 7,991,062</b>

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, 2019**

	Budget 2019	Actual 2019	2018 Restated (Note 2)
ANNUAL SURPLUS	\$ 310,118	\$ 394,272	\$ 2,313,017
Acquisition of tangible capital assets	-	(3,256,938)	(1,891,285)
Amortization of tangible capital assets	-	640,209	584,499
Increase (decrease) in supplies inventories	-	3,757	(17,605)
Increase in prepaid expense	-	-	1,175
	-	3,757	(16,430)
INCREASE IN NET FINANCIAL ASSETS (DEBT)	310,118	(2,218,700)	989,801
NET FINANCIAL ASSETS - beginning of year	1,839,208	1,839,208	849,407
NET FINANCIAL ASSETS (DEBT) - end of year	\$ 2,149,326	\$ (379,492)	\$ 1,839,208



**ANNAPOLIS VALLEY FIRST NATION  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2019**

	2019	2018 Restated (Note 2)
<b>CASH FLOWS FROM:</b>		
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 394,272	\$ 2,313,017
Items in earnings not involving cash		
Amortization	640,209	584,499
Increase in investment in government business enterprises	(170,882)	(5,809,767)
	<u>863,599</u>	<u>(2,912,251)</u>
Net changes in working capital balances		
Accounts receivable	638,387	(344,348)
Inventory	3,757	(17,605)
Prepays	-	1,175
Accounts payable and accrued liabilities	(280,064)	601,169
Deferred revenue	(85,170)	(383,206)
	<u>1,140,509</u>	<u>(3,055,066)</u>
<b>CAPITAL ACTIVITIES</b>		
Purchase of tangible capital assets	(3,256,938)	(1,891,285)
<b>INVESTING ACTIVITIES</b>		
Purchase of short term investments	(261)	(746)
<b>FINANCING ACTIVITIES</b>		
Repayments of long-term debt	(274,650)	(117,655)
Advances of long-term debt	1,939,723	5,555,008
	<u>1,665,073</u>	<u>5,437,353</u>
<b>INCREASE IN CASH DURING THE YEAR</b>	<b>(451,617)</b>	<b>490,256</b>
<b>CASH - beginning of year</b>	<b>2,225,550</b>	<b>1,735,294</b>
<b>CASH - end of year</b>	<b>\$ 1,773,933</b>	<b>\$ 2,225,550</b>

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, 2019**

---

**1. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Nature of Operations**

Annapolis Valley First Nation (the “First Nation”) operates under the authority of the Indian Act.

The mandate of the First Nation is to provide services to band members and the community. These services are grouped into the following key areas: Band Support, Social Services, Education, Health, Community Fisheries, Commercial Gaming and Social Housing.

The First Nation is exempt from income taxes under the Income Tax Act.

**(b) Basis of Accounting**

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

**(c) Reporting Entity**

The reporting entity includes the First Nation and all entities that are controlled by the First Nation. The reporting entity includes the following segments:

- Administration
- Social Services
- Community Health
- Education
- Capital, Operations and Maintenance
- Gaming Commission
- Commercial Fisheries

All controlled entities are consolidated in the First Nation’s financial statements according to the First Nation’s percentage ownership except for entities that meet the definition of a government business enterprise or a government business partnership, which are included in the financial statements on a modified equity basis. Accounting policies of consolidated and proportionately consolidated entities are conformed to those of the First Nation and inter-organizational balances and transactions are eliminated upon consolidation.

Entities fully consolidated in the First Nation’s financial statements include:

	<u>% ownership</u>
2501745 Nova Scotia Limited	100%
AVFN Development Group GP Ltd.	100%
AVFN Forestry Group Limited Partnership	100%

Under the modified equity method of accounting, only the First Nation’s investment in the entity and the First Nation’s portion of the entity’s net income and other changes in equity are recorded. No adjustment is made for accounting policies of the entity that are different from those of the First Nation and inter-organizational balances and transactions are not eliminated.

Entity’s accounted for on a modified equity basis include:

	<u>% ownership</u>
Webster Farms Limited	100%

**ANNAPOLIS VALLEY FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

---

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Trusts Under Administration**

Trusts under administration by the Government of Canada are included in these financial statements.

**(e) 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.

**(f) Temporary Investments**

Temporary investments are recorded at cost, unless the market value of temporary investments has declined below cost, in which case they are written down to market value.

**(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 consolidated 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 goods or services are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenue 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.

**ANNAPOLIS VALLEY FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

---

**2. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment has been made and comparative amounts have been restated to correct an understatement of deferred revenues and an overstatement of grant funding. The First Nation previously recorded the revenue in the incorrect period.

The financial statement amounts that are presented for comparative purposes have been restated as follows:

	2017	Increase(Decrease)	2018 restated
Deferred Revenue	\$ 182,869	\$ 45,446	\$ 228,315
MK Revenue	\$ 187,035	\$ (13,679)	\$ 173,356
Other Revenue	\$ 6,373,797	\$ (31,767)	\$ 6,342,030
Annual Surplus	\$ 2,358,463	\$ (45,446)	\$ 2,313,017
Accumulated Surplus, Ending	\$ 8,036,508	\$ (45,446)	\$ 7,991,062

---

**3. CASH**

	2019	2018
<u>Unrestricted</u>		
Operating	\$ 1,654,517	\$ 1,922,341
Housing	119,416	303,209
	<u>\$ 1,773,933</u>	<u>\$ 2,225,550</u>

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.

	2019	2018
<u>Externally Restricted</u>		
Replacement Reserve	\$ 150,418	\$ 150,418
Ottawa Trust Funds (Note 3)	22,688	22,427
	<u>\$ 173,106</u>	<u>\$ 172,845</u>

---

**ANNAPOLIS VALLEY FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

**4. TRUST FUNDS HELD BY FEDERAL GOVERNMENT**

	March 31, 2018	Additions 2019	Withdrawals 2019	March 31, 2019
Revenue	\$ 16,780	\$ 261	\$ -	\$ 17,041
Capital	5,647	-	-	5,647
	<b>\$ 22,427</b>	<b>\$ 261</b>	<b>\$ -</b>	<b>\$ 22,688</b>

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.

**5. TEMPORARY INVESTMENTS**

	2019	2018
GIC maturing on April 14, 2019 at a rate of 0.50%	\$ 50,945	\$ 50,945
GIC maturing on February 24, 2020 at a rate of 0.50%	15,935	15,935
GIC maturing on March 22, 2020 at a rate of 0.50%	10,448	10,448
	<b>\$ 77,328</b>	<b>\$ 77,328</b>

**6. ACCOUNTS RECEIVABLE**

	2019	2018
AVFN Commerical Fishing	\$ 325,963	\$ 301,186
Indigenous Services Canada	165,850	101,741
Health Canada	94,853	-
Department of Fisheries and Oceans	82,500	357,500
Mi'kmaw Kina'matnewey	77,897	37,437
Canadian Mortgage and Housing Corporation	13,982	13,982
Mi'kmaq Employment Training Secretariat	10,494	46,342
Confederacy of Mainland Mi'kmaq	2,813	2,000
Other	-	552,551
	<b>\$ 774,352</b>	<b>\$ 1,412,739</b>

**ANNAPOLIS VALLEY FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

---

**7. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE**

The First Nation owns 100% of Webster Farms Limited.

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

	<u>2019</u>
<b>Financial position</b>	
Cash	\$ 68,167
Accounts receivable	39,778
Inventory	334,958
Tangible capital assets	\$ 1,527,688
Other assets	<u>9,055</u>
<b>Total assets</b>	<b><u>\$ 1,979,646</u></b>
Accounts payable	\$ 49,583
Related party balances	<u>178,390</u>
<b>Total liabilities</b>	<b>227,973</b>
Equity	<u>1,751,673</u>
<b>Total liabilities and equity</b>	<b><u>\$ 1,979,646</u></b>
 <b>Results of operations</b>	
Revenue	\$ 1,548,027
Operating expenses	1,487,575
<b>Net income from operations</b>	60,452
Depreciation	<u>75,571</u>
<b>Net income (loss)</b>	<b><u>\$ (15,119)</u></b>

On March 29, 2018, the First Nation acquired 100% of the shares of Webster Farms Limited for \$5,751,874. The government business enterprise operates as an agricultural enterprise in Nova Scotia. Due to the date of the acquisition, there were no financial results included in the consolidated financial statements in fiscal 2018. The government business enterprise previously reported on an October year-end.

---

**ANNAPOLIS VALLEY FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

---

**8. 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%.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2019	2018
Trade payables and accruals	\$ 395,019	\$ 677,013
Accrued interest	1,450	1,700
Government remittances payable	12,692	10,512
	<b>\$ 409,161</b>	<b>\$ 689,225</b>

**10. 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. The First Nation contributed during the year \$19,744 (2018 - \$23,992) for retirement benefits.

**11. DEFERRED REVENUE**

	2019	2018 Restated (Note 2)
Indigenous Services Canada - FNWWAP Water	\$ 96,343	\$ 75,000
Government of Canada	20,000	20,000
Province of Nova Scotia	17,362	34,088
Give us Wings Projects	7,000	7,000
Health Canada	2,440	-
Indigenous Services Canada - Housing & Renovations	-	50,000
Indigenous Services Canada - Housing Capacity Development	-	28,548
Mi'kmaw Kina'matnewey	-	13,679
	<b>\$ 143,145</b>	<b>\$ 228,315</b>

**ANNAPOLIS VALLEY FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

**12. LONG-TERM DEBT**

	2019	2018
Prime plus 2.75% loan payable to Royal Bank of Canada, secured by a vessel with book value of \$nil, maturing March 2023. Repayable in semi-annual principal payments of \$14,475 plus interest paid monthly.	\$ 115,800	\$ 144,750
Prime plus 1.48% loan payable to Royal Bank of Canada, secured by a vessel with book value of \$256,644, maturing April 2022 and is amortized to 2027. Repayable in semi-annual principal payments of \$16,125 plus interest paid monthly.	274,125	306,375
Prime plus 0.70% loan payable to Royal Bank of Canada, secured by a general security agreement and land with a carrying value of 2,960,000, maturing April 2023. Repayable in monthly blended payments of \$28,419.	5,191,672	5,300,000
1.34% first mortgage payable to CMHC repaid during the year.	-	626
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 \$18,263 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2021 and matures in 2022.	13,043	19,179
2.06% first mortgage payable to CMHC 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 \$14,691 and a ministerial guarantee, Government of Canada. The loan matures in 2022.	15,791	19,895
2.41% first mortgage payable to CMHC 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 \$30,808 and a ministerial guarantee, Government of Canada. The loan matures in 2023.	37,331	46,811
2.25% first mortgage payable to CMHC 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 \$18,126 and a ministerial guarantee, Government of Canada. The loan matures in 2023.	11,015	16,301



**ANNAPOLIS VALLEY FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

**12. LONG-TERM DEBT (continued)**

	2019	2018
2.29% first mortgage payable to CMHC 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 \$26,675 and a ministerial guarantee, Government of Canada. The loan matures in 2026.	\$ 10,976	\$ 15,091
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 \$25,051 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2021 and matures in 2026.	24,847	28,093
1.97% 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 \$34,507 and a ministerial guarantee, Government of Canada. The loan matures in 2027.	28,211	31,200
1.86% 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 \$40,350 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2019 and matures in 2029.	30,959	33,716
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 \$66,048 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2020 and matures in 2030.	37,477	40,534
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 \$57,924 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2021 and matures in 2031.	40,929	44,101
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 \$53,814 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2022 and matures in 2032.	45,659	48,833

**ANNAPOLIS VALLEY FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

---

**12. LONG-TERM DEBT (continued)**

	2019	2018
1.97% 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 \$52,473 and a ministerial guarantee, Government of Canada. The loan matures in 2032.	\$ 48,147	\$ 51,189
2.14% 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 \$119,687 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2019 and matures in 2034.	125,337	132,494
2.52% 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 \$59,599 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2018 and matures in 2033.	50,990	53,882
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 \$84,669 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2019 and matures in 2034.	53,662	56,578
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 \$201,667 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2022 and matures in 2042.	163,152	169,126
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 \$131,600 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2023 and matures in 2048.	136,124	140,283
Non-interest bearing promissory note payable to Indigenous Services Canada on or before March 31, 2023 or the date on which the claim is settled.	332,032	242,424

**ANNAPOLIS VALLEY FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

---

**12. LONG-TERM DEBT (continued)**

Prime plus 0.70% loan payable to Royal Bank of Canada, maturing October 2020. Repayable in monthly principal payments of \$6,168 plus interest. Secured by land with a carrying value of \$2,679,271 and a general security agreement.

2019	2018
<u>\$ 1,819,275</u>	<u>\$ -</u>
<u>\$ 8,606,554</u>	<u>\$ 6,941,481</u>

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

2020	\$ 418,915
2021	\$ 400,811
2022	\$ 458,030
2023	\$ 436,289
2024	\$ 313,256

	2019	2018
Interest expense for the year on long-term debt	<u>\$ 308,894</u>	<u>\$ 37,055</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 mortgage.
-

**ANNAPOLIS VALLEY FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

**13. 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	2019	2018
Band owned											
CMHC Housing	\$ 2,848,090	\$ -	\$ -	\$ -	\$ 2,848,090	\$ 1,667,723	\$ 98,302	\$ -	\$ 1,766,025	\$ 1,082,065	\$ 1,180,367
Band Owned Housing	2,494,461	84,312	-	-	2,578,773	1,035,856	68,569	-	1,104,425	1,474,348	1,458,605
Commercial Buildings	2,060,064	31,854	-	-	2,091,918	990,923	32,998	-	1,023,921	1,067,997	1,069,141
Computer Equipment	87,237	2,269	-	-	89,506	50,893	16,352	-	67,245	22,261	36,344
Land & Improvements	449,108	2,853,184	-	-	3,302,292	32,851	14,972	-	47,822	3,254,470	416,257
Fishing Vessels	1,102,070	102,776	-	-	1,204,846	694,275	247,289	-	941,564	263,282	407,795
Roadways	495,091	-	-	-	495,091	190,468	9,606	-	200,074	295,017	304,623
Underground Networks	744,558	32,141	-	-	776,699	117,050	18,293	-	135,344	641,355	627,508
Vehicles & Equipment	2,660,496	150,402	-	-	2,810,898	2,138,424	133,828	-	2,272,252	538,646	522,072
	10,093,085	3,256,938	-	-	13,350,023	5,250,740	541,907	-	5,792,647	7,557,376	4,842,345
	\$12,941,175	\$ 3,256,938	\$ -	\$ -	\$16,198,113	\$ 6,918,463	\$ 640,209	\$ -	\$ 7,558,672	\$ 8,639,441	\$ 6,022,712

During the year, the First Nation acquired Scott's Bay property for \$173,913 and an additional 315 acres of farmland north of the reserve for \$2,679,271. These are included in current year land additions.

**ANNAPOLIS VALLEY FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

**14. ACCUMULATED SURPLUS**

	2019	2018 (Restated Note 2)
Unrestricted surplus	\$ 8,253,913	\$ 7,855,215
CMHC Replacement Reserve (Note 15)	108,733	113,420
Ottawa Trust Funds (Note 4)	22,688	22,427
	<u>\$ 8,385,334</u>	<u>\$ 7,991,062</u>

**15. CMHC REPLACEMENT RESERVE**

	2019	2018
Balance - beginning of year	\$ 113,420	\$ 124,753
Current year allocation	15,595	15,095
Withdrawals	(20,282)	(26,428)
Balance - end of year	<u>\$ 108,733</u>	<u>\$ 113,420</u>

	2019 Pre 1997 Units	2019 Post 1997 Units
ACCUMULATED INTEREST		
Balance - beginning of year	\$ 3,474	\$ 3,315
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, 2019. 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, 2019, the First Nation has provided funding of reserves as follows:

	Amount of Reserve	Amount Funded
CMHC Replacement Reserve (Note 3)	\$ 108,733	\$ 150,418

**ANNAPOLIS VALLEY FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

---

**16. 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, 2029. Without the current funding agreement, the First Nation would not be able to provide the majority of its services to band members.

---

**17. 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.

---

**18. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to current year's presentation.

---

**19. OTHER REVENUE**

	2019	2018
AVFN Gaming Commission - Gaming	\$ 2,262,228	\$ 2,401,237
AVFN Gaming Commission - Smoke Shop	711,363	705,095
AVFN Gaming Commission - Gas Bar	1,684,601	1,419,393
AVFN Commercial Fisheries	1,577,277	1,808,090
Other revenue	37,718	8,215
	<b>\$ 6,273,187</b>	<b>\$ 6,342,030</b>

---

**ANNAPOLIS VALLEY FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

**20. GOVERNMENT TRANSFERS**

	Operating	Capital	2019	Operating	Capital	2018
Federal government transfers:						
Indigenous Services Canada	\$ 688,952	\$ 339,274	\$ 1,028,226	\$ 2,418,798	\$ 339,274	\$ 2,758,072
Health Canada	366,177	-	366,177	309,100	-	309,100
Canada Mortgage and Housing Corporation	46,759	-	46,759	45,970	-	45,970
Department of Fisheries and Oceans	75,000	-	75,000	75,000	-	75,000
	1,176,888	339,274	1,516,162	2,848,868	339,274	3,188,142
Province of Nova Scotia	31,767	-	31,767	70,918	-	70,918
Total	\$ 1,208,655	\$ 339,274	\$ 1,547,929	\$ 2,919,786	\$ 339,274	\$ 3,259,060

**ANNAPOLIS VALLEY FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

---

**21. 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 and the day-to-day operations of the First Nation.

**Social Services**

The social services department is responsible for administering social assistance payments as well as providing social services to band members.

**Community Health**

The community health department provides medical services to band members.

**Education**

The education department provides educational services to band members including primary and 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 community fisheries, youth employment projects, economic development, social housing activities, etc.

**Gaming Commission**

The Annapolis Valley Gaming Commission was set up to enter into an agreement with the 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.

**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 NS 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, 2019**

**21. SEGMENT DISCLOSURE**

For the year ended March 31, 2019	Administration	Social Services	Community Health	Education	Capital, Operations & Maintenance	Other Projects	Gaming Commission	Commercial Fisheries	2501745 NS Ltd.	Total
<b>Revenue</b>										
Indigenous Services Canada	\$ 194,544	\$ 463,700	\$ -	\$ -	\$ 369,982	\$ -	\$ -	\$ -	\$ -	\$ 1,028,226
CMHC	-	-	-	-	-	46,759	-	-	-	46,759
Confederacy of Mainland Mi'kmaq	-	-	-	-	-	53,782	-	-	-	53,782
Dept. of Fisheries & Oceans	-	-	-	-	-	75,000	-	-	-	75,000
Health Canada	-	-	-	-	-	-	-	-	-	366,177
Mi'kmaq Employment Training Secretariat	-	-	-	-	-	102,308	-	-	-	102,308
Mi'kmaq Kina'matnewey	-	-	-	252,143	-	-	-	-	-	252,143
Rent	-	-	-	-	-	92,102	-	-	-	92,102
Other Revenue	-	-	-	-	-	71,996	4,658,192	1,577,277	-	6,307,465
	194,544	463,700	366,177	252,143	369,982	441,947	4,658,192	1,577,277	-	8,323,962
Salaries and wages	213,758	41,928	155,824	97,102	29,566	55,087	629,380	450,226	-	1,672,871
Employee benefits	103,881	-	-	2,883	-	-	140,559	15,421	-	262,744
Supplies and services	-	252,696	158,925	190,697	-	-	2,068,419	172,127	-	2,842,864
Bank charges and interest	-	1,755	-	-	-	-	18,511	478	-	20,744
Repairs and maintenance	4,223	-	8,100	-	214,206	35,237	34,901	73,725	-	370,392
Professional fees	46,529	-	-	-	-	-	132,016	18,044	-	196,589
Debt servicing	9,651	-	-	-	-	17,151	-	291,743	-	318,545
Other	117,851	8,069	36,816	55,486	4,774	166,767	1,187,217	12,483	-	1,589,463
Amortization	143,036	-	-	-	-	98,302	144,466	247,289	7,266	640,359
	638,929	304,448	359,665	346,168	248,546	372,544	4,355,469	1,281,536	7,266	7,914,571
<b>Total</b>	\$ (444,385)	\$ 159,252	\$ 6,512	\$ (94,025)	\$ 121,436	\$ 69,403	\$ 302,723	\$ 295,741	\$ (7,266)	\$ 409,391

**ANNAPOLIS VALLEY FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

**21. SEGMENT DISCLOSURE (continued)**

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										
Indigenous Services Canada	\$ 193,585	\$ 461,414	\$ -	\$ -	\$ 2,103,073	\$ -	\$ -	\$ -	\$ -	\$ 2,758,072
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	-	-	-	173,356	-	-	-	-	-	173,356
Rent	-	-	-	-	-	77,601	-	-	-	77,601
Other Revenue	-	-	-	-	-	49,830	4,555,743	1,808,090	-	6,413,663
	193,585	461,414	309,100	173,356	2,103,073	421,034	4,555,743	1,808,090	-	10,025,395
Salaries and wages	130,209	39,733	153,857	111,910	20,396	210,737	464,633	429,933	-	1,561,408
Employee benefits	76,123	-	-	6,380	-	-	162,248	15,561	-	260,312
Supplies and services	12,680	189,009	129,718	176,750	-	-	2,068,419	144,040	-	2,720,616
Bank Charges and interest	-	793	-	-	-	-	15,640	417	-	16,850
Repairs and maintenance	5,195	-	11,261	-	178,547	45,421	79,606	142,261	-	462,291
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	145,979	901,541	634,617	-	1,896,158
Amortization	127,702	-	-	-	-	104,539	109,912	234,751	7,596	584,500
	535,922	236,752	332,420	320,851	204,899	522,507	3,927,528	1,623,903	7,596	7,712,378
Total	\$ (342,337)	\$ 224,662	\$ (23,320)	\$ (147,495)	\$ 1,898,174	\$ (101,473)	\$ 628,215	\$ 184,187	\$ (7,596)	\$ 2,313,017

**ANNAPOLIS VALLEY FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

---

**22. EXPENSES BY OBJECT**

The following is a summary of expenses by object.

	2019	2018
Salaries and wages	\$ 1,672,871	\$ 1,561,408
Employee benefits	262,744	260,312
Repairs and maintenance	370,392	462,291
Supplies and services	2,842,864	2,720,616
Bank charges and interest	20,744	16,850
Debt servicing	318,545	46,775
Professional fees	196,589	163,468
Amortization	640,208	584,499
Atlantic Lottery Commission	192,617	195,886
Assistance to band members	303,572	247,254
Sydney Casino Profit Share	53,200	52,400
Travel	101,473	52,465
Other	938,752	1,348,154
	<b>\$ 7,914,571</b>	<b>\$ 7,712,378</b>