Consolidated Financial Statements of

ESKASONI BAND COUNCIL

Year ended March 31, 2017

MGM

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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, 2017 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free 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 consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Eskasoni Band Council as at March 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

MGM & Associates

Chartered Professional Accountants
Licensed Public Accountants

Sydney, Canada
November 3, 2017

ESKASONI BAND COUNCIL

Consolidated Statement of Financial Position

March 31, 2017, with comparative figures for 2016

	2017	2016
FINANCIAL ASSETS		
Cash	$ 8,608,466	$ 3,235,286
Restricted cash and deposits (note 2)	5,531,813	4,428,530
Accounts receivable (note 3)	1,425,587	719,275
Due from Government of Canada (note 4)	2,050,161	1,243,366
Due from Province of Nova Scotia	438,395	482,495
Inventory held for resale	22,758	45,349
Investment in Crane Cove Seafoods Limited Partnership (note 5)	1,629,381	1,558,362
Investment in incorporated business enterprises (note 6)	553,536	644,877
	20,260,097	12,357,540
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (note 7)	6,485,573	5,296,675
Deferred revenue (note 8)	3,688,312	39,923
Long-term debt (note 9)	14,202,798	15,517,142
Obligations under capital lease (note 10)	62,582	115,121
	24,439,265	20,968,861
NET DEBT	(4,179,168)	(8,611,321)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	56,709,445	56,796,282
Prepaid expenses (note 12)	204,031	235,444
	56,913,476	57,031,726
ACCUMULATED SURPLUS	$ 52,734,308	$ 48,420,405
Accumulated surplus represented by		
Unrestricted		
Operating fund	$ 435,808	$ 299,246
Capital fund	40,190,409	39,033,512
Restricted		
Limited partnership fund	1,629,381	1,558,362
School capital replacement fund	2,308,857	1,735,345
Band community investment fund	2,120,426	1,131,011
Fishing license trust fund	4,561,569	3,471,071
Band trust fund	27,469	20,052
Housing replacement fund	1,312,847	1,040,660
Moveable capital asset replacement fund	147,542	131,146
Contingencies (note 16)		
	$ 52,734,308	$ 48,420,405

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, 2017, with comparative figures for 2016

	2017	2017	2016
	Budget (Unaudited)	Actual	Actual
REVENUE			
Indigenous and Northern Affairs Canada (Schedule A)	$ 16,990,769	$ 19,723,494	$ 17,090,790
Mi'kmaw Kina'matnewey	16,440,990	17,513,369	16,512,975
Health Canada	4,596,291	5,294,788	4,553,546
Mi'kmaq Employment Training Secretariat	1,234,584	1,234,584	1,234,584
Canada Mortgage and Housing Corporation	780,000	1,273,839	767,259
Fisheries and Oceans Canada	333,503	490,731	1,059,297
Province of Nova Scotia	625,000	794,057	576,984
Other agencies and funds	2,893,692	4,436,960	3,991,278
Sale of fishing licenses	–	1,071,571	–
	43,894,829	51,833,393	45,786,713
EXPENDITURE			
Health programs	5,237,495	5,519,386	5,312,567
Education	15,732,386	15,910,493	15,266,425
Social development	15,122,535	14,813,391	15,038,160
Housing and infrastructure	1,117,535	3,640,197	1,436,715
Operations and maintenance	2,136,039	2,136,722	2,165,744
Economic development	1,535,079	2,290,302	1,611,035
Fishery resource development	503,503	504,223	1,559,463
Band management	1,218,732	1,322,285	1,060,340
Canada Mortgage and Housing Corporation Section 95 housing	840,000	1,047,178	882,309
Other programs	1,549,438	1,824,868	2,037,514
Corporate division	319,143	409,468	348,697
Contribution to Eskasoni Supermarket Limited	–	300,000	370,000
Amortization of tangible capital assets	4,613,316	4,425,321	4,229,986
	49,925,201	54,143,834	51,318,955
Net expenditure before the following	(6,030,372)	(2,310,441)	(5,532,242)
Band agencies earnings (loss)			
Eskasoni Tobacco Shop	2,046,636	2,613,604	2,278,776
Eskasoni Gaming Centre	317,563	380,592	418,959
Eskasoni Recreation Centre	(250,000)	(223,018)	(261,845)
Sarah Denny Cultural Centre	(79,668)	(65,891)	(83,513)
Eskasoni Gaming Commission	45,000	(95,748)	155,310
Eskasoni Fitness Centre	(97,359)	(80,723)	(86,313)
Crane Cove Seafoods Limited Partnership (note 5)	4,048,200	4,093,892	3,273,752
	6,030,372	6,622,708	5,695,126
EXCESS OF REVENUE OVER EXPENDITURE	$ –	$ 4,312,267	$ 162,884

See accompanying notes to consolidated financial statements.

ESKASONI BAND COUNCIL

Consolidated Statement of Change in Net Debt

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
ANNUAL SURPLUS	$ 4,313,903	$ 201,966
Tangible capital assets		
Increase in tangible capital assets	(4,338,484)	(2,746,955)
Amortization of tangible capital assets	4,425,321	4,229,986
	86,837	1,483,031
Other non-financial assets		
Decrease in prepaid expenses	31,413	11,274
DECREASE IN NET DEBT	4,432,153	1,696,271
NET DEBT, BEGINNING OF YEAR	(8,611,321)	(10,307,592)
NET DEBT, END OF YEAR	$ (4,179,168)	$ (8,611,321)

See accompanying notes to consolidated financial statements.

ESKASONI BAND COUNCIL

Consolidated Statement of Cash Flows

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenditure	$ 4,312,267	$ 162,884
Items not involving cash		
Amortization of tangible capital assets	4,425,321	4,229,986
Gain on sale of fishing licenses	(1,076,250)	–
Gain on disposal of tangible capital assets	(268,285)	–
Adjustment of prior year school replacement fund	(31,032)	–
	7,362,021	4,392,870
Change in non-cash items		
Increase in accounts receivable	(706,312)	(485,383)
Increase in due from Government of Canada	(806,795)	(354,518)
Decrease in due from Province of Nova Scotia	44,100	81,819
Decrease in inventory held for resale	22,591	1,854
Decrease in prepaid expenses	31,413	11,274
Increase in accounts payable and accrued liabilities	1,188,898	223,141
Increase (decrease) in deferred revenue	3,648,389	(29,150)
	10,784,305	3,841,907
FINANCING ACTIVITIES		
Proceeds of long-term debt	466,909	732,692
Principal payments on long-term debt	(1,781,253)	(1,816,282)
Increase (decrease) in obligation under capital lease	(52,539)	7,099
Adjustment to capital lease	–	3,104
	(1,366,883)	(1,073,387)
INVESTING ACTIVITIES		
Additions to tangible capital assets	(4,338,484)	(2,746,955)
Proceeds on disposal of tangible capital assets	268,285	–
Prior year additions less net book value of disposals	5,634	–
Proceeds on sale of fishing licenses	1,076,250	–
Interest earned on Band Trust Fund	7,417	6,146
Interest earned on Housing Reserve Replacement Fund	5,369	12,563
Interest earned on Fisheries Trust Fund	14,248	17,269
Decrease deposit on fishing license	–	320,000
Increase in investment in limited partnership for operations	(71,019)	(53,752)
Decrease in investment in business enterprises	91,341	184,425
	(2,940,959)	(2,260,304)
INCREASE IN CASH AND CASH EQUIVALENTS	6,476,463	508,216
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,663,816	7,155,600
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 14,140,279	$ 7,663,816
Cash and cash equivalents consist of		
Cash	$ 8,608,466	$ 3,235,286
Restricted cash and deposits	5,531,813	4,428,530
	$ 14,140,279	$ 7,663,816

See accompanying notes to consolidated financial statements.

NATURE OF OPERATIONS

Eskasoni Band Council is comprised of a Chief and twelve councilors under the Indian Act of Canada. The Council is accountable to the local Mi'kmaq community members for the delivery of programs and services, management of all financial resources and planning to support future community-based self-government.

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

	2017	2016
Trust funds held by Government of Canada	$ 27,469	$ 20,052
CMHC replacement reserve funds	942,775	937,407
Fishing license funds in trust	4,561,569	3,471,071
	$ 5,531,813	$ 4,428,530

3. ACCOUNTS RECEIVABLE

	2017	2016
Chief and Council honorariums prepaid	$ 24,257	$ 30,569
Nova Scotia Health Authority	16,507	22,531
Other Band Councils	35,450	27,600
Rent receivables	167,346	–
Mi'kmaw Kina'matnewey	885,924	438,156
Eskasoni Supermarket Limited	7,498	61,766
Other sundry receivables	288,605	139,888
	1,425,587	720,510
Allowance for doubtful accounts	–	1,235
	$ 1,425,587	$ 719,275

4. DUE FROM GOVERNMENT OF CANADA

	2017	2016
Indigenous and Northern Affairs Canada	$ 1,521,641	$ 918,675
Indigenous and Northern Affairs Canada Residential Schools Adjudication Secretariat	40,483	–
Mi'kmaq Employment Training Secretariat	49,143	190,240
Canada Mortgage and Housing Corporation	112,006	60,284
Fisheries and Oceans Canada	104,522	28,500
Health Canada	90,288	17,139
Harmonized Sales Tax receivable	33,057	28,528
Atlantic Canada Opportunities Agency	99,021	–
	$ 2,050,161	$ 1,243,366

5. INVESTMENT IN CRANE COVE SEAFOODS LIMITED PARTNERSHIP

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

	2017	2016
Balance, beginning of year	$ 1,558,362	$ 1,504,610
Share of profits of Crane Cove Seafoods Limited Partnership	4,093,892	3,273,752
Transfer to Eskasoni Band Council	(4,022,873)	(3,220,000)
Balance, end of year	$ 1,629,381	$ 1,558,362

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, 2017 and 2016 is as follows:

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

STATEMENT OF FINANCIAL POSITION

	2017	2016
ASSETS		
Current assets	$ 597,181	$ 820,221
Property, plant and equipment, net book value	2,961,117	3,091,935
	$ 3,558,298	$ 3,912,156
LIABILITIES		
Current liabilities	$ 295,030	$ 617,102
DEFERRED GOVERNMENT ASSISTANCE	1,631,533	1,734,747
EQUITY		
Limited partner's equity	1,629,381	1,558,362
General partner's equity	2,354	1,945
	1,631,735	1,560,307
	$ 3,558,298	$ 3,912,156

STATEMENT OF EARNINGS AND PARTNERS' EQUITY

	2017	2016
REVENUE		
Commercial fishing operations		
Sales	$ 13,199,565	$ 12,770,103
Cost of sales	7,640,739	7,996,940
	5,558,826	4,773,163
Other revenue	87,495	95,107
	5,646,321	4,868,270
EXPENSES		
Operating expenses	1,552,020	1,594,191
NET INCOME	4,094,301	3,274,079
Partners' equity, beginning of year	1,560,307	1,506,228
Partners' withdrawals	(4,022,873)	(3,220,000)
PARTNERS' EQUITY, END OF YEAR	$ 1,631,735	$ 1,560,307

6. INVESTMENT IN INCORPORATED BUSINESS ENTERPRISES

The investment in business enterprises consists of ownership as follows:

	% Ownership	2017	2016
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	553,479	644,820
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
		$ 553,536	$ 644,877

a) Eskasoni Fish & Wildlife Commission Incorporated

In 2017, Eskasoni Fish & Wildlife Commission Incorporated was inactive.

b) Crane Cove Seafoods Limited

In 2017, Crane Cove Seafoods Limited was inactive.

c) Eskasoni Supermarket Limited

During the year, the Eskasoni Band Council contributed $300,000 to the Eskasoni Supermarket Limited ($370,000 in 2016). During the same period, the amount owing by the Eskasoni Supermarket Limited to the Eskasoni Band Council decreased by $54,268.

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 $553,479 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, 2016 the Company had assets of $149,240, liabilities of $81,432 and shareholders' equity of $67,808.

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, 2017, the Company had shareholders equity of $Nil.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Administration payables	$ 3,225,261	$ 2,464,468
Housing payables	318,257	100,352
Education payables	2,196,986	2,133,006
Health Centre payables	724,942	556,136
Eskasoni Gaming Commission payables	12,235	23,633
Tobacco payables	7,892	19,080
	$ 6,485,573	$ 5,296,675

8. DEFERRED REVENUE

	2017	2016
Mi'kmaw Kina'matnewey	$ 10,550	$ 10,550
Indigenous and Northern Affairs Canada	2,086,727	–
Health Canada	1,500,412	–
Other	90,623	29,373
	$ 3,688,312	$ 39,923

9. LONG-TERM DEBT

	2017	2016
Canada Mortgage and Housing Corporation (Schedule D) Mortgages payable in total monthly instalments of $78,885 on account of principal and interest, secured by Indigenous and Northern Affairs Canada Ministerial loan guarantees.	$ 10,708,106	$ 11,124,209
Bank of Montreal (Schedule D) Mortgages payable in monthly instalments of $41,796 on account of principal and interest, secured by Indigenous and Northern Affairs Canada Ministerial loan guarantees.	3,259,979	3,660,710
Bank of Montreal 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.	220,346	646,376
Repaid during the year.	–	59,873
RBC Royal Bank		
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.	14,367	23,427
Repaid during the year.	–	2,547
	$ 14,202,798	$ 15,517,142

The aggregate maturities of long-term debt for each of the next five years subsequent to March 31, 2017, assuming maturing debt is renewed under the same terms and conditions currently in effect, are as follows:

2018	$3,085,178
2019	5,029,802
2020	1,835,050
2021	2,771,695
2022	1,163,206

10. OBLIGATIONS UNDER CAPITAL LEASE

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

	2017	2016
Photocopier lease, 5.99%, maturing:		
June, 2017	$ 4,975	$ 24,156
September, 2017	5,634	16,413
September, 2017	4,052	11,802
October, 2017	3,053	6,918
February, 2020	10,725	13,896
March, 2020	5,885	7,625
March 2021	25,778	31,332
April, 2021	2,480	2,979
Total minimum lease payments	62,582	115,121
Current portion	29,300	52,500
	$ 33,282	$ 62,621

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

2018	$ 32,153
2019	14,054
2020	14,054
2021	7,964
2022	166
	68,391
Interest included in minimum payments	5,809
	$ 62,582

11. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	$ 386,765	$ –	$ 386,765	$ 446,765
Community infrastructure	15,258,532	4,908,294	10,350,238	9,807,659
Buildings				
Band administration	1,418,089	1,418,089	–	1,543
Sewer treatment plant	3,031,146	2,311,290	719,856	841,578
Health Centre	2,433,388	1,278,984	1,154,404	680,168
Police Station	1,927,378	1,056,687	870,691	871,873
Recreation Centre	2,805,536	1,362,516	1,443,020	1,351,673
Cultural Centre	1,785,688	999,785	785,903	867,933
Ambulance Station	220,338	88,140	132,198	141,012
Strip mall	1,585,241	480,374	1,104,867	1,168,984
Youth at Risk	200,638	79,549	121,089	128,323
Elder Centre	160,550	83,294	77,256	83,678
Fire station	1,451,558	59,202	1,392,356	419,497
Senior High School	7,878,500	5,127,987	2,750,513	2,925,177
Junior High School	7,897,344	6,424,784	1,472,560	1,788,453
Immersion School	3,486,104	1,085,192	2,400,912	2,367,224
Training Education Centre	134,130	107,303	26,827	32,192
School Administration	200,190	127,495	72,695	77,507
Other school building	39,195	11,039	28,156	29,724
School Gym	4,397,234	527,668	3,869,566	4,045,455
Health trailers	256,084	112,907	143,177	168,785
Rental building	–	–	–	215,040
Other Community buildings	229,997	126,916	103,081	107,762
	41,538,328	22,869,201	18,669,127	18,313,581
Housing properties				
Section 95	24,117,444	8,080,629	16,036,815	17,263,314
Section 10	8,953,217	2,712,537	6,240,680	6,237,604
Multi-unit apartment	924,700	323,645	601,055	647,290
Other housing	7,777,497	6,292,416	1,485,081	1,063,525
	41,772,858	17,409,227	24,363,631	25,211,733
Motor vessels	338,870	260,764	78,106	81,435
Fishing vessels	7,770,512	6,275,518	1,494,994	1,663,611
Equipment and furniture	3,922,451	3,288,595	633,856	527,729
Fencing and paving.	372,133	230,500	141,633	154,624
Wharfs	112,500	45,000	67,500	78,750
Motor vehicles	3,449,572	2,925,977	523,595	510,395
	15,966,038	13,026,354	2,939,684	3,016,544
	$ 114,922,521	$ 58,213,076	$ 56,709,445	$ 56,796,282

12. PREPAID EXPENSES

	2017	2016
Social development costs	$ 108,394	$ 127,089
Student tuitions and other	95,637	108,355
	$ 204,031	$ 235,444

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, 2017, the balance of the reserve is $1,097,847 (2016 - $1,040,660) and the Band Council has set aside $942,775 in separate bank deposits.

From time to time the Band Council will transfer funds to the Replacement Reserves for non-CMHC housing. As at March 31, 2017 the balance of the reserve is $215,000 (2016 - $Nil).

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, 2017 is $147,542 (2016 - $131,146).

14. RELATED PARTY TRANSACTIONS

a) During the year, the Band Council expensed Chief and Council honorariums totaling $741,250 (2016 - $743,500) to the Eskasoni Tobacco Shop. The Band Council also expensed Council pension and group insurance contributions of $122,258 (2016 - $135,036) 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, 2017, the balance owed by Councillors totaled $24,257 (2016 - $30,569) for prepaid honorariums.

14. RELATED PARTY TRANSACTIONS (Continued)

c) During the year, the Band Council provided fishing vessels and fishing licenses owned by the Band Council to Crane Cove Seafoods Limited Partnership who carried out the commercial fishing activities of the Band Council. The vessels and licenses were provided with no financial remuneration.

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 $764,242 (2016 - $727,330) 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 $133,888 (2016 - $109,906). 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 $46,600 (2016 - $41,425) 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 $901,994 in 2017 (2016 - $896,134).

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	2017 Total	2016 Total
Federal government				
Indigenous and Northern Affairs Canada	$ 18,932,601	$ 790,893	$ 19,723,494	$ 17,090,790
Mi'kmaq Kina'matnewey	17,513,369	–	17,513,369	16,512,975
Health Canada	4,745,200	549,588	5,294,788	4,553,546
Mi'kmaq Employment Training Secretariat	1,234,584	–	1,234,584	1,234,584
Atlantic Canada Opportunities Agency	99,021	100,000	199,021	–
Canada Mortgage and Housing Corporation	1,273,839	–	1,273,839	767,259
Fisheries and Oceans Canada	408,503	82,228	490,731	1,059,297
Other	40,483	–	40,483	–
Total federal government	44,247,600	1,522,709	45,770,309	41,218,451
Provincial government				
Province of Nova Scotia	694,057	100,000	794,057	576,984
	$ 44,941,657	$ 1,622,709	$ 46,564,366	$ 41,795,435

18. EXPENDITURES BY OBJECT

	2017	2016
Salaries and employee benefits	$ 19,208,787	$ 18,651,598
Interest on long-term debt	361,657	452,893
Administrative costs	2,569,050	2,534,883
Direct program costs	31,405,666	29,086,272
Amortization of capital assets	4,425,321	4,229,986
	$ 57,970,481	$ 54,955,632

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, 2017.

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.