

ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

Annapolis Valley First Nation
Consolidated Financial Statements
For the year ended March 31, 2020

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ANNAPOLIS VALLEY FIRST NATION

Management's Responsibility for the Consolidated Financial Statements March 31, 2020

The accompanying consolidated financial statements of Annapolis Valley First Nation are the responsibility of management and have been approved by the Chief and 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 Chief and Council are 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 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, 2020, and the consolidated statements of operations, consolidated change in net financial debt, and consolidated 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, 2020 and its consolidated results of operations, its consolidated changes in net financial debt and its consolidated 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Chartered Professional Accountants

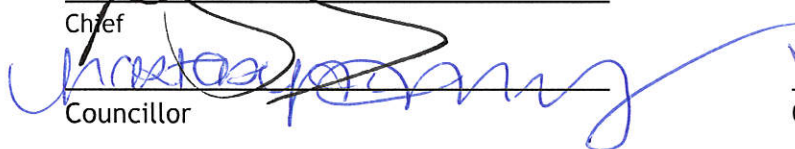
Dartmouth, Nova Scotia
November 5, 2020

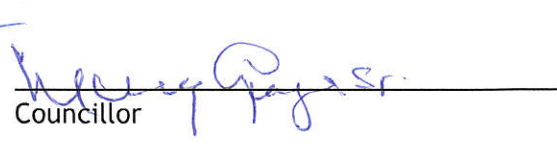
**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020**

	2020	Restated (Note 2) 2019
FINANCIAL ASSETS		
Cash (Note 3)	\$ 1,597,528	\$ 1,773,933
Restricted cash (Note 3)	173,552	173,106
Temporary investments (Note 5)	77,592	77,328
Accounts receivable (Note 6)	1,025,419	774,352
Inventory	112,106	120,616
Investment in government business enterprise (Note 7)	5,323,848	5,693,952
Due from government business enterprise (Note 7)	560,000	180,000
	8,870,045	8,793,287
LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	138,257	409,161
Deferred revenue (Note 11)	531,013	143,145
Long-term debt (Note 12)	8,269,444	8,606,554
	8,938,714	9,158,860
NET FINANCIAL DEBT	(68,669)	(365,573)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	8,418,814	8,639,441
Prepays	4,769	4,769
	8,423,583	8,644,210
ACCUMULATED SURPLUS (Note 14)	\$ 8,354,914	\$ 8,278,637

APPROVED ON BEHALF OF ANNAPOLIS VALLEY FIRST NATION:


 Chief


 Councillor


 Councillor

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2020**

	2020 Budget	2020	Restated (Note 2) 2019
REVENUE			
Indigenous Services Canada (Note 21)	\$ 1,459,505	\$ 1,534,591	\$ 1,394,403
Canada Mortgage and Housing Corporation (Note 21)	-	48,208	46,759
Confederacy of Mainland Mi'kmaq	50,565	53,565	53,782
Department of Fisheries and Oceans (Note 21)	75,000	75,000	75,000
Province of Nova Scotia (Note 21)	-	4,034	31,767
Mi'kmaq Employment Training Secretariat	111,517	111,517	102,308
Mi'kmaw Kina'matnewey	237,707	230,506	252,143
Rent - Social Housing	-	101,006	92,102
Amounts earned and held in trust by federal government (Note 4)	-	446	261
Other (Note 19)	13,711	6,577,377	6,275,437
	1,948,005	8,736,250	8,323,962
EXPENSES			
Band Administration	470,995	629,869	638,929
Commercial Buildings	-	6,935	7,266
Community Health	414,089	414,427	359,665
Community Operations & Capital	75,000	75,566	75,000
Courses and summer students	118,717	111,201	98,602
Economic Development	77,927	53,245	55,966
Education	237,707	249,233	247,566
Operations, Capital & Maintenance	738,948	332,546	248,546
Other (Note 19)	75,000	5,904,953	5,637,005
Social Housing	93,600	212,980	241,578
Social Services	243,719	298,914	304,448
	2,545,702	8,289,869	7,914,571
NET SURPLUS FROM OPERATIONS	(597,697)	446,381	409,391
LOSS FROM GOVERNMENT BUSINESS ENTERPRISE	-	(370,104)	(121,816)
ANNUAL SURPLUS	(597,697)	76,277	287,575
ACCUMULATED SURPLUS - beginning of year	8,278,637	8,278,637	7,991,062
ACCUMULATED SURPLUS - end of year (Note 14)	\$ 7,680,940	\$ 8,354,914	\$ 8,278,637

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

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
FOR THE YEAR ENDED MARCH 31, 2020**

	Budget 2020	Actual 2020	Restated (Note 2) Actual 2019
ANNUAL SURPLUS	\$ (597,697)	\$ 76,277	\$ 287,575
Acquisition of tangible capital assets	-	(455,202)	(3,256,938)
Amortization of tangible capital assets	-	675,829	640,209
DECREASE (INCREASE) IN NET FINANCIAL DEBT	(597,697)	296,904	(2,329,154)
NET FINANCIAL ASSETS (DEBT) - beginning of year	(365,573)	(365,573)	1,963,581
NET FINANCIAL DEBT - end of year	\$ (963,270)	\$ (68,669)	\$ (365,573)

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020**

	2020	Restated (Note 2) 2019
CASH FLOWS FROM:		
OPERATING ACTIVITIES		
Annual surplus	\$ 76,277	\$ 287,575
Items in earnings not involving cash		
Amortization	675,829	640,209
Loss from government business enterprises	370,104	115,815
	<u>1,122,210</u>	<u>1,043,599</u>
Net changes in working capital balances		
Accounts receivable	(251,067)	638,387
Inventory	8,510	3,757
Accounts payable and accrued liabilities	(270,904)	(280,064)
Deferred revenue	387,868	(85,170)
	<u>996,617</u>	<u>1,320,509</u>
CAPITAL ACTIVITY		
Purchase of tangible capital assets	(455,202)	(3,256,938)
INVESTING ACTIVITIES		
Increase in short term investments	(710)	(261)
Advances to government business enterprises	(380,000)	(180,000)
	<u>(380,710)</u>	<u>(180,261)</u>
FINANCING ACTIVITIES		
Repayments of long-term debt	(341,871)	(274,650)
Advances of long-term debt	4,761	1,939,723
	<u>(337,110)</u>	<u>1,665,073</u>
DECREASE IN CASH DURING THE YEAR	(176,405)	(451,617)
CASH - beginning of year	1,773,933	2,225,550
CASH - end of year (Note 3)	\$ 1,597,528	\$ 1,773,933

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

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 Administration, 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:

- Band 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, which are included in the financial statements on a modified equity basis. Accounting policies of 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>
WFL Holdings Limited (100% shareholder of Webster Farms Limited)	100%

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Trusts Under Administration

Trusts under administration by the Government of Canada are included in these financial statements (Note 4).

(e) Pension Plan

The First Nation has 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) Cash

Cash consists of cash on hand, bank balances, unrestricted operating and housing cash, and externally restricted replacement reserve cash.

(g) 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.

(h) 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 CMHC Housing	25 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.

(i) Inventory

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value using the first-in first-out costing method.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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.

2. PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been made and comparative amounts have been restated to correct an error related to the amortization of the fair value increment on the purchase of Webster Farms Limited. The First Nation did not previously record this adjustment.

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

	2019	Increase (Decrease)	2019 restated
Loss from government business enterprise	\$ 15,119	\$ 106,697	\$ 121,816
Investment in government business enterprise	\$ 5,800,649	\$ (106,697)	\$ 5,693,952
Annual Surplus	\$ 394,272	\$ (106,697)	\$ 287,575
Accumulated Surplus, Ending	\$ 8,385,334	\$ (106,697)	\$ 8,278,637

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

3. CASH

	2020	2019
Unrestricted		
Operating	\$ 1,520,310	\$ 1,654,517
Housing	77,218	119,416
	\$ 1,597,528	\$ 1,773,933

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 CMHC Replacement Reserve.

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

	2020	2019
Restricted		
CMHC Replacement Reserve (Note 15)	\$ 150,418	\$ 150,418
Trust funds held by Federal Government (Note 4)	23,134	22,688
	\$ 173,552	\$ 173,106

4. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

	March 31, 2019	Additions 2020	Withdrawals 2020	March 31, 2020
Revenue	\$ 17,041	\$ 446	\$ -	\$ 17,487
Capital	5,647	-	-	5,647
	\$ 22,688	\$ 446	\$ -	\$ 23,134

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, 2020**

5. TEMPORARY INVESTMENTS

	2020	2019
GIC maturing on April 14, 2020 at a rate of 0.50%	\$ 50,945	\$ 50,945
GIC maturing on February 24, 2021 at a rate of 0.50%	15,988	15,935
GIC maturing on March 22, 2021 at a rate of 0.50%	10,659	10,448
	<u>\$ 77,592</u>	<u>\$ 77,328</u>

Subsequent to year end, the GIC maturing on April 14, 2020 was re-invested in a GIC maturing on April 14, 2021 at a rate of 0.50%.

6. ACCOUNTS RECEIVABLE

	2020	2019
Indigenous Services Canada	\$ 596,809	\$ 260,703
Department of Fisheries and Oceans	75,000	82,500
Mi'kmaq Employment Training Secretariat	71,064	10,494
Nautical Seafoods	194,026	325,963
Mi'kmaw Kina'matnewey	39,390	77,897
Confederacy of Mainland Mi'kmaq	13,987	2,813
Canadian Mortgage and Housing Corporation	19,082	13,982
Other	9,936	-
Mi'kmaw Conservation Group	6,125	-
	<u>\$ 1,025,419</u>	<u>\$ 774,352</u>

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

7. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE

The First Nation owns 100% of Webster Farms Limited. The government business enterprise operates as an agricultural enterprise in Nova Scotia.

At year end, Webster Farms Limited owed the First Nation \$560,000 (2019 - \$180,000). The balance is unsecured, non-interest bearing and payable on demand.

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

	2020	2019
Financial position		
Cash	\$ 196,558	\$ 68,167
Accounts receivable	67,114	39,778
Inventory	287,080	334,958
Tangible capital assets	1,508,848	1,527,688
Other assets	8,455	9,055
Total assets	\$ 2,068,055	\$ 1,979,646
Accounts payable	\$ 20,322	\$ 49,583
Related party balances	558,390	178,390
Total liabilities	578,712	227,973
Equity	1,489,343	1,751,673
Total liabilities and equity	\$ 2,068,055	\$ 1,979,646
	2020	Restated (Note 2) 2019
Results of operations		
Revenue	\$ 1,463,314	\$ 1,548,027
Operating expenses	1,646,821	1,487,575
Net income from operations	(183,507)	60,452
Depreciation	79,875	75,571
Amortization of fair value increment	106,697	106,697
Net loss	\$ (370,079)	\$ (121,816)

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

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%. As at March 31, 2020, the balance of this borrowing facility was \$nil (2019 - \$nil).

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%. As at March 31, 2020, the balance of this borrowing facility was \$nil (2019 - \$nil).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Trade payables	\$ 118,609	\$ 395,019
Accrued interest	1,613	1,450
Government remittances	18,039	12,692
	\$ 138,261	\$ 409,161

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 \$22,345 (2019 - \$19,744) during the year for retirement benefits.

11. DEFERRED REVENUE

	2020	2019
Indigenous Services Canada - FNWWAP Water	\$ 490,161	\$ 96,343
Government of Canada	20,000	20,000
Province of Nova Scotia	13,852	17,362
Give us Wings Projects	7,000	7,000
Health Canada	-	2,440
	\$ 531,013	\$ 143,145

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

12. LONG-TERM DEBT

	2020	2019
Prime plus 2.75% loan payable to Royal Bank of Canada, secured by a vessel with book value of \$53,346, maturing March 2023. Repayable in semi-annual principal payments of \$14,475 plus interest paid monthly. General security agreement in place.	\$ 86,850	\$ 115,800
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 June 2022 and is amortized to 2027. Repayable in semi-annual principal payments of \$16,125 plus interest paid monthly. General security agreement in place.	241,875	274,125
Prime plus 0.70% loan payable to Royal Bank of Canada, secured by a general security agreement, maturing March 2043. Repayable in monthly blended payments of \$28,419.	5,059,765	5,191,672
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 \$13,167 and a ministerial guarantee, Government of Canada. The loan matures in 2022.	6,826	13,043
2.06% first mortgage payable to CMHC requires monthly installments of principal and interest of \$372. The loan is secured by a first mortgage over certain buildings with a carrying value of \$11,091 and a ministerial guarantee, Government of Canada. The loan matures in 2022.	11,601	15,791
2.41% first mortgage payable to CMHC requires monthly installments of principal and interest of \$816. The loan is secured by a first mortgage over certain buildings with a carrying value of \$23,103 and a ministerial guarantee, Government of Canada. The loan matures in 2023.	28,310	37,331
2.25% first mortgage payable to CMHC requires monthly installments of principal and interest of \$469. The loan is secured by a first mortgage over certain buildings with a carrying value of \$14,098 and a ministerial guarantee, Government of Canada. The loan matures in 2023.	5,570	11,015

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

12. LONG-TERM DEBT (continued)

	2020	2019
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 \$22,579 and a ministerial guarantee, Government of Canada. The loan matures in 2025.	\$ 6,344	\$ 10,976
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 \$21,595 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2021 and matures in 2026.	21,568	24,847
1.97% mortgage payable to CMHC requires monthly installments of principal and interest of \$297. The loan is secured by a first mortgage over certain buildings with a carrying value of \$30,448 and a ministerial guarantee, Government of Canada. The loan matures in 2027.	25,164	28,211
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 \$36,258 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2024 and matures in 2029.	28,140	30,959
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 \$60,176 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2020 and matures in 2030.	34,378	37,477
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 \$53,062 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2021 and matures in 2031.	37,723	40,929
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 \$49,610 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2022 and matures in 2032.	42,440	45,659

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

12. LONG-TERM DEBT (continued)

	2020	2019
1.97% mortgage payable to CMHC requires monthly installments of principal and interest of \$334. The loan is secured by a first mortgage over certain buildings with a carrying value of \$48,610 and a ministerial guarantee, Government of Canada. The loan matures in 2032.	\$ 45,046	\$ 48,147
2.14% mortgage payable to CMHC requires monthly installments of principal and interest of \$820. The loan is secured by a first mortgage over certain buildings with a carrying value of \$111,708 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2024 and matures in 2034.	118,080	125,337
2.52% mortgage payable to CMHC requires monthly installments of principal and interest of \$349. The loan is secured by a first mortgage over certain buildings with a carrying value of \$55,603 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2023 and matures in 2033.	48,039	50,990
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 \$79,235 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2020 and matures in 2034.	50,696	53,662
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 \$192,867 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2022 and matures in 2042.	157,103	163,152
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 \$126,000 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2023 and matures in 2043.	131,874	136,124
Non-interest bearing promissory note payable to Indigenous Services Canada on or before March 31, 2023 or the date on which the land claim is settled.	336,793	332,032

**ANNAPOLIS VALLEY FIRST NATION
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12. LONG-TERM DEBT (continued)

	2020	2019
Prime plus 0.70% loan payable to Royal Bank of Canada, secured by a general security agreement, maturing October 2043. Repayable in monthly blended payments of \$6,168.	<u>\$ 1,745,259</u>	<u>\$ 1,819,275</u>
	<u>\$ 8,269,444</u>	<u>\$ 8,606,554</u>

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

2021	\$ 264,914
2022	\$ 372,939
2023	\$ 440,441
2024	\$ 394,895
2025	\$ 300,357

	2020	2019
Interest expense for the year on long-term debt	<u>\$ 324,254</u>	<u>\$ 308,894</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.
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**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

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	2020	2019
Band owned CMHC Housing	\$ 2,848,090	\$ -	\$ -	\$ -	\$ 2,848,090	\$ 1,766,025	\$ 94,094	\$ -	\$ 1,860,119	\$ 987,971	\$ 1,082,065
Band Owned Housing	2,578,773	50,364	-	-	2,629,137	1,104,425	67,694	-	1,172,119	1,457,018	1,474,348
Commercial Buildings	2,091,918	-	-	-	2,091,918	1,023,921	39,211	-	1,063,132	1,028,786	1,067,997
Computer Equipment	89,506	-	-	-	89,506	67,245	11,049	-	78,294	11,212	22,261
Land Improvements	449,108	-	-	-	449,108	47,822	14,970	-	62,792	386,316	401,286
Land	2,853,184	4,743	-	-	2,857,927	-	-	-	-	2,857,927	2,853,184
Fishing Vessels	1,204,846	206,245	-	-	1,411,091	941,564	273,074	-	1,214,638	196,453	263,282
Roadways	495,091	-	-	-	495,091	200,074	4,176	-	204,250	290,841	295,017
Underground Networks	776,699	-	-	-	776,699	135,344	18,578	-	153,922	622,777	641,355
Vehicles & Equipment	2,810,898	193,850	-	-	3,004,748	2,272,252	152,983	-	2,425,235	579,513	538,646
	13,350,023	455,202	-	-	13,805,225	5,792,647	581,735	-	6,374,382	7,430,843	7,557,376
	\$16,198,113	\$ 455,202	\$ -	\$ -	\$16,653,315	\$ 7,558,672	\$ 675,829	\$ -	\$ 8,234,501	\$ 8,418,814	\$ 8,639,441

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

14. ACCUMULATED SURPLUS

	2020	2019
Unrestricted surplus	\$ 8,205,917	\$ 8,253,913
CMHC Replacement Reserve (Note 15)	125,863	108,733
Trust funds held by Federal Government (Note 4)	23,134	22,688
	\$ 8,354,914	\$ 8,385,334

15. CMHC REPLACEMENT RESERVE

	2020	2019
Balance - beginning of year	\$ 109,734	\$ 113,420
Current year allocation	15,500	16,525
Adjustments	5,443	-
Withdrawals and adjustments	(4,814)	(20,211)
Balance - end of year	\$ 125,863	\$ 109,734

	2020 Pre 1997 Units	2020 Post 1997 Units
ACCUMULATED INTEREST		
Balance - beginning of year	\$ -	\$ -
Balance - end of year	\$ -	\$ -

The First Nation operates 21 (2019 - 22) CMHC subsidized housing projects. 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, 2020, the First Nation has provided funding of reserves as follows:

	Amount of Reserve	Amount Funded
CMHC Replacement Reserve (Note 3)	\$ 125,863	\$ 150,418

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

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 ten 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 AND EXPENSES

	2020	2019
Revenue		
Gaming Commission - Gaming	\$ 2,260,551	\$ 2,332,193
Gaming Commission - Smoke Shop	769,277	711,363
Gaming Commission - Gas Bar	1,592,166	1,604,638
Commercial Fisheries	1,900,140	1,577,277
Other revenue	55,243	49,966
	<u>6,577,377</u>	<u>6,275,437</u>
Expenses		
Cost of goods sold - Smoke Shop	761,203	704,823
Cost of goods sold - Gas Bar	1,461,845	1,510,725
Other expenses - Gaming	2,154,925	2,139,921
Vessel operations - Commercial Fisheries	930,223	742,504
Other expenses - Commercial Fisheries	596,757	539,032
	<u>5,904,953</u>	<u>5,637,005</u>

20. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("Covid-19") as a pandemic. On March 16, 2020, the Province of Nova Scotia issued Emergency Orders to close all gaming, and most commercial offices and activities, other than essential services. The operations of AVFN gaming and commercial fisheries resumed in accordance with provincial regulations, but are operating at a more limited capacity. It is unclear the extent to which those business units will be impacted by any future waves of the virus.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

21. GOVERNMENT TRANSFERS

	Operating	Capital	2020	Operating	Capital	2019
Federal government transfers:						
Indigenous Services Canada	\$ 1,534,591	\$ -	\$ 1,534,591	\$ 688,952	\$ 339,274	\$ 1,028,226
Health Canada	-	-	-	366,177	-	366,177
Canada Mortgage and Housing Corporation	48,208	-	48,208	46,759	-	46,759
Department of Fisheries and Oceans	75,000	-	75,000	75,000	-	75,000
	1,657,799	-	1,657,799	1,176,888	339,274	1,516,162
Province of Nova Scotia	4,034	-	4,034	31,767	-	31,767
Total	\$ 1,661,833	\$ -	\$ 1,661,833	\$ 1,208,655	\$ 339,274	\$ 1,547,929

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

22. SEGMENT DISCLOSURE

The First Nation 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.

Band 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, 2020**

22. SEGMENT DISCLOSURE

For the year ended March 31, 2020	Band Administration	Social Services	Community Health	Education	Capital, Operations & Maintenance	Other Projects	Gaming Commission	Commercial Fisheries	2501745 NS Ltd.	Total
Revenue										
Indigenous Services Canada	\$ 197,442	\$ 475,389	\$ 414,089	\$ -	\$ 259,672	\$ 187,999	\$ -	\$ -	\$ -	\$ 1,534,591
CMHC	-	-	-	-	-	48,208	-	-	-	48,208
Confederacy of Mainland										
Mi'kmaq	-	-	-	-	-	53,565	-	-	-	53,565
Dept. of Fisheries & Oceans	-	-	-	-	-	75,000	-	-	-	75,000
Mi'kmaq Employment Training										
Secretariat	-	-	-	-	-	111,517	-	-	-	111,517
Mi'kmaw Kina'matnewey	-	-	-	230,506	-	-	-	-	-	230,506
Rent	-	-	-	-	-	101,006	-	-	-	101,006
Other Revenue	-	-	-	-	-	59,723	4,621,994	1,900,140	-	6,581,857
	197,442	475,389	414,089	230,506	259,672	637,018	4,621,994	1,900,140	-	8,736,250
Salaries and wages	222,999	48,732	196,610	120,491	62,383	53,353	652,379	632,917	-	1,989,864
Employee benefits	14,004	-	-	8,042	-	-	84,007	12,163	-	118,216
Supplies and services	-	247,692	143,429	161,627	45,514	-	2,251,652	215,744	-	3,065,658
Bank charges and interest	-	1,247	-	-	-	-	16,812	357	-	18,416
Repairs and maintenance	5,125	-	19,707	-	114,460	14,733	21,942	36,694	-	212,661
Professional fees	43,348	-	-	-	-	-	67,203	-	-	110,551
Debt servicing	10,788	-	-	-	-	15,821	-	308,433	-	335,042
Other	188,572	1,243	54,681	70,274	110,189	180,926	1,125,399	32,348	-	1,763,632
Amortization	145,033	-	-	-	-	94,093	141,444	288,324	6,935	675,829
	629,869	298,914	414,427	360,434	332,546	358,926	4,360,838	1,526,980	6,935	8,289,869
Total	\$ (432,427)	\$ 176,475	\$ (338)	\$ (129,928)	\$ (72,874)	\$ 278,092	\$ 261,156	\$ 373,160	\$ (6,935)	\$ 446,381

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

22. SEGMENT DISCLOSURE (continued)

For the year ended March 31, 2019	Band Administration	Social Services	Community Health	Education	Capital, Operations & Maintenance	Other Projects	Gaming Commission	Commercial Fisheries	2501745 NS Ltd.	Total
Revenue										
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	-	-	-	-	-	-	366,177
Mi'kmaq Employment Training										
Secretariat	-	-	-	-	-	102,308	-	-	-	102,308
Mi'kmaw Kina'matnewey	-	-	-	252,143	-	-	-	-	-	252,143
Rent	-	-	-	-	-	92,102	-	-	-	92,102
Other revenue	-	-	-	-	-	81,997	4,648,191	1,577,277	-	6,307,465
	194,544	463,700	366,177	252,143	369,982	451,948	4,648,191	1,577,277	-	8,323,962
Salaries and wages	208,821	41,928	155,983	101,713	65,091	55,087	629,380	450,226	-	1,708,229
Employee benefits	14,330	-	-	5,088	-	-	101,332	15,421	-	136,171
Supplies and services	-	252,696	155,167	155,239	43,517	-	2,239,708	172,127	-	3,018,454
Bank Charges and interest	-	1,755	-	-	-	-	18,511	478	-	20,744
Repairs and maintenance	4,223	-	8,728	-	118,203	30,551	34,901	39,474	-	236,080
Professional fees	46,529	-	-	-	-	-	24,016	18,044	-	88,589
Debt servicing	9,651	-	-	-	-	17,151	-	291,743	-	318,545
Other	212,339	8,070	39,787	84,126	21,735	171,454	1,163,155	46,734	-	1,747,400
Amortization	143,036	-	-	-	-	98,302	144,466	247,289	7,266	640,359
	638,929	304,449	359,665	346,166	248,546	372,545	4,355,469	1,281,536	7,266	7,914,571
Total	\$ (444,385)	\$ 159,251	\$ 6,512	\$ (94,023)	\$ 121,436	\$ 79,403	\$ 292,722	\$ 295,741	\$ (7,266)	\$ 409,391

**ANNAPOLIS VALLEY FIRST NATION
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FOR THE YEAR ENDED MARCH 31, 2020**

23. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2020	2019
Salaries and wages	\$ 1,989,864	\$ 1,672,871
Employee benefits	118,216	262,744
Repairs and maintenance	212,661	370,392
Supplies and services	3,065,658	2,842,864
Bank charges and interest	18,416	20,744
Debt servicing	335,042	318,545
Professional fees	110,551	196,589
Amortization	675,829	640,208
Atlantic Lottery Commission	186,234	192,617
Assistance to band members	246,166	303,572
Sydney Casino Profit Share	56,200	53,200
Travel	105,220	101,473
Other	1,169,812	938,752
	<u>\$ 8,289,869</u>	<u>\$ 7,914,571</u>