

Consolidated Financial Statements of

ESKASONI BAND COUNCIL

Year ended March 31, 2014

ESKASONI BAND COUNCIL

Consolidated Financial Statements

Year ended March 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Members of
Eskasoni First Nation

We have audited the accompanying consolidated financial statements of Eskasoni Band Council which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of operations, change in fund balances, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 financial position of Eskasoni Band Council as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matters

The comparative information has been audited by another firm of chartered accountants.

Chartered Accountants

Sydney, Canada
November 13, 2014



ESKASONI BAND COUNCIL

Consolidated Statement of Financial Position

March 31, 2014, with comparative figures for 2013

| | 2014 | 2013 |
|--|---------------|---------------|
| FINANCIAL ASSETS | | |
| Cash | \$ 3,880,706 | \$ 7,335,394 |
| Accounts receivable (note 2) | 663,793 | 706,156 |
| Due from Government of Canada (note 3) | 1,123,325 | 864,331 |
| Due from Province of Nova Scotia | 630,438 | 555,134 |
| Due from Band-owned enterprises (note 4) | 95,017 | 62,791 |
| Inventory held for resale | 31,490 | 29,033 |
| Restricted cash and deposits (note 5) | 254,198 | 245,089 |
| Investment in limited partnership (note 6) | 887,929 | 1,131,392 |
| Investment in incorporated business enterprises (note 7) | 731,765 | 5 |
| | 8,298,661 | 10,929,325 |
| FINANCIAL LIABILITIES | | |
| Accounts payable and accrued liabilities (note 9) | 5,756,468 | 5,653,461 |
| Deferred revenue – obligatory reserve funds (note 10) | 823,762 | 741,366 |
| Deferred revenue (note 11) | 220,180 | 255,944 |
| Long-term debt (note 12) | 18,408,689 | 19,759,972 |
| Obligations under capital lease (note 13) | 65,049 | 117,857 |
| | 25,274,148 | 26,528,600 |
| NET DEBT | (16,975,487) | (15,599,275) |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (note 14) | 60,837,389 | 57,125,270 |
| Prepaid expenses (note 15) | 270,342 | 274,940 |
| | 61,107,731 | 57,400,210 |
| ACCUMULATED SURPLUS | \$ 44,132,244 | \$ 41,800,935 |
| Accumulated surplus represented by | | |
| Unrestricted | | |
| Operating fund | \$ 431,776 | \$ 780,868 |
| Capital fund | 40,568,445 | 36,194,884 |
| Restricted | | |
| School capital replacement fund | 1,504,732 | 2,058,795 |
| Limited Partnership fund | 887,929 | 1,131,392 |
| Band Community fund | 731,760 | 1,634,074 |
| Band trust fund | 7,602 | 922 |
| Contingencies (note 18) | | |
| | \$ 44,132,244 | \$ 41,800,935 |

See accompanying notes to consolidated financial statements.


 Chief

 Band Manager

ESKASONI BAND COUNCIL

Consolidated Statement of Operations

Year ended March 31, 2014, with comparative figures for 2013

| | | 2014 | 2013 |
|---|-----------------------|---------------|---------------|
| | Budget (unaudited) | Actual | Actual |
| REVENUE | | | |
| Aboriginal Affairs and Northern Development Canada (Schedule A) | \$ 16,383,879 | \$ 17,672,290 | \$ 17,135,877 |
| Mi'kmaw Kina'matnewey | 14,865,997 | 16,475,273 | 15,596,792 |
| Health Canada | 4,169,600 | 4,183,687 | 4,538,991 |
| Mi'kmaq Employment Training Secretariat | 1,234,584 | 1,234,584 | 1,234,584 |
| Canada Mortgage and Housing Corporation | 904,000 | 771,254 | 967,773 |
| Fisheries and Oceans Canada | 285,000 | 949,670 | 1,153,364 |
| Province of Nova Scotia | 620,800 | 656,971 | 654,447 |
| Other agencies and funds (Schedule T) | 2,856,692 | 3,958,520 | 4,223,583 |
| | 41,320,552 | 45,902,249 | 45,505,411 |
| EXPENDITURE | | | |
| Health programs (Schedule B) | 4,475,381 | 4,664,717 | 4,715,954 |
| Education (Schedule C) | 14,967,316 | 14,169,212 | 13,566,447 |
| Social development (Schedule D) | 13,648,588 | 14,225,442 | 13,322,334 |
| Housing and infrastructure (Schedule E) | 1,100,701 | 2,019,286 | 1,779,649 |
| Operations and maintenance (Schedule F) | 1,919,214 | 1,957,368 | 2,178,703 |
| Economic development (Schedule G) | 1,585,468 | 1,825,141 | 2,045,978 |
| Fishery resource development (Schedule H) | 385,000 | 476,550 | 671,512 |
| Band management (Schedule I) | 1,231,983 | 1,187,870 | 1,136,022 |
| Canada Mortgage and Housing Corporation Section 95 housing (Schedule J) | 1,543,000 | 1,525,289 | 1,525,114 |
| Other programs (Schedule K) | 662,452 | 658,769 | 429,221 |
| Corporate division (Schedule L) | 380,000 | 399,281 | 412,570 |
| Contribution to Eskasoni Supermarket Limited | 350,000 | — | 500,000 |
| Amortization of capital assets | 1,958,436 | 4,008,828 | 3,886,686 |
| | 44,207,539 | 47,117,753 | 46,170,190 |
| Net expenditure before the following | (2,886,987) | (1,215,504) | (664,779) |
| Band agencies earnings (loss) | | | |
| Eskasoni Tobacco Shop (Schedule M) | 1,360,000 | 1,709,334 | 1,268,402 |
| Eskasoni Gaming Centre (Schedule N) | 500,000 | 386,021 | 500,542 |
| Eskasoni Recreation Centre (Schedule O) | (220,000) | (241,663) | (206,491) |
| Sarah Denny Cultural Centre (Schedule P) | (49,013) | (96,519) | (47,874) |
| Eskasoni Gaming Commission (Schedule Q) | 420,000 | 231,184 | 374,335 |
| Eskasoni Fitness Centre (Schedule S) | (90,000) | (113,682) | (75,182) |
| Crane Cove Seafoods Limited Partnership (note 6) | 966,000 | 1,756,537 | 2,527,618 |
| | 2,886,987 | 3,631,212 | 4,341,350 |
| EXCESS OF REVENUE OVER EXPENDITURE | | | |
| | \$ — | \$ 2,415,708 | \$ 3,676,571 |

See accompanying notes to consolidated financial statements.

ESKASONI BAND COUNCIL

Consolidated Statement of Change in Net Debt

Year ended March 31, 2014, with comparative figures for 2013

| | 2014 | 2013 |
|--|------------------------|------------------------|
| ANNUAL SURPLUS | \$ 2,331,309 | \$ 3,360,202 |
| Tangible capital assets | | |
| Increase in tangible capital assets | (7,720,947) | (6,420,386) |
| Amortization of tangible capital assets | 4,008,828 | 3,886,686 |
| | (3,712,119) | (2,533,700) |
| Other non-financial assets (increase) decrease | | |
| Prepaid expenses | 4,598 | (16,343) |
| DECREASE (INCREASE) IN NET DEBT | (1,376,212) | 810,159 |
| NET DEBT, BEGINNING OF YEAR | (15,599,275) | (16,409,434) |
| NET DEBT, END OF YEAR | \$ (16,975,487) | \$ (15,599,275) |

See accompanying notes to consolidated financial statements.

ESKASONI BAND COUNCIL

Consolidated Statement of Cash Flows

Year ended March 31, 2014, with comparative figures for 2013

| | 2014 | 2013 |
|--|---------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Annual surplus | \$ 2,415,708 | \$ 3,676,571 |
| Items not involving cash | | |
| Amortization of tangible capital assets | 4,008,828 | 3,886,686 |
| Gain on disposal of capital assets | — | (224,985) |
| | 6,424,536 | 7,338,272 |
| Change in non-cash items | | |
| Decrease in accounts receivable | 42,363 | 114,167 |
| Decrease (increase) in due from Government of Canada | (258,994) | 437,390 |
| Decrease (increase) in due from Province of Nova Scotia | (75,304) | 107,838 |
| Decrease (increase) in due from Band business enterprises | (32,226) | 153,265 |
| Increase in inventory held for resale | (2,457) | (21,947) |
| (Increase) decrease in prepaid expenses | 4,598 | (16,343) |
| Increase in accounts payable and accrued liabilities | 103,007 | 338,208 |
| Increase (decrease) in deferred revenue | (35,764) | (45,165) |
| Increase in deferred revenue, obligatory reserve funds | 74,425 | 213,302 |
| | 6,244,184 | 8,618,987 |
| FINANCING ACTIVITIES | | |
| Proceeds of long-term debt | 419,972 | 1,890,876 |
| Principal payments on long-term debt | (1,771,255) | (1,615,781) |
| Decrease in obligation under capital lease | (52,808) | (44,922) |
| | (1,404,091) | 230,173 |
| INVESTING ACTIVITIES | | |
| Additions to capital assets | (7,720,947) | (6,439,386) |
| Proceed on disposal of capital assets | — | 224,985 |
| Transfer to Replacement Reserves | (78,857) | (104,500) |
| Increase in Band trust fund, net of transfers | (6,680) | (12,125) |
| Decrease in investment in limited partnership for operations | 243,463 | 269,850 |
| Increase in investment in business enterprises | (731,760) | (2) |
| | (8,294,781) | (6,061,178) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (3,454,688) | 2,787,982 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 7,335,394 | 4,547,412 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 3,880,706 | \$ 7,335,394 |

See accompanying notes to consolidated financial statements.

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements of Eskasoni Band Council have been prepared in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board (PSAB) of CPA Canada.

(b) Principles of consolidation

These consolidated financial statements include the accounts of the Eskasoni Band Council's Operating Fund, Capital Fund, School Capital Replacement Fund, Limited Partnership Fund, Band Community Fund and Band Trust Fund. The Eskasoni Band Council includes all organizations accountable to the Band Council for the administration of their financial affairs and that are owned or controlled by the Band Council. The interfund accounts and interfund transfers are eliminated in the consolidation.

Incorporated business enterprises which are controlled by the Eskasoni Band Council are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the Band Council records in earnings its share of the earnings of the business enterprise. The accounting principles of the government business enterprises are not adjusted to conform to those of the Band Council.

(c) Fund accounting

The resources and operations of Eskasoni Band Council are comprised of the operating, capital and trust funds. Transfers between these funds are recorded as adjustments to the appropriate fund balance. Supporting schedules to the consolidated financial statements are included to show the financial activities and changes in the balance of each fund.

(d) Inventory for resale

Inventory for resale consists of tobacco products and is stated at the lower of cost and net realizable value. Cost is determined using purchase price and delivery, if applicable. Net realizable value is the estimated selling price in the ordinary course of business.

(e) Investment in limited partnerships

Investments in limited partnerships are recorded using the modified equity basis of accounting.

(f) Investment in incorporated business enterprises

Investments in incorporated business enterprises are recorded using the modified equity basis of accounting.

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Service awards and retirement benefits

Service awards and retirement benefits are recognized as an expenditure in the year in which the awards and benefits are paid to the employee with the exception of those fixed by contract where the policy is to accrue the liability in the year the award or benefit is earned.

(h) Replacement reserves

In accordance with agreements signed with Canada Mortgage and Housing Corporation (CMHC), the Band Council is required to establish funded replacement reserves on Section 95 housing projects. These reserves are to be increased by transfers from the operating fund in amounts as determined in annual budgets approved by CMHC plus interest earned in the reserve fund bank accounts.

(i) Tangible capital assets

Tangible capital assets acquired after March 31, 1988 are stated on the Statement of Financial Position at their cost net of accumulated amortization. All tangible capital assets acquired prior to 1988 have been written off. All tangible capital assets acquired prior to 1988 have been written off. Interest during construction for projects financed with external debt are added to the cost of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lease are recorded as capital leases. At the inception of the lease, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Eskasoni Band Council's incremental cost of borrowing.

Amortization on capital assets is charged against operations of the capital fund using the following methods and annual rates:

| Asset | Basis | Rate |
|--|---------------|--------------|
| Community infrastructure – water, sewer, roads | Straight-line | 2.5% |
| Buildings | Straight-line | 4.0% |
| Housing properties | Straight-line | 3.33% - 4.0% |
| Portable classrooms | Straight-line | 6.7% |
| Fence and parking lots | Straight-line | 6.7% |
| Equipment, furniture and fixtures | Straight-line | 14.3% |
| Fishing vessels and non-fishing vessels | Straight-line | 10.0% |
| Wharf | Straight-line | 10.0% |

(j) Reserve funds

Certain amounts are set aside in reserve funds for future operating and capital purposes.

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Revenue recognition

Funding received under the terms of agreements is recognized as revenue when related expenditures are made. Funding received or receivable but not yet used for its intended purpose is included in the consolidated balance sheet as deferred revenue.

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. Government transfers are recorded 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.

(l) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingencies and the reported amounts of revenues and expenditures in the consolidated financial statements and accompanying notes. Items requiring the use of significant estimates include the valuation of receivables, inventories, tangible capital assets and investments. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

(m) Contributed services and in-kind donations

It is not the Band Council's policy to record contributed services or donations in-kind.

(n) Financial instruments

i) Measurement of financial instruments

The Band Council initially measures its financial assets and financial liabilities at fair value and subsequently measures all its financial assets and financial liabilities at amortized cost.

ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net earnings. The write-down reflects the difference between the carrying amount and the higher of:

- (a) The present value of the cash flows expected to be generated by the asset or group of assets;

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments (continued)

(b) The amount that could be realized by selling the asset or group of assets;

(c) The net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net earnings up to the previously recognized impairment.

iii) Transaction costs

The Band Council recognizes transaction costs in net earnings in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their originating issuance or assumption.

2. ACCOUNTS RECEIVABLE

| | 2014 | 2013 |
|---------------------------------------|------------|------------|
| Chief and Council honorariums prepaid | \$ 6,020 | \$ 7,212 |
| Cape Breton District Health Authority | 25,000 | 25,000 |
| Union of Nova Scotia Indians | 79,075 | 33,025 |
| Ulnuweg Development Group | 42,586 | — |
| Other Band Councils | 16,300 | 16,108 |
| Customer receivables | 60,371 | 18,641 |
| Loans to community members | — | 49,886 |
| Insurance proceeds | 178,223 | 23,160 |
| Mi'kmaw Kina'matnewey | 107,760 | 333,403 |
| Other sundry receivables | 157,129 | 261,768 |
| Employee advances and receivables | 3,724 | 8,670 |
| | 676,188 | 776,873 |
| Allowance for doubtful accounts | 12,395 | 70,717 |
| | \$ 663,793 | \$ 706,156 |

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

3. DUE FROM GOVERNMENT OF CANADA

| | 2014 | 2013 |
|--|---------------------|-------------------|
| Aboriginal Affairs and Northern Development Canada | \$ 512,761 | \$ 224,332 |
| Mi'kmaq Employment Training Secretariat | 66,876 | 254,826 |
| Canada Mortgage and Housing Corporation | 418,070 | 2,900 |
| Fisheries and Oceans Canada | 65,903 | 275,713 |
| Harmonized Sales Tax receivable | 59,715 | 39,149 |
| Enterprise Cape Breton Corporation | — | 14,151 |
| Health Canada | — | 53,260 |
| | \$ 1,123,325 | \$ 864,331 |

4. DUE FROM BAND-OWNED ENTERPRISES

| | 2014 | 2013 |
|---|------------------|------------------|
| Crane Cove Seafoods Limited Partnership | \$ 20,028 | \$ — |
| Eskasoni Supermarket Limited | 74,292 | 54,791 |
| Eskasoni Land Development Limited | 697 | 8,000 |
| | \$ 95,017 | \$ 62,791 |

The amounts due from related parties are unsecured, interest free with no fixed terms of repayment.

5. RESTRICTED CASH AND DEPOSITS

| | 2014 | 2013 |
|--|-------------------|-------------------|
| Trust funds held by Government of Canada | \$ 7,602 | \$ 922 |
| CMHC replacement reserve funds | 246,596 | 244,167 |
| | \$ 254,198 | \$ 245,089 |

6. INVESTMENT IN LIMITED PARTNERSHIP

The Band Council's investment in Crane Cove Seafoods Limited Partnership is as follows:

| | 2014 | 2013 |
|---|-------------------|---------------------|
| Balance, beginning of year | \$ 1,131,392 | \$ 1,446,004 |
| Share of profits of Crane Cove Seafoods Limited Partnership | 1,756,537 | 2,527,618 |
| Transfer to Eskasoni Band Council | (2,000,000) | (2,842,230) |
| Balance, end of year | \$ 887,929 | \$ 1,131,392 |

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

6. INVESTMENT IN CRANE COVE SEAFOODS LIMITED PARTNERSHIP (Continued)

The investment in the Limited Partnership consists of a 99% share of Crane Cove Seafoods Limited Partnership. The Limited Partnership Agreement became effective April 1, 2007 pursuant to the Limited Partnership Act of the Province of Nova Scotia.

The Crane Cove Seafoods Limited Partnership has as its principal business activity the operation of the Eskasoni commercial fishery carried out by an unincorporated division operating as Crane Cove Seafoods.

Summary audited financial information for Crane Cove Seafoods Limited Partnership as at and for the year ended March 31, 2014 is as follows:

STATEMENT OF FINANCIAL POSITION

| | 2014 | 2013 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current assets | \$ 446,997 | \$ 524,488 |
| Property, plant and equipment, net book value | 2,821,501 | 3,118,917 |
| | \$ 3,268,498 | \$ 3,643,405 |
| LIABILITIES | | |
| Current liabilities | \$ 677,024 | \$ 610,683 |
| Long-term debt | 7,849 | 37,350 |
| | 684,873 | 648,033 |
| DEFERRED GOVERNMENT ASSISTANCE | 1,694,391 | 1,862,850 |
| EQUITY | | |
| Limited partner's equity | 887,929 | 1,131,392 |
| General partner's equity | 1,305 | 1,130 |
| | 889,234 | 1,132,522 |
| | \$ 3,268,498 | \$ 3,643,405 |

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

6. INVESTMENT IN CRANE COVE SEAFOODS LIMITED PARTNERSHIP (Continued)

STATEMENT OF EARNINGS AND PARTNERS' EQUITY

| | 2014 | 2013 |
|--------------------------------------|--------------|---------------|
| REVENUE | | |
| Commercial fishing operations | | |
| Sales | \$ 9,165,802 | \$ 10,109,327 |
| Cost of sales | 5,936,286 | 6,204,917 |
| | 3,229,516 | 3,904,410 |
| Other revenue | 105,601 | 299,091 |
| | 3,335,117 | 4,203,501 |
| EXPENSES | | |
| Operating expenses | 1,578,405 | 1,675,630 |
| Other | | |
| NET INCOME | 1,756,712 | 2,527,871 |
| Partners' equity, beginning of year | 1,132,522 | 1,446,881 |
| Partners' withdrawals | (2,000,000) | (2,842,230) |
| PARTNERS' EQUITY, END OF YEAR | \$ 889,234 | \$ 1,132,522 |

7. INVESTMENT IN INCORPORATED BUSINESS ENTERPRISES

The investment in business enterprises consists of ownership as follows:

| | % Ownership | 2014 | 2013 |
|--|-------------|------------|------|
| Eskasoni Fish & Wildlife Commission Incorporated | 100 | \$ 1 | \$ 1 |
| Crane Cove Seafoods Limited | 100 | 1 | 1 |
| Eskasoni Supermarket Limited | 100 | 1 | 1 |
| Eskasoni Corporate Division Inc. | 100 | 731,759 | 1 |
| Eskasoni Land Development Limited | 100 | 1 | 1 |
| Eskasoni Kiptu Security Limited | 51 | 1 | — |
| Memski Projects Inc. | 50 | 1 | — |
| | | \$ 731,765 | \$ 5 |

a) Eskasoni Fish & Wildlife Commission Incorporated

In 2013, Eskasoni Fish & Wildlife Commission Incorporated was inactive.

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

7. INVESTMENT IN INCORPORATED BUSINESS ENTERPRISES (Continued)

b) Crane Cove Seafoods Limited

In 2014, Crane Cove Seafoods Limited was inactive.

c) Eskasoni Supermarket Limited

During the year, the Eskasoni Band Council contributed \$Nil to the Eskasoni Supermarket Limited (\$500,000 in 2013). During the same period, the amount owing by the Eskasoni Supermarket Limited to the Eskasoni Band Council increased by \$19,501.

d) Eskasoni Corporate Division Inc.

Eskasoni Corporate Division Inc. changed its name from the Eskasoni Economic Development Corporation on December 14, 2012. The Company owns 100% of Eskasoni Wind Company Limited for the benefit of Eskasoni Band Council. Eskasoni Corporate Division Inc. has a 25% ownership interest in a wind energy project operated as a limited partnership. The investment of \$731,758 represents the funds invested for the Band Council's 25% share of the project. The project is under construction and is expected to begin operations in November, 2014.

e) Eskasoni Land Development Limited

Eskasoni Land Development Limited was incorporated on February 25, 2013 and its principal business activity is the purchase of land for the development of the Eskasoni Band. As at March 31, 2014, the Company had no assets or liabilities.

f) Eskasoni Kiptu Security Limited

Eskasoni Kiptu Security Limited was incorporated on June 6, 2013 and its principal business activity is providing security services. As at March 31, 2014, the Company had no assets or liabilities.

g) Memski Projects Inc.

Memski Projects Inc. was incorporated on January 29, 2013 and its principal business activity is providing fabricated steel products to industry. As at March 31, 2014 the company had no assets or liabilities as it is in the development stages.

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

8. CREDIT FACILITY

The Band's credit facility at March 31, 2014 was \$500,000 bearing interest at prime plus 2.25%. The line of credit is reduced each April by \$500,000.

At March 31, 2014, no amounts were drawn.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2014 | 2013 |
|-------------------------------------|---------------------|---------------------|
| Administration payables | \$ 2,203,906 | \$ 2,734,335 |
| Housing payables | 387,444 | 305,725 |
| Education payables | 2,674,934 | 1,926,990 |
| Health Centre payables | 438,778 | 604,054 |
| Eskasoni Gaming Commission payables | 19,169 | 36,338 |
| Tobacco payables | 32,237 | 46,019 |
| | <u>\$ 5,756,468</u> | <u>\$ 5,653,461</u> |

10. DEFERRED REVENUE – OBLIGATORY RESERVE FUNDS

a) Housing Replacement Reserve

Under the terms of agreements with Canada Mortgage and Housing Corporation (CMHC), the Replacement Reserves account is to be increased by annual charges against equity. The amount for the current year was \$234,312 (2013 - \$216,062). These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. As at March 31, 2014, the balance of the reserve is \$701,884 (2013 - \$618,533) and the Band Council has set aside \$246,596 in separate bank deposits. As at July 31, 2014 the reserve is fully funded.

| | 2014 | 2013 |
|---|-------------------|-------------------|
| Balance, beginning of year | \$ 618,533 | \$ 495,409 |
| Appropriation for the year | 234,312 | 216,062 |
| Transfer funds from Band administration | 18,462 | 32,176 |
| Transfer to housing operations | (171,851) | (127,480) |
| Interest earned on funds on deposit | 2,428 | 2,366 |
| Balance, end of year | <u>\$ 701,884</u> | <u>\$ 618,533</u> |

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

10. DEFERRED REVENUE – OBLIGATORY RESERVE FUNDS (Continued)

b) Health Moveable Capital Asset Replacement Reserve

Under the terms of the funding agreement with Health Canada, the Band can create a replacement reserve for moveable equipment. The balance in the replacement reserve as at March 31, 2014 is \$121,878 (2013 - \$122,833).

| | 2014 | 2013 |
|---|------------|------------|
| Balance, beginning of year | \$ 122,833 | \$ 106,915 |
| Transfer from operations as per agreement | 16,396 | 15,918 |
| Transfer to operations for asset acquisition | (17,351) | – |
| Balance, end of year | \$ 121,878 | \$ 122,833 |
| Total deferred revenue – obligatory reserve funds | \$ 823,762 | \$ 741,366 |

11. DEFERRED REVENUE

| | 2014 | 2013 |
|---|------------|------------|
| Mi'kmaw Kina'matnewey | \$ 74,088 | \$ 37,550 |
| Other | 146,092 | 82,412 |
| Crane Cove Seafoods Limited Partnership | – | 135,982 |
| | \$ 220,180 | \$ 255,944 |

12. LONG-TERM DEBT

| | 2014 | 2013 |
|---|--------------|--------------|
| Canada Mortgage and Housing Corporation (Schedule U) Mortgages payable in total monthly instalments of \$88,176 on account of principal and interest, secured by Aboriginal Affairs and Northern Development Canada Ministerial loan guarantees. | \$11,981,216 | \$10,247,960 |
| Bank of Montreal (Schedule U) Mortgages payable in monthly instalments of \$57,008 on account of principal and interest, secured by Aboriginal Affairs and Northern Development Canada Ministerial loan guarantees. | 4,582,151 | 6,540,423 |

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

12. LONG-TERM DEBT (Continued)

| | 2014 | 2013 |
|--|---------------------|---------------------|
| Carry forward | \$16,563,367 | \$16,788,383 |
| Bank of Montreal (Continued) | | |
| Loan #1 | | |
| 5.95% loan, repayable in monthly instalments of \$7,958 on account of principal and interest, maturing September 2015, secured by an irrevocable Band Council resolution and assignment of fire insurance. The interest rate is fixed to September 2015. | 136,198 | 220,848 |
| Loan #2 | | |
| 5.76% loan, repayable in monthly instalments of \$5,987 on account of principal plus interest maturing January, 2017, secured by a promissory note authorized by the Band Council. | 203,568 | 275,416 |
| Loan #3 | | |
| 5.99% loan, repayable by monthly instalments of \$37,771 on account of principal and interest, maturing August 2018, secured by a guarantee by the Eskasoni Band Council and an assignment of fire insurance. | 1,433,364 | 1,820,036 |
| RBC Royal Bank | | |
| Loan #1 | | |
| 7.2% loan, repayable in monthly instalments of \$384 on account of principal and interest, maturing October 2016, secured by a motor vehicle having a book value of \$12,000. | 10,788 | 14,491 |
| Loan #2 | | |
| 5.9% loan, repayable in monthly instalments of \$848 on account of principal and interest, maturing September 2018, secured by a motor vehicle having a book value of \$36,367. | 40,008 | 47,606 |
| Ford Credit | | |
| 6.59% loan, repayable in monthly instalments of \$1,087 on account of interest and principal, maturing December 2015, secured by a motor vehicle having a book value of \$24,208. | 21,396 | 32,645 |
| Canadian Mortgage and Housing Corporation – mortgage advances – Section 95 Housing | – | 560,547 |
| | \$18,408,689 | \$19,759,972 |

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

12. LONG-TERM DEBT (Continued)

The aggregate maturities of long-term debt for each of the next five years subsequent to March 31, 2014, assuming maturing debt is renewed under the same terms and conditions currently in effect, are as follows:

| | |
|------|--------------|
| 2015 | \$ 1,852,207 |
| 2016 | 1,800,217 |
| 2017 | 1,731,657 |
| 2018 | 1,342,725 |
| 2019 | 1,045,305 |

13. OBLIGATIONS UNDER CAPITAL LEASE

The Eskasoni School Board has financed certain office equipment by entering into capital leasing arrangements.

The following is a schedule of the future minimum lease payments of the capital leases expiring on August 31, 2016:

| | 2014 | 2013 |
|--|-----------|------------|
| 2014 | \$ — | \$ 57,534 |
| 2015 | 57,534 | 57,534 |
| 2016 | 9,598 | 9,598 |
| Total minimum lease payments | 67,132 | 124,666 |
| Less amount representing interest (at rates of 6.0%) | 2,083 | 6,809 |
| Present value of net minimum capital lease payments | \$ 65,049 | \$ 117,857 |

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

14. TANGIBLE CAPITAL ASSETS

| | | | 2014 | 2013 |
|---------------------------|----------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | | | | |
| Castle Bay | \$ 290,765 | \$ - | \$ 290,765 | \$ - |
| Community infrastructure | 13,931,410 | 3,796,215 | 10,135,195 | 10,028,375 |
| Buildings | | | | |
| Band administration | 1,418,089 | 1,303,098 | 114,991 | 171,715 |
| Sewer treatment plant | 3,031,146 | 1,946,124 | 1,085,022 | 1,206,744 |
| Health Centre | 1,883,800 | 1,052,928 | 830,872 | 906,225 |
| Police Station | 1,851,465 | 831,474 | 1,019,991 | 1,088,113 |
| Recreation Centre | 2,580,261 | 1,032,944 | 1,547,317 | 1,640,740 |
| Cultural Centre | 1,785,688 | 785,502 | 1,000,186 | 1,071,614 |
| Training Education Centre | 2,796,868 | 738,582 | 2,058,286 | 2,157,584 |
| Ambulance Station | 220,338 | 61,698 | 158,640 | 167,454 |
| Strip mall | 1,585,241 | 289,437 | 1,295,804 | 1,279,761 |
| Youth at Risk | 200,638 | 56,263 | 144,375 | 152,401 |
| Elder Centre | 160,550 | 64,028 | 96,522 | 102,944 |
| Senior High School | 7,550,784 | 4,200,150 | 3,350,634 | 3,268,605 |
| Junior High School | 7,805,312 | 5,478,774 | 2,326,538 | 2,586,725 |
| Daycare Centre | 134,130 | 91,208 | 42,922 | 48,287 |
| School Administration | 125,105 | 116,064 | 9,041 | 10,849 |
| Other school building | 39,195 | 6,336 | 32,859 | 34,427 |
| School Gym | 4,397,234 | - | 4,397,234 | 696,698 |
| Health trailers | 205,634 | 41,126 | 164,508 | 185,071 |
| Other Community buildings | 127,384 | 111,641 | 15,743 | 4,658 |
| | 37,898,862 | 18,207,377 | 19,691,485 | 16,780,615 |
| Housing properties | | | | |
| Section 95 | 27,309,437 | 8,582,561 | 18,726,876 | 19,199,436 |
| Section 10 | 8,469,492 | 1,833,030 | 6,636,462 | 5,978,355 |
| Multi-unit apartment | 924,700 | 184,940 | 739,760 | 785,995 |
| Other housing | 2,897,353 | 2,140,590 | 756,763 | 789,541 |
| | 39,600,982 | 12,741,121 | 26,859,861 | 26,753,327 |
| Motor vessels | 477,870 | 360,861 | 117,009 | 134,796 |
| Fishing vessels | 8,300,157 | 5,969,424 | 2,330,733 | 1,947,638 |
| Equipment and furniture | 3,637,804 | 3,032,090 | 605,714 | 434,688 |
| Fencing and paving | 252,737 | 199,484 | 53,253 | 59,626 |
| Wharfs | 112,500 | 11,250 | 101,250 | 112,500 |
| Motor vehicles | 2,796,135 | 2,144,011 | 652,124 | 873,705 |
| | 15,577,203 | 11,717,120 | 3,860,083 | 3,562,953 |
| | \$ 107,299,222 | \$ 46,461,833 | \$ 60,837,389 | \$ 57,125,270 |

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

15. PREPAID EXPENSES

| | 2014 | 2013 |
|----------------------------|------------|------------|
| Social development costs | \$ 203,710 | \$ 222,005 |
| Student tuitions and costs | 66,632 | 52,935 |
| | \$ 270,342 | \$ 274,940 |

16. RELATED PARTY TRANSACTIONS

- a) During the year, the Band Council expensed Chief and Council honorariums totaling \$711,000 (2013 - \$633,000) to the Eskasoni Tobacco Shop. The Band Council also expensed Council director fees of \$14,000 (2013 - \$43,100) and Council pension contributions of \$123,714 (2013 - \$118,909) to the Eskasoni Tobacco Shop.
- b) The Band Council has, in the current year, provided prepaid honorariums to some Councillors. No interest is charged on the balances. At March 31, 2014, the balance owed by Councillors totaled \$6,020 (2013 - \$7,212) for prepaid honorariums.
- c) During the year, the Band Council received lease revenue of \$214,030 (2013 - \$387,641) from the Crane Cove Seafoods Limited Partnership. The lease revenue was for the lease of fishing vessels and fishing licences owned by the Band Council and provided to Crane Cove Seafoods Limited Partnership who carried out the commercial fishing activities of the Band Council.
- d) During the year, the Band Council sold tobacco products under a quota system to certain members of the Band Council. The total sales were \$639,353 (2013 - \$692,936) and sales were made under the same terms and conditions as sales to other customers.
- e) During the year, the Band Council social development paid rental fees to certain members of the Band Council in the amount of \$91,061 (2013 - \$82,430). These fees were for accommodations for Band members and under the same terms and conditions as rental fees to other landlords.
- f) During the year, the Band Council paid \$141,280 (2013 - \$84,625) to a contractor who was a member of the Band Council. These fees were under the same terms and conditions as payments to other contractors.

17. RETIREMENT PLAN

Eskasoni Band Council provides a defined contribution registered pension plan (RPP) for eligible employees. Eskasoni Band Council matches employee contributions to the plan. The employer contribution to the plan was \$839,627 in 2014 (2013 - \$768,569).

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

18. CONTINGENCIES

- a) Eskasoni Band Council has entered into contribution agreements with the Government of Canada. This funding is subject to repayment if the Band Council fails to comply with the terms and conditions of the agreement.
- b) Eskasoni Band Council, in prior years, participated in a Gifting Initiative Donation Program with a company external to the Band. Such gifting programs are under review by the Canada Revenue Agency and the allowable deductibility of donations by taxpayers. The Band has discontinued their relationship with the company. They are not in a position to assess any further potential claims that may arise from past transactions. The management of the Band Council will defend any legal action taken. Any that may arise pertaining to its involvement in the donation program could have a material effect on its consolidated financial position.
- c) Eskasoni Band Council has been advised by their legal council that all the parties involved in an Agreement with Eskasoni Band Council, dated August 7, 2012, related to the Beach Road Subdivision will be applying the arbitration clause in the Agreement. Management's assessment is that the Band Council has complied with the Agreement and no settlement will be required on behalf of the Band Council. No provision has been made in the financial statements dated March 31, 2014.

19. GOVERNMENT TRANSFERS

| | | | 2014 | 2013 |
|--|---------------|--------------|---------------|---------------|
| | Operating | Capital | Total | Total |
| Federal government | | | | |
| Aboriginal Affairs and Northern Development Canada | \$ 17,672,290 | \$ – | \$ 17,672,290 | \$ 17,135,877 |
| Mi'kmaq Kina'matnewey | 14,772,459 | 1,702,814 | 16,475,273 | 15,596,792 |
| Health Canada | 4,183,687 | – | 4,183,687 | 4,538,991 |
| Canada Mortgage and Housing Corporation | 771,254 | – | 771,254 | 967,773 |
| Fisheries and Oceans Canada | 333,670 | 616,000 | 949,670 | 1,153,364 |
| Other | 18,750 | – | 18,750 | 314,550 |
| Total federal government | 37,752,110 | 2,318,814 | 40,070,924 | 39,707,347 |
| Provincial government | | | | |
| Province of Nova Scotia | 656,971 | – | 656,971 | 654,447 |
| | \$ 38,409,081 | \$ 2,318,814 | \$ 40,727,895 | \$ 40,361,794 |

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

20. EXPENDITURES BY OBJECT

| | 2014 | 2013 |
|--------------------------------|---------------|---------------|
| Salaries and employee benefits | \$ 17,059,080 | \$ 16,485,083 |
| Interest on long-term debt | 672,440 | 794,431 |
| Administrative costs | 2,431,803 | 2,555,368 |
| Direct program costs | 26,790,667 | 26,083,223 |
| Amortization of capital assets | 4,008,828 | 3,886,686 |
| | \$ 50,962,818 | \$ 49,804,791 |

21. FINANCIAL INSTRUMENTS

The Band Council is exposed to various risks through its financial instruments. The following analysis provides a measure of the Band Council's risk exposure and concentrations at the statement of financial position date March 31, 2014.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Band Council's main credit risk is related to accounts receivable. The Band Council monitors the components of accounts receivable on an ongoing basis and records an allowance for doubtful accounts based on its assessment of individual accounts and their eventual collectability.

b) Liquidity risk

Liquidity risk is the risk that the Band Council will encounter difficulty in meeting obligations associated with financial liabilities. The Band Council manages its liquidity risk by constantly monitoring forecasted and actual cash flow and expenditures and maintains a credit facility that can be drawn upon if unforeseen circumstances were to develop.

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

i) Currency rate risk

Currency risk is the risk that the fair value of a financial instrument or related future cash flow will fluctuate because of change in foreign exchange rates. The Band Council is not exposed to currency risk.

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2014

21. FINANCIAL INSTRUMENTS (Continued)

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Band Council's exposure to interest rate risk is reduced as the majority of its debt is at fixed rates with varying maturity dates.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Band Council is not exposed to other price risk.

22. COMPARATIVE FIGURES

Certain of the 2013 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2014.