Consolidated Financial Statements of

ESKASONI BAND COUNCIL

Year ended March 31, 2016

ESKASONI BAND COUNCIL
Consolidated Financial Statements

Year ended March 31, 2016

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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, 2016 and the consolidated statements of operations, change in accumulated surplus, 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 public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of CPA Canada, 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, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of CPA Canada.

MGM & Associates

Chartered Accountants

Sydney, Canada
October 7, 2016

ESKASONI BAND COUNCIL

Consolidated Statement of Financial Position

March 31, 2016, with comparative figures for 2015

	2016	2015
FINANCIAL ASSETS		
Cash	$ 3,235,286	$ 2,758,036
Restricted cash and deposits (note 2)	4,428,530	4,397,564
Accounts receivable (note 3)	719,275	233,892
Due from Government of Canada (note 4)	1,243,366	888,848
Due from Province of Nova Scotia	482,495	564,314
Inventory held for resale	45,349	47,203
Deposit on fishing license	–	320,000
Investment in Crane Cove Seafoods Limited Partnership (note 5)	1,558,362	1,504,610
Investment in incorporated business enterprises (note 6)	644,877	829,302
	12,357,540	11,543,769
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (note 7)	5,296,675	5,073,534
Deferred revenue (note 8)	39,923	69,073
Long-term debt (note 9)	15,517,142	16,600,732
Obligations under capital lease (note 10)	115,121	108,022
	20,968,861	21,851,361
NET DEBT	(8,611,321)	(10,307,592)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	56,796,282	58,279,313
Prepaid expenses (note 12)	235,444	246,718
	57,031,726	58,526,031
ACCUMULATED SURPLUS	$ 48,420,405	$ 48,218,439
Accumulated surplus represented by		
Unrestricted		
Operating fund	$ 299,246	$ 126,545
Capital fund	39,033,512	38,905,994
Restricted		
Limited partnership fund	1,558,362	1,504,610
School capital replacement fund	1,735,345	2,019,732
Band community investment fund	1,131,011	829,244
Fishing license trust fund	3,471,071	3,773,802
Band trust fund	20,052	13,906
Housing replacement reserve	1,040,660	929,856
Moveable capital asset reserve	131,146	114,750
Contingencies (note 16)		
	$ 48,420,405	$ 48,218,439

See accompanying notes to consolidated financial statements.

On behalf of Eskasoni Band Council:

_______________ Chief _______________ Band Manager

ESKASONI BAND COUNCIL
Consolidated Statement of Operations

Year ended March 31, 2016, with comparative figures for 2015

	2016 Budget (Unaudited)	2016 Actual	2015 Actual
REVENUE			
Indigenous and Northern Affairs Canada (Schedule A)	$ 16,602,526	$ 17,090,790	$ 17,133,237
Mi'kmaw Kina'matnewey	16,517,882	16,512,975	15,677,713
Health Canada	4,328,850	4,553,546	4,477,703
Mi'kmaq Employment Training Secretariat	1,234,584	1,234,584	1,234,584
Canada Mortgage and Housing Corporation	780,000	767,259	753,763
Fisheries and Oceans Canada	330,000	1,059,297	361,557
Province of Nova Scotia	534,500	576,984	600,385
Other agencies and funds	2,838,414	3,991,278	3,524,748
Sale of fishing licenses	–	–	3,715,073
	43,166,756	45,786,713	47,478,763
EXPENDITURE			
Health programs	4,953,282	5,312,567	5,162,032
Education	15,235,166	15,266,425	14,865,717
Social development	14,962,010	15,038,160	14,882,216
Housing and infrastructure	817,539	1,436,715	1,976,925
Operations and maintenance	1,904,860	2,165,744	1,976,925
Economic development	1,500,162	1,611,035	1,936,195
Fishery resource development	430,000	1,559,463	1,725,620
Band management	1,107,581	1,060,340	482,858
Canada Mortgage and Housing Corporation Section 95 housing	822,000	882,309	864,864
Other programs	1,529,851	2,037,514	1,480,933
Corporate division	320,000	348,697	354,796
Contribution to Eskasoni Supermarket Limited	120,000	370,000	240,000
Amortization of capital assets	3,556,743	4,229,986	4,143,063
	47,259,194	51,318,955	49,250,235
Net expenditure before the following	(4,092,438)	(5,532,242)	(1,771,472)
Band agencies earnings (loss)			
Eskasoni Tobacco Shop	1,995,167	2,278,776	1,954,305
Eskasoni Gaming Centre	318,338	418,959	346,075
Eskasoni Recreation Centre	(235,452)	(261,845)	(241,100)
Sarah Denny Cultural Centre	(82,308)	(83,513)	(85,473)
Eskasoni Gaming Commission	360,000	155,310	81,036
Eskasoni Fitness Centre	(98,307)	(86,313)	(114,204)
Crane Cove Seafoods Limited Partnership (note 5)	1,835,000	3,273,752	3,128,981
	4,092,438	5,695,126	5,069,620
EXCESS OF REVENUE OVER EXPENDITURE	$ –	$ 162,884	$ 3,298,148

See accompanying notes to consolidated financial statements.

ESKASONI BAND COUNCIL

Consolidated Statement of Change in Net Debt

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
ANNUAL SURPLUS	$ 201,966	$ 3,262,433
Tangible capital assets		
Increase in tangible capital assets	(2,746,955)	(1,584,987)
Amortization of tangible capital assets	4,229,986	4,143,063
	1,483,031	2,558,076
Other non-financial assets decrease		
Prepaid expenses	11,274	23,624
DECREASE IN NET DEBT	1,696,271	5,844,133
NET DEBT, BEGINNING OF YEAR	(10,307,592)	(16,151,725)
NET DEBT, END OF YEAR	$ (8,611,321)	$ (10,307,592)

See accompanying notes to consolidated financial statements.

ESKASONI BAND COUNCIL
Consolidated Statement of Cash Flows

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
OPERATING ACTIVITIES		
Excess of revenue over expenditure	$ 162,884	$ 3,298,148
Items not involving cash		
Amortization of tangible capital assets	4,229,986	4,143,063
Gain on sale of fishing licenses	–	(3,715,073)
Gain on disposal of capital assets	–	(171,700)
	4,392,870	3,554,438
Change in non-cash items		
Decrease (increase) in accounts receivable	(485,383)	524,918
Decrease (increase) in due from Government of Canada	(354,518)	234,477
Decrease in due from Province of Nova Scotia	81,819	66,124
Decrease (increase) in inventory held for resale	1,854	(15,713)
Decrease in prepaid expenses	11,274	23,624
Increase (decrease) in accounts payable and accrued liabilities	223,141	(682,934)
Decrease in deferred revenue	(29,150)	(151,107)
	3,841,907	3,553,827
FINANCING ACTIVITIES		
Proceeds of long-term debt	732,692	64,157
Principal payments on long-term debt	(1,816,282)	(1,872,114)
Increase in obligation under capital lease	7,099	77,519
Adjustment to capital lease	3,104	–
	(1,073,387)	(1,730,438)
INVESTING ACTIVITIES		
Additions to capital assets	(2,746,955)	(1,657,737)
Proceeds on disposal of capital assets	–	171,700
Proceeds on sale of fishing licenses	–	3,715,073
Interest earned on Band Trust Fund	6,146	6,304
Interest earned on Housing Reserve Replacement Fund	12,563	5,757
Interest earned on Fisheries Trust Fund	17,269	13,952
Decrease (increase) deposit on fishing license	320,000	(320,000)
Increase in investment in limited partnership for operations	(53,752)	(616,681)
Moveable Capital Asset Reserve expenditures	–	(23,524)
Decrease (increase) in investment in business enterprises	184,425	(97,537)
	(2,260,304)	1,197,307
INCREASE IN CASH AND CASH EQUIVALENTS	508,216	3,020,696
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,155,600	4,134,904
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 7,663,816	$ 7,155,600
Cash and cash equivalents consist of		
Cash	$ 3,235,286	$ 2,758,036
Restricted cash and deposits	4,428,530	4,397,564
	$ 7,663,816	$ 7,155,600

See accompanying notes to consolidated financial statements.

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, Limited Partnership Fund, School Capital Replacement Fund, Band Community Fund, Fishing License, Trust Fund, Housing Replacement Reserve and Health Moveable Capital Asset Replacement Reserve 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) Cash and cash equivalents

Eskasoni Band Council considers cash on deposit net of outstanding cheques and restricted cash and deposits to be cash and cash equivalents.

(e) 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.

(f) Investment in limited partnerships

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investment in incorporated business enterprises

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

(h) 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.

(i) 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.

(j) 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. 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 lessee 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%

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Reserve funds

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

(l) 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.

(m) 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.

(n) Contributed services and in-kind donations

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

(o) 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;

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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. RESTRICTED CASH AND DEPOSITS

	2016	2015
Trust funds held by Government of Canada	$ 20,052	$ 13,906
CMHC replacement reserve funds	937,407	929,856
Fishing license funds in trust	3,471,071	3,453,802
	$ 4,428,530	$ 4,397,564

3. ACCOUNTS RECEIVABLE

	2016	2015
Chief and Council honorariums prepaid	$ 30,569	$ 20,183
Nova Scotia Health Authority	22,531	25,000
Other Band Councils	27,600	18,900
Customer receivables	–	14,906
Mi'kmaw Kina'matnewey	438,156	58,135
Eskasoni Supermarket Limited	61,766	53,871
Other sundry receivables	139,888	75,906
	720,510	266,901
Allowance for doubtful accounts	1,235	33,009
	$ 719,275	$ 233,892

4. DUE FROM GOVERNMENT OF CANADA

	2016	2015
Indigenous and Northern Affairs Canada	$ 918,675	$ 317,678
Mi'kmaq Employment Training Secretariat	190,240	308,663
Canada Mortgage and Housing Corporation	60,284	102,613
Fisheries and Oceans Canada	28,500	74,677
Health Canada	17,139	72,005
Harmonized Sales Tax receivable	28,528	13,212
	$ 1,243,366	$ 888,848

5. INVESTMENT IN CRANE COVE SEAFOODS LIMITED PARTNERSHIP

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

	2016	2015
Balance, beginning of year	$ 1,504,610	$ 887,929
Share of profits of Crane Cove Seafoods Limited Partnership	3,273,752	3,128,981
Transfer to Eskasoni Band Council	(3,220,000)	(2,512,300)
Balance, end of year	$ 1,558,362	$ 1,504,610

The investment in the Limited Partnership consists of a 99.99% 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, 2016 and 2015 is as follows:

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

STATEMENT OF FINANCIAL POSITION

	2016	2015
ASSETS		
Current assets	$ 820,221	$ 588,777
Property, plant and equipment, net book value	3,091,935	2,731,721
	$ 3,912,156	$ 3,320,498
LIABILITIES		
Current liabilities	$ 617,102	$ 257,320
DEFERRED GOVERNMENT ASSISTANCE	1,734,747	1,556,950
EQUITY		
Limited partner's equity	1,558,362	1,504,610
General partner's equity	1,945	1,618
	1,560,307	1,506,228
	$ 3,912,156	$ 3,320,498

STATEMENT OF EARNINGS AND PARTNERS' EQUITY

	2016	2015
REVENUE		
Commercial fishing operations		
Sales	$ 12,770,103	$ 11,119,316
Cost of sales	7,996,940	6,661,715
	4,773,163	4,457,601
Other revenue	95,107	107,687
	4,868,270	4,565,288
EXPENSES		
Operating expenses	1,594,191	1,435,994
NET INCOME	3,274,079	3,129,294
Partners' equity, beginning of year	1,506,228	889,234
Partners' withdrawals	(3,220,000)	(2,512,300)
PARTNERS' EQUITY, END OF YEAR	$ 1,560,307	$ 1,506,228

6. INVESTMENT IN INCORPORATED BUSINESS ENTERPRISES

The investment in business enterprises consists of ownership as follows:

	% Ownership	2016	2015
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	644,820	829,245
Eskasoni Land Development Limited	100	1	1
Eskasoni Kiptu Security Limited	51	51	51
Memski Projects Inc.	50	1	1
Eskasoni Wind Company Limited	100	1	1
		$ 644,877	$ 829,302

a) Eskasoni Fish & Wildlife Commission Incorporated

In 2016, Eskasoni Fish & Wildlife Commission Incorporated was inactive.

b) Crane Cove Seafoods Limited

In 2016, Crane Cove Seafoods Limited was inactive.

c) Eskasoni Supermarket Limited

During the year, the Eskasoni Band Council contributed $370,000 to the Eskasoni Supermarket Limited ($240,000 in 2015). During the same period, the amount owing by the Eskasoni Supermarket Limited to the Eskasoni Band Council increased by $7,895.

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 $644,820 represents the funds invested for the Band Council's 25% share of the project. The project began active 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.

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 September 30, 2015 the Company had assets of $61,334, liabilities of $50,955 and shareholders' equity of $10,379.

6. INVESTMENT IN INCORPORATED BUSINESS ENTERPRISES (Continued)

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, 2016, the Company had shareholders equity of $Nil.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Administration payables	$ 2,464,468	$ 1,913,859
Housing payables	100,352	241,750
Education payables	2,133,006	2,312,772
Health Centre payables	556,136	557,703
Eskasoni Gaming Commission payables	23,633	29,949
Tobacco payables	19,080	17,501
	$ 5,296,675	$ 5,073,534

8. DEFERRED REVENUE

	2016	2015
Mi'kmaw Kina'matnewey	$ 10,550	$ 10,550
Other	29,373	58,523
	$ 39,923	$ 69,073

9. LONG-TERM DEBT

	2016	2015
Canada Mortgage and Housing Corporation (Schedule C)		
Mortgages payable in total monthly instalments of $88,714 on account of principal and interest, secured by Aboriginal Affairs and Northern Development Canada Ministerial loan guarantees.	$ 11,124,209	$ 11,232,185
Bank of Montreal (Schedule C)		
Mortgages payable in monthly instalments of $45,466 on account of principal and interest, secured by Aboriginal Affairs and Northern Development Canada Ministerial loan guarantees.	3,660,710	4,094,537
Loan #1		
5.95% loan, repayable in monthly instalments of $7,958 on account of principal and interest, maturing September 2015.	–	46,368
Loan #2		
5.76% loan, repayable in monthly instalments of $5,987 on account of principal and interest maturing January, 2017, secured by a promissory note authorized by the Band Council.	59,873	131,721
Bank of Montreal (Schedule C)		
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.	646,376	1,047,759
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 $5,516.	2,547	6,814
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 $19,396.	23,427	31,958
Ford Credit		
Repaid during the year	–	9,390
	$ 15,517,142	$ 16,600,732

9. LONG-TERM DEBT (Continued)

The aggregate maturities of long-term debt for each of the next five years subsequent to March 31, 2016, assuming maturing debt is renewed under the same terms and conditions currently in effect, are as follows:

2017	$2,537,393
2018	2,880,004
2019	5,120,004
2020	1,777,867
2021	3,110,388

10. OBLIGATIONS UNDER CAPITAL LEASE

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

	2016	2015
Photocopier lease, 5.99%, maturing:		
June, 2017	$ 24,156	$ 42,296
September, 2017	16,413	26,570
September, 2017	11,802	19,105
October, 2017	6,918	10,559
February, 2020	13,896	–
March, 2020	7,625	–
March 2021	31,332	–
April, 2021	2,979	–
Photocopier lease, 5.99%:		
Replaced during 2016	–	7,497
Replaced during 2016	–	1,995
Total minimum lease payments	115,121	108,022
Current portion	52,500	48,700
	$ 62,621	$ 59,322

10. OBLIGATIONS UNDER CAPITAL LEASE (Continued)

Minimum lease payments required in the next five years under capital leases are as follows:

	2016	2015
2016	$ –	$ 53,800
2017	58,257	44,202
2018	32,153	18,169
2019	14,054	–
2020	14,054	–
2021	7,964	–
Subsequently	166	–
	126,648	116,171
Interest included in minimum payments	11,527	8,149
	$ 115,121	$ 108,022

11. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	$ 446,765	$ –	$ 446,765	$ 290,765
Community infrastructure	14,327,447	4,519,788	9,807,659	9,897,142
Buildings				
Band administration	1,418,089	1,416,546	1,543	58,267
Sewer treatment plant	3,031,146	2,189,568	841,578	963,300
Health Centre	1,883,800	1,203,632	680,168	755,520
Police Station	1,851,465	979,592	871,873	945,932
Recreation Centre	2,580,261	1,228,588	1,351,673	1,444,107
Cultural Centre	1,785,688	917,755	867,933	939,361
Ambulance Station	220,338	79,326	141,012	149,826
Strip mall	1,585,241	416,257	1,168,984	1,232,394
Youth at Risk	200,638	72,315	128,323	136,349
Elder Centre	160,550	76,872	83,678	90,100
Fire station	419,497	–	419,497	–
Senior High School	7,738,024	4,812,847	2,925,177	3,076,058
Junior High School	7,897,343	6,108,890	1,788,453	2,062,571
Immersion School	3,325,548	958,324	2,367,224	1,958,988
Training Education Centre	134,130	101,938	32,192	37,557
School Administration	200,190	122,683	77,507	7,233
Other school building	39,195	9,471	29,724	31,292
School Gym	4,397,234	351,779	4,045,455	4,221,345
Health trailers	256,084	87,299	168,785	194,394
Rental building	224,000	8,960	215,040	–
Other Community buildings	229,997	122,235	107,762	94,873
	39,578,458	21,264,877	18,313,581	18,399,467
Housing properties				
Section 95	26,541,759	9,278,445	17,263,314	18,308,159
Section 10	8,618,747	2,381,143	6,237,604	6,791,996
Multi-unit apartment	924,700	277,410	647,290	693,525
Other housing	4,886,443	3,822,918	1,063,525	645,279
	40,971,649	15,759,916	25,211,733	26,438,959
Motor vessels	477,870	396,435	81,435	99,222
Fishing vessels	7,665,157	6,001,546	1,663,611	1,927,047
Equipment and furniture	3,664,379	3,136,650	527,729	531,300
Fencing and paving	372,133	217,509	154,624	48,221
Wharfs	112,500	33,750	78,750	90,000
Motor vehicles	3,117,639	2,607,244	510,395	557,190
	15,409,678	12,393,134	3,016,544	3,252,980
	$ 110,733,997	$ 53,937,715	$ 56,796,282	$ 58,279,313

12. PREPAID EXPENSES

	2016	2015
Social development costs	$ 127,089	$ 182,335
Student tuitions and other	108,355	64,383
	$ 235,444	$ 246,718

13. REPLACEMENT 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. 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, 2016, the balance of the reserve is $1,040,660 (2015 - $929,856) and the Band Council has set aside $937,407 in separate bank deposits.

b) Moveable Capital Asset 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, 2016 is $131,146 (2015 - $114,750).

14. RELATED PARTY TRANSACTIONS

a) During the year, the Band Council expensed Chief and Council honorariums totaling $743,500 (2015 - $711,000) to the Eskasoni Tobacco Shop. The Band Council also expensed Council director fees of $Nil (2015 - $9,500) and Council pension contributions of $129,369 (2015 - $123,714) 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, 2016, the balance owed by Councillors totaled $30,569 (2015 - $20,183) for prepaid honorariums.

c) During the year, the Band Council received lease revenue of $Nil (2015 - $44,778) from the Crane Cove Seafoods Limited Partnership. The lease revenue was for the lease of fishing vessels and fishing licenses owned by the Band Council and provided to Crane Cove Seafoods Limited Partnership who carried out the commercial fishing activities of the Band Council.

14. RELATED PARTY TRANSACTIONS (Continued)

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 $727,330 (2015 - $643,728) 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 and family members of the Band Council in the amount of $109,906 (2015 - $97,715). 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 $41,425 (2015 - $52,278) 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.

15. 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 $896,134 in 2016 (2015 - $867,456).

16. 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 claims that may arise pertaining to its involvement in the donation program could have a material effect on its consolidated financial position.

17. GOVERNMENT TRANSFERS

	Operating	Capital	2016 Total	2015 Total
Federal government				
Indigenous and Northern Affairs Canada	$ 16,690,790	$ 400,000	$ 17,090,790	$ 17,133,237
Mi'kmaq Kina'matnewey	16,512,975	–	16,512,975	15,677,713
Health Canada	4,442,226	111,320	4,553,546	4,477,703
Mi'kmaq Employment Training Secretariat	1,234,584	–	1,234,584	1,234,584
Atlantic Canada Opportunities Agency	–	–	–	38,550
Canada Mortgage and Housing Corporation	767,259	–	767,259	753,763
Fisheries and Oceans Canada	1,059,297	–	1,059,297	361,557
Other	–	–	–	26,765
Total federal government	40,707,131	511,320	41,218,451	39,703,872
Provincial government				
Province of Nova Scotia	576,984	–	576,984	600,385
	$ 41,284,115	$ 511,320	$ 41,795,435	$ 40,304,257

18. EXPENDITURES BY OBJECT

	2016	2015
Salaries and employee benefits	$ 18,549,540	$ 18,247,975
Interest on long-term debt	452,893	512,648
Administrative costs	2,534,883	2,363,768
Direct program costs	29,188,330	27,773,416
Amortization of capital assets	4,229,986	4,143,063
	$ 54,955,632	$ 53,040,870

19. 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, 2016.

19. FINANCIAL INSTRUMENTS (Continued)

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) <u>Currency rate risk</u>

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.

ii) <u>Interest rate risk</u>

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) <u>Other price risk</u>

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.

20. COMPARATIVE FIGURES

Certain of the 2015 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2016.

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2016, with comparative figures for 2015

21. SEGMENT DISCLOSURE

	Social Development			Housing and Capital			Operations and Maintenance		
	Budget 2016 (unaudited)	2016	2015	Budget 2016 (unaudited)	2016	2015	Budget 2016 (unaudited)	2016	2015
REVENUE									
Indigenous and Northern Affairs Canada	$ 12,898,803	$ 12,948,803	$ 12,780,839	$ 1,369,524	$ 1,796,562	$ 2,028,957	$ 833,950	$ 833,950	$ 827,055
Mi'kmaw Kina'matnewey	–	–	–	–	–	–	–	–	–
Mi'kmaq Employment Training Secretariat	–	–	–	–	–	–	–	–	–
Health Canada	–	–	–	–	–	–	–	–	–
Province of Nova Scotia	–	–	–	–	–	–	–	–	–
Fisheries and Oceans Canada	–	–	–	–	–	–	–	–	–
Canada Mortgage and Housing Corp.	–	–	–	780,000	767,259	753,763	–	–	–
Net earnings of limited partnership	250,000	250,000	250,000	90,000	460,300	463,750	–	80,000	15,000
Unincorporated enterprises revenue	–	–	–	–	–	–	–	–	–
Other revenue	–	–	–	1,342,000	1,948,373	1,506,895	–	–	–
	13,148,803	13,198,803	13,030,839	3,581,524	4,972,494	4,753,365	833,950	913,950	842,055
EXPENDITURE									
Salaries and employee benefits	375,610	380,533	367,855	–	–	–	489,442	523,539	494,785
Direct program costs	14,500,000	14,558,328	14,422,082	1,000,000	1,623,086	2,043,158	1,413,418	1,640,188	1,438,247
Interest on long-term debt	–	–	–	351,939	385,820	426,354	2,000	2,017	3,163
Administrative costs	86,400	99,299	92,279	287,600	310,118	372,277	–	–	–
Amortization of capital assets	–	–	–	–	–	–	–	–	–
	14,962,010	15,038,160	14,882,216	1,639,539	2,319,024	2,841,789	1,904,860	2,165,744	1,936,195
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	$ (1,813,207)	$ (1,839,357)	$ (1,851,377)	$ 1,941,985	$ 2,653,470	$ 1,911,576	$ (1,070,910)	$ (1,251,794)	$ (1,094,140)

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2016, with comparative figures for 2015

21. SEGMENT DISCLOSURE (Continued)

	Economic Development			Band Management			Fishery Resource Development		
	Budget 2016 (unaudited)	2016	2015	Budget 2016 (unaudited)	2016	2015	Budget 2016 (unaudited)	2016	2015
REVENUE									
Indigenous and Northern Affairs Canada	$ 384,672	$ 384,672	$ 391,242	$ 1,115,577	$ 1,126,803	$ 1,105,144	$ –	$ –	$ –
Mi'kmaw Kina'matnewey	–	–	–	273,600	278,360	271,229	–	–	–
Mi'kmaq Employment Training Secretariat	984,616	984,616	984,616	–	–	–	–	–	–
Health Canada	–	–	–	–	–	–	–	–	–
Province of Nova Scotia	–	9,489	–	–	–	–	–	–	–
Fisheries and Oceans Canada	–	–	–	–	–	–	330,000	1,059,297	361,557
Canada Mortgage and Housing Corp.	–	–	–	–	–	–	–	–	–
Net earnings of limited partnership	–	24,000	98,000	–	20,000	–	100,000	100,000	100,000
Unincorporated enterprises revenue	–	–	–	–	–	–	–	–	–
Other revenue	133,000	348,161	357,011	52,837	55,304	78,913	–	80,364	3,945,897
	1,502,288	1,750,938	1,830,869	1,442,014	1,480,467	1,455,286	430,000	1,239,661	4,407,454
EXPENDITURE									
Salaries and employee benefits	194,576	193,509	202,649	1,076,081	1,070,498	1,111,108	305,446	322,314	323,249
Direct program costs	1,232,386	1,337,313	1,453,664	–	–	–	124,554	1,237,149	159,609
Interest on long-term debt	–	–	–	–	–	–	–	–	–
Administrative costs	73,200	80,213	69,307	31,500	(10,158)	23,908	–	–	–
Amortization of capital assets	–	–	–	–	–	–	–	–	–
	1,500,162	1,611,035	1,725,620	1,107,581	1,060,340	1,135,016	430,000	1,559,463	482,858
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	$ 2,126	$ 139,903	$ 105,249	$ 334,433	$ 420,127	$ 320,270	$ –	$ (319,802)	$ 3,924,596

21. SEGMENT DISCLOSURE (Continued)

	Education			Health			Band Business Enterprises		
	Budget 2016 (unaudited)	2016	2015	Budget 2016 (unaudited)	2016	2015	Budget 2016 (unaudited)	2016	2015
REVENUE									
Indigenous and Northern Affairs Canada	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Mi'kmaw Kina'matnewey	16,244,282	16,234,615	15,406,484	–	–	–	–	–	–
Mi'kmaq Employment Training Secretariet	249,968	249,968	249,968	–	–	–	–	–	–
Health Canada	–	–	–	4,328,850	4,553,546	4,477,703	–	–	–
Province of Nova Scotia	9,500	–	–	–	–	11,071	–	–	–
Fisheries and Oceans Canada	–	–	–	–	–	–	–	–	–
Canada Mortgage and Housing Corp.	–	–	–	–	–	–	–	–	–
Net earnings of limited partnership	–	–	–	–	–	–	–	299,999	–
Unincorporated enterprises revenue	–	–	–	–	–	–	5,895,190	6,058,051	5,731,273
Other revenue	235,916	209,731	257,469	686,800	785,543	706,602	–	–	–
	16,739,666	16,694,314	15,913,921	5,015,650	5,339,089	5,195,376	5,895,190	6,358,050	5,731,273
EXPENDITURE									
Salaries and employee benefits	10,987,184	11,187,563	10,875,526	2,989,616	2,964,614	2,999,502	1,682,724	1,690,001	1,664,214
Direct program costs	3,910,125	3,678,689	3,666,302	1,610,138	1,972,733	1,840,645	1,024,633	977,290	1,132,883
Interest on long-term debt	51,857	58,575	67,652	1,378	793	5,663	–	–	–
Administrative costs	286,000	341,598	256,238	352,150	374,427	316,222	1,050,395	1,339,386	1,233,537
Amortization of capital assets	–	–	–	–	–	–	–	–	–
	15,235,166	15,266,425	14,865,718	4,953,282	5,312,567	5,162,032	3,757,752	4,006,677	4,030,634
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	$ 1,504,500	$ 1,427,889	$ 1,048,203	$ 62,368	$ 26,522	$ 33,344	$ 2,137,438	$ 2,351,373	$ 1,700,639

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2016, with comparative figures for 2015

21. SEGMENT DISCLOSURE (Continued)

	Corporate Division			Other Programs			Total		
	Budget 2016 (unaudited)	2016	2015	Budget 2016 (unaudited)	2016	2015	Budget 2016 (unaudited)	2016	2015
REVENUE									
Indigenous and Northern Affairs Canada	$ –	$ –	$ –	$ –	$ –	$ –	$ 16,602,526	$ 17,090,790	$ 17,133,237
Mi'kmaw Kina'matnewey	–	–	–	–	–	–	16,517,882	16,512,975	15,677,713
Mi'kmaq Employment Training Secretariet	–	–	–	–	–	–	1,234,584	1,234,584	1,234,584
Health Canada	–	–	–	–	–	–	4,328,850	4,553,546	4,477,703
Province of Nova Scotia	–	10,000	10,300	525,000	557,495	579,014	534,500	576,984	600,385
Fisheries and Oceans Canada	–	–	–	–	–	–	330,000	1,059,297	361,557
Canada Mortgage and Housing Corporation	–	–	–	–	–	–	780,000	767,259	753,763
Net earnings of limited partnership	320,000	335,100	448,250	1,075,000	1,704,353	1,753,981	1,835,000	3,273,752	3,128,981
Unincorporated enterprises revenue	–	–	–	–	–	–	5,895,190	6,058,051	5,731,273
Other revenue	–	2,986	–	387,861	560,816	387,035	2,838,414	3,991,278	7,239,822
	320,000	348,086	458,550	1,987,861	2,822,664	2,720,030	50,896,946	55,118,516	56,339,018
EXPENDITURE									
Salaries and employee benefits	206,516	216,969	209,087	–	–	–	18,307,195	18,549,540	18,247,975
Direct program costs	113,484	131,728	145,709	1,525,799	2,031,826	1,471,117	26,454,537	29,188,330	27,773,416
Interest on long-term debt	–	–	–	4,052	5,688	9,816	411,226	452,893	512,648
Administrative costs	–	–	–	–	–	–	2,167,245	2,534,883	2,363,768
Amortization of capital assets	–	–	–	3,556,743	4,229,986	4,143,063	3,556,743	4,229,986	4,143,063
	320,000	348,697	354,796	5,086,594	6,267,500	5,823,996	50,896,946	54,955,632	53,040,870
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	$ –	$ (611)	$ 103,754	$ (3,098,733)	$(3,444,836)	$ (2,903,966)	$ –	$ 162,884	$ 3,298,148