

Consolidated Financial Statements of

ESKASONI BAND COUNCIL

Year ended March 31, 2018



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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, 2018 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, 2018 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 14, 2018

ESKASONI BAND COUNCIL

Consolidated Statement of Financial Position

March 31, 2018, with comparative figures for 2017

	2018	2017
FINANCIAL ASSETS		
Cash		
Restricted cash and deposits (note 2)	\$ 11,514,093	\$ 8,608,466
Accounts receivable (note 3)	5,563,660	5,531,813
Due from Government of Canada (note 4)	1,199,137	1,425,587
Due from Province of Nova Scotia	2,162,425	2,050,161
Inventory held for resale	508,133	438,395
Investment in Crane Cove Seafoods Limited Partnership (note 5)	93,063	22,758
Investment in incorporated business enterprises (note 6)	1,683,273	1,629,381
	703,388	553,536
	23,427,172	20,260,097
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (note 7)		
Deferred revenue (note 8)	10,065,633	6,485,573
Long-term debt (note 9)	5,122,940	3,688,312
Obligations under capital lease (note 10)	13,794,666	14,202,798
	33,220	62,582
	29,016,459	24,439,265
NET DEBT	(5,589,287)	(4,179,168)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	63,631,871	56,709,445
Prepaid expenses (note 12)	184,288	204,031
	63,816,159	56,913,476
ACCUMULATED SURPLUS		
	\$ 58,226,872	\$ 52,734,308
Accumulated surplus represented by		
Unrestricted		
Operating fund		
Capital fund	\$ 499,516	\$ 435,808
Restricted	43,643,284	40,190,409
Limited partnership fund		
School capital replacement fund	1,683,273	1,629,381
Band community investment fund	3,432,637	2,308,857
Fishing license trust fund	2,754,643	2,120,426
Band trust fund	4,579,583	4,561,569
Housing replacement fund	34,947	27,469
Moveable capital asset replacement fund	1,451,447	1,312,847
Contingencies (note 16)	147,542	147,542
	\$ 58,226,872	\$ 52,734,308

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, 2018, with comparative figures for 2017

		2018	2017
	Budget (Unaudited)	Actual	Actual
REVENUE			
Indigenous Services Canada (Schedule A)	\$ 18,590,503	\$ 19,227,975	\$ 19,723,494
Mi'kmaw Kina'matnewey	17,599,274	18,199,391	17,592,221
Indigenous Services Canada - FNIHB	5,376,200	9,034,563	5,294,788
Mi'kmaq Employment Training Secretariat	1,242,784	1,271,976	1,234,584
Canada Mortgage and Housing Corporation	1,170,000	1,343,474	1,273,839
Fisheries and Oceans Canada	325,190	467,898	490,731
Province of Nova Scotia	475,000	643,798	794,057
Other agencies and funds	2,931,313	4,601,394	4,358,108
Unincorporated enterprises revenue	16,715,434	17,236,913	16,710,355
Sale of fishing licenses	—	—	1,071,571
	64,425,698	72,027,382	68,543,748
EXPENDITURE			
Health programs	6,244,200	6,298,849	5,519,386
Education	16,414,024	16,525,442	15,910,493
Social development	15,075,052	14,771,231	14,813,391
Housing and infrastructure	2,005,935	2,425,192	3,640,197
Operations and maintenance	2,196,884	2,437,950	2,136,722
Economic development	1,530,854	2,306,661	2,290,302
Fishery resource development	455,190	550,975	504,223
Band management	1,241,947	1,171,507	1,322,285
Canada Mortgage and Housing Corporation			
Section 95 housing	1,330,000	1,240,938	1,047,178
Other programs	1,558,838	2,096,457	1,824,868
Corporate division	319,642	442,713	409,468
Contribution to Eskasoni Supermarket Limited	200,000	357,150	300,000
Eskasoni Tobacco Shop	11,971,717	12,043,700	11,666,826
Eskasoni Gaming Centre	733,674	735,308	728,312
Eskasoni Gaming Commission	1,001,842	1,177,722	1,179,394
Eskasoni Recreation Centre	305,590	291,748	292,807
Sarah Denny Cultural Centre	186,685	248,705	152,764
Eskasoni Fitness Centre	172,296	167,179	161,436
Amortization of tangible capital assets	3,861,528	4,438,430	4,425,321
	66,805,898	69,727,857	68,325,373
Net revenue (expenditure) before the following	(2,380,200)	2,299,525	218,375
Other earnings			
Crane Cove Seafoods Limited			
Partnership (note 5)	2,380,200	3,161,172	4,093,892
EXCESS OF REVENUE OVER EXPENDITURE	\$ —	\$ 5,460,697	\$ 4,312,267

See accompanying notes to consolidated financial statements.

ESKASONI BAND COUNCIL

Consolidated Statement of Change in Net Debt

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
ANNUAL SURPLUS	\$ 5,492,564	\$ 4,313,903
Tangible capital assets		
Increase in tangible capital assets	(11,360,856)	(4,338,484)
Amortization of tangible capital assets	4,438,430	4,425,321
	(6,922,426)	86,837
Other non-financial assets		
Decrease in prepaid expenses	19,743	31,413
DECREASE (INCREASE) IN NET DEBT	(1,410,119)	4,432,153
NET DEBT, BEGINNING OF YEAR	(4,179,168)	(8,611,321)
NET DEBT, END OF YEAR	\$ (5,589,287)	\$ (4,179,168)

See accompanying notes to consolidated financial statements.

ESKASONI BAND COUNCIL

Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenditure	\$ 5,460,697	\$ 4,312,267
Items not involving cash		
Amortization of tangible capital assets	4,438,430	4,425,321
Gain on disposal of tangible capital assets	(297,720)	(268,285)
Gain on sale of fishing licenses	—	(1,076,250)
Adjustment of prior year school replacement fund	—	(31,032)
	9,601,407	7,362,021
Change in non-cash items		
Decrease (increase) in accounts receivable	226,450	(706,312)
Increase in due from Government of Canada	(112,264)	(806,795)
Decrease (increase) in due from Province of Nova Scotia	(69,738)	44,100
Decrease (increase) in inventory held for resale	(70,305)	22,591
Decrease in prepaid expenses	19,743	31,413
Increase in accounts payable and accrued liabilities	3,580,060	1,188,898
Increase in deferred revenue	1,434,628	3,648,389
	14,609,981	10,784,305
FINANCING ACTIVITIES		
Proceeds of long-term debt	988,385	466,909
Principal payments on long-term debt	(1,396,517)	(1,781,253)
Decrease in obligation under capital lease	(29,362)	(52,539)
	(437,494)	(1,366,883)
INVESTING ACTIVITIES		
Additions to tangible capital assets	(11,360,856)	(4,338,484)
Proceeds on disposal of tangible capital assets	297,740	268,285
Income earned on Band Trust Fund	7,478	7,417
Interest earned on Housing Reserve Replacement Fund	6,355	5,369
Interest earned on Fisheries Trust Fund	18,014	14,248
Increase in investment in limited partnership for operations	(53,892)	(71,019)
Decrease (increase) in investment in business enterprises	(149,852)	91,341
Prior year additions less net book value of disposals	—	5,634
Proceeds on sale of fishing licenses	—	1,076,250
	(11,235,013)	(2,940,959)
INCREASE IN CASH AND CASH EQUIVALENTS	2,937,474	6,476,463
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,140,279	7,663,816
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 17,077,753	\$ 14,140,279
Cash and cash equivalents consist of		
Cash	\$ 11,514,093	\$ 8,608,466
Restricted cash and deposits	5,563,660	5,531,813
	\$ 17,077,753	\$ 14,140,279

See accompanying notes to consolidated financial statements.

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018

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.

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018

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 is 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%

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018

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.

Gaming revenue from video lottery net of corresponding direct expenses are recognized at the time of play and are recorded net of commissions and credits paid out. Other gaming revenues are recognized as earned when received or receivable as long as collection is reasonably assured.

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

(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.

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (continued)

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;
- (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

	2018	2017
Trust funds held by Government of Canada	\$ 34,947	\$ 27,469
CMHC replacement reserve funds	949,131	942,775
Fishing license funds in trust	4,579,582	4,561,569
	<u>\$ 5,563,660</u>	<u>\$ 5,531,813</u>

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018

3. ACCOUNTS RECEIVABLE

	2018	2017
Mi'kmaw Kina'matnewey	\$ 782,933	\$ 885,924
Chief and Council honorariums prepaid	34,389	24,257
Nova Scotia Health Authority	37,237	16,507
Other Band Councils	38,433	35,450
Live Stor Sydney Limited	40,471	-
Other sundry receivables	265,674	288,605
Rent receivables	-	167,346
Eskasoni Supermarket Limited	-	7,498
	<u>\$ 1,199,137</u>	<u>\$ 1,425,587</u>

4. DUE FROM GOVERNMENT OF CANADA

	2018	2017
Indigenous Services Canada	\$ 975,864	\$ 1,521,641
Indigenous Services Canada Residential Schools Adjudication Secretariat	-	40,483
Mi'kmaq Employment Training Secretariat	317,242	49,143
Canada Mortgage and Housing Corporation	441,536	112,006
Fisheries and Oceans Canada	192,690	104,522
Indigenous Services Canada - FNIHB	-	90,288
Harmonized Sales Tax receivable	129,398	33,057
Atlantic Canada Opportunities Agency	105,695	99,021
	<u>\$ 2,162,425</u>	<u>\$ 2,050,161</u>

5. INVESTMENT IN CRANE COVE SEAFOODS LIMITED PARTNERSHIP

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

	2018	2017
Balance, beginning of year	\$ 1,629,381	\$ 1,558,362
Share of profits of Crane Cove Seafoods Limited Partnership	3,161,172	4,093,892
Transfer to Eskasoni Band Council	(3,107,280)	(4,022,873)
Balance, end of year	<u>\$ 1,683,273</u>	<u>\$ 1,629,381</u>

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018

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

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, 2018 and 2017 is as follows:

STATEMENT OF FINANCIAL POSITION

	2018	2017
ASSETS		
Current assets		
Property, plant and equipment, net book value	\$ 616,511 3,295,280	\$ 597,181 2,961,117
	\$ 3,911,791	\$ 3,558,298
LIABILITIES		
Current liabilities	\$ 296,404	\$ 295,030
DEFERRED GOVERNMENT ASSISTANCE	1,929,444	1,631,533
EQUITY		
Limited partner's equity	1,683,273	1,629,381
General partner's equity	2,670	2,354
	1,685,943	1,631,735
	\$ 3,911,791	\$ 3,558,298

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018

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

STATEMENT OF EARNINGS AND PARTNERS' EQUITY

	2018	2017
REVENUE		
Commercial fishing operations		
Sales	\$ 11,447,692	\$ 13,199,565
Cost of sales	6,745,118	7,640,739
	4,702,574	5,558,826
Other revenue	91,968	87,495
	4,794,542	5,646,321
EXPENSES		
Operating expenses	1,633,054	1,552,020
NET INCOME	3,161,488	4,094,301
Partners' equity, beginning of year	1,631,735	1,560,307
Partners' withdrawals	(3,107,280)	(4,022,873)
PARTNERS' EQUITY, END OF YEAR	\$ 1,685,943	\$ 1,631,735

6. INVESTMENT IN INCORPORATED BUSINESS ENTERPRISES

The investment in business enterprises consists of ownership as follows:

	% Ownership	2018	2017
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	523,955	553,479
Eskasoni Land Development Limited	100	1	1
Eskasoni Kiptu Security Limited	51	29,406	51
Memski Projects Inc.	50	1	1
Eskasoni Wind Company Limited	100	1	1
3302008 Nova Scotia Limited	50	150,000	—
3312394 Nova Scotia Limited	100	10	—
Live Stor Sydney Limited	100	1	—
Eskasoni Leasing Corporation Limited	100	10	—
		\$ 703,388	\$ 553,536

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018

6. INVESTMENT IN INCORPORATED BUSINESS ENTERPRISES (Continued)

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 \$357,150 to the Eskasoni Supermarket Limited (\$300,000 in 2017). During the same period, the amount owing by the Eskasoni Supermarket Limited to the Eskasoni Band Council decreased by \$7,498.

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 \$523,955 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, 2017 the Company had assets of \$177,849, liabilities of \$63,040 and shareholders' equity of \$114,809.

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, 2018, the Company had shareholders equity of \$Nil.

h) Eskasoni Wind Company Limited

Eskasoni Wind Company Limited owns 25% of a wind farm in Truro, Nova Scotia

i) 3302008 Nova Scotia Limited

3302008 Nova Scotia Limited owns 50% of a cold storage facility on Keltic Drive in Sydney River, Nova Scotia. The business started operations in 2018.

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018

6. INVESTMENT IN INCORPORATED BUSINESS ENTERPRISES (Continued)

j) 3312394 Nova Scotia Limited

3312394 Nova Scotia Limited acts as a limited partner for the cold storage business operated by Live Stor Sydney Limited in Sydney River, Nova Scotia.

k) Live Stor Sydney Limited

Live Stor Sydney Limited operates a cold storage business in Sydney River, Nova Scotia. The business started operations in 2018.

l) Eskasoni Leasing Corporation Limited

Eskasoni Leasing Corporation Limited will handle property leases for Band owned properties in Eskasoni, Nova Scotia.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Administration payables	\$ 6,530,908	\$ 3,225,261
Housing payables	480,402	318,257
Education payables	2,297,510	2,196,986
Health Centre payables	704,872	724,942
Eskasoni Gaming Commission payables	32,483	12,235
Tobacco payables	19,458	7,892
	<u>\$10,065,633</u>	<u>\$ 6,485,573</u>

8. DEFERRED REVENUE

	2018	2017
Mi'kmaw Kina'matnewey	\$ 160,550	\$ 10,550
Indigenous Services Canada	2,219,559	2,086,727
Health Canada	2,656,376	1,500,412
Other	86,455	90,623
	<u>\$ 5,122,940</u>	<u>\$ 3,688,312</u>

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018

9. LONG-TERM DEBT

	2018	2017
Canada Mortgage and Housing Corporation (Schedule D) Mortgages payable in total monthly instalments of \$80,201 on account of principal and interest, secured by Indigenous and Northern Affairs Canada Ministerial loan guarantees.	\$ 10,900,801	\$ 10,708,106
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.	2,889,067	3,259,979
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 \$7,273.	4,798	14,367
Bank of Montreal Repaid during the year	-	220,346
	<u>\$ 13,794,666</u>	<u>\$ 14,202,798</u>

The aggregate maturities of long-term debt for each of the next five years subsequent to March 31, 2018, assuming maturing debt is renewed under the same terms and conditions currently in effect, are as follows:

2019	\$5,189,331
2020	2,376,460
2021	2,544,930
2022	1,273,428
2023	1,460,187

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018

10. OBLIGATIONS UNDER CAPITAL LEASE

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

	2018	2017
Photocopier lease, 5.99%, maturing:		
February, 2020	\$ 7,361	\$ 10,725
March, 2020	4,039	5,885
March 2021	19,868	25,778
April, 2021	1,952	2,480
Matured during the year	—	17,714
Total minimum lease payments	33,220	62,582
Current portion	12,300	29,300
	\$ 20,920	\$ 33,282

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

2019	\$ 14,054
2020	14,054
2021	7,964
2022	166
	36,238
Interest included in minimum payments	3,018
	\$ 33,220

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018

11. TANGIBLE CAPITAL ASSETS

			2018		2017
	Cost	Accumulated amortization	Net book value	Net book value	
Land	\$ 407,765	\$ -	\$ 407,765	\$ 386,765	
Community infrastructure	15,702,323	5,307,895	10,394,428	10,350,238	
Buildings					
Band administration	1,418,089	1,418,089	-	-	
Sewer treatment plant	3,031,146	2,433,012	598,134	719,856	
Health Centre	1,883,800	1,354,336	529,464	1,154,404	
Police Station	2,351,587	1,150,750	1,200,837	870,691	
Recreation Centre	2,805,536	1,442,409	1,363,127	1,443,020	
Cultural Centre	1,785,688	1,071,213	714,475	785,903	
Ambulance Station	220,338	96,954	123,384	132,198	
Strip mall	1,585,241	543,784	1,041,457	1,104,867	
Youth at Risk	200,638	87,575	113,063	121,089	
Elder Centre	160,550	89,716	70,834	77,256	
Fire station	1,660,514	117,803	1,542,711	1,392,356	
Senior High School	7,878,500	5,443,127	2,435,373	2,750,513	
Junior High School	7,911,167	6,741,231	1,169,936	1,472,560	
Immersion School	3,486,104	1,212,059	2,274,045	2,400,912	
Training Education Centre	134,130	112,669	21,461	26,827	
School Administration	232,050	132,307	99,743	72,695	
Other school building	39,195	12,607	26,588	28,156	
School Gym	4,397,234	703,557	3,693,677	3,869,566	
Health trailers	256,084	138,515	117,569	143,177	
Other Community buildings	229,997	131,594	98,403	103,081	
	41,667,588	24,433,307	17,234,281	18,669,127	
Housing properties					
Section 95	25,419,305	8,982,214	16,437,091	16,036,815	
Section 10	9,035,048	3,060,687	5,974,361	6,240,680	
Multi-unit apartment	1,283,420	369,880	913,540	601,055	
Other housing	7,777,497	6,534,637	1,242,860	1,485,081	
	43,515,270	18,947,418	24,567,852	24,363,631	
Motor vessels	338,870	273,232	65,638	78,106	
Fishing vessels	7,045,310	5,908,571	1,136,739	1,494,994	
Equipment and furniture	4,942,912	3,482,018	1,460,894	633,856	
Fencing and paving	445,053	248,353	196,700	141,633	
Wharfs	112,500	56,250	56,250	67,500	
Motor vehicles	3,809,806	3,269,260	540,546	523,595	
	16,694,451	13,237,684	3,456,767	2,939,684	
Buildings under construction					
Health Centre Complex	6,030,165	-	6,030,165	-	
Family Services Office	1,540,613	-	1,540,613	-	
	7,570,778	-	7,570,778	-	
	\$ 125,558,175	\$ 61,926,304	\$ 63,631,871	\$ 56,709,445	

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018

12. PREPAID EXPENSES

	2018	2017
Social development costs	\$ 82,799	\$ 108,394
Student tuitions and other	101,489	95,637
	\$ 184,288	\$ 204,031

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, 2018, the balance of the reserve is \$1,134,447 (2017 - \$1,097,847) and the Band Council has set aside \$949,131 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, 2018 the balance of the reserve is \$317,000 (2017 - \$215,000).

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, 2018 is \$147,542 (2017 - \$147,542).

14. RELATED PARTY TRANSACTIONS

- a) During the year, the Band Council expensed Chief and Council honorariums totaling \$734,712 (2017 - \$741,250) to the Eskasoni Tobacco Shop. The Band Council also expensed Council pension and group insurance contributions of \$116,003 (2017 - \$122,258) 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, 2018, the balance owed by Councillors totaled \$34,389 (2017 - \$24,257) for prepaid honorariums.

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018

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 \$838,799 (2017 - \$764,242) 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 \$159,092 (2017 - \$133,888). 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 \$68,688 (2017 - \$46,600) 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 \$974,107 in 2018 (2017 - \$901,994).

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.

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018

17. GOVERNMENT TRANSFERS

	Operating	Capital	2018 Total	2017 Total
Federal government				
Indigenous Services Canada	\$ 18,440,693	\$ 787,282	\$ 19,227,975	\$ 19,723,494
Mi'kmaq Kina'matnewey	18,199,391	—	18,199,391	17,592,221
Indigenous Services Canada - FNIHB	5,640,423	3,394,140	9,034,563	5,294,788
Mi'kmaq Employment Training Secretariat	1,271,976	—	1,271,976	1,234,584
Atlantic Canada Opportunities Agency	—	135,995	135,995	199,021
Canada Mortgage and Housing Corporation	1,343,474	—	1,343,474	1,273,839
Fisheries and Oceans Canada	343,898	124,000	467,898	490,731
Other	—	—	—	40,483
Total federal government	45,239,855	4,441,417	49,681,272	45,849,161
Provincial government				
Province of Nova Scotia	643,798	—	643,798	794,057
	\$ 45,883,653	\$ 4,441,417	\$ 50,325,070	\$ 46,643,218

18. EXPENDITURES BY OBJECT

	2018	2017
Salaries and employee benefits	\$ 19,906,532	\$ 19,208,787
Interest on long-term debt	303,366	361,657
Administrative costs	2,684,352	2,569,050
Direct program costs	42,395,177	41,760,558
Amortization of capital assets	4,438,430	4,425,321
	\$ 69,727,857	\$ 68,325,373

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, 2018.

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018

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) 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.

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.

20. COMPARATIVE FIGURES

Certain of the 2017 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2018.

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018, with comparative figures for 2017

20. SEGMENT DISCLOSURE

	Social Development		Housing and Capital		Operations and Maintenance	
	Budget 2018 (unaudited)	2017	Budget 2018 (unaudited)	2017	Budget 2018 (unaudited)	2017
REVENUE						
Indigenous Services Canada	\$ 13,090,683	\$ 13,136,944	\$ 13,129,240	\$ 4,129,509	\$ 851,180	\$ 848,380
Mikmaq Employment Training Secretariat	-	-	-	-	-	-
Indigenous Services Canada - FNIHB	-	-	-	-	-	-
Atlantic Canada Opportunities Agency	-	-	-	-	-	-
Province of Nova Scotia	-	-	-	-	-	-
Fisheries and Oceans Canada	-	-	-	-	-	-
Canada Mortgage and Housing Corp.	-	-	-	-	-	-
Net earnings of limited partnership	250,000	250,000	1,170,000	1,260,069	-	-
Unincorporated enterprises revenue	-	-	400,000	1,621,800	100,000	100,000
Other revenue	-	-	-	-	-	-
	13,340,683	13,386,944	1,210,000	1,789,549	-	-
			5,909,240	9,000,927	951,180	948,380
EXPENDITURE						
Salaries and employee benefits	401,052	404,158	-	-	555,108	521,435
Direct program costs	14,590,000	14,288,930	2,716,000	4,065,316	1,841,276	1,814,159
Interest on long-term debt	-	-	311,935	326,021	500	586
Administrative costs	84,000	78,143	308,000	296,038	-	-
Amortization of capital assets	-	-	-	-	-	-
	15,075,052	14,771,231	3,335,935	4,687,375	2,196,884	2,136,722
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	\$ (1,734,369)	\$ (1,384,287)	\$ 2,573,305	\$ 4,313,552	\$ (1,245,704)	\$ (1,188,342)

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018, with comparative figures for 2017

20. SEGMENT DISCLOSURE (Continued)

	Economic Development			Band Management			Fishery Resource Development		
	Budget 2018 (unaudited)	2018	2017	Budget 2018 (unaudited)	2018	2017	Budget 2018 (unaudited)	2018	2017
REVENUE									
Indigenous Services Canada	\$ 387,800	\$ 838,892	\$ 576,831	\$ 1,131,600	\$ 1,280,218	\$ 1,138,791	\$ -	\$ 33,725	\$ -
Mik'maq Kina'malnewey	-	41,748	78,852	286,573	286,573	283,334	-	-	-
Mik'maq Employment Training Secretariat	984,616	1,013,808	984,616	-	-	-	-	-	-
Indigenous Services Canada - FNIHB	-	-	-	-	-	-	-	-	-
Atlantic Canada Opportunities Agency	-	-	-	-	-	-	-	-	-
Province of Nova Scotia	-	30,300	99,021	-	-	-	-	-	-
Fisheries and Oceans Canada	-	27,387	230,662	-	-	-	-	-	-
Canada Mortgage and Housing Corp.	-	-	-	-	-	-	-	-	-
Net earnings of limited partnership	-	33,355	13,770	-	-	-	325,190	343,898	490,731
Unincorporated enterprises revenue	-	30,000	222,800	16,000	10,200	16,000	100,000	100,000	100,000
Other revenue	198,500	-	-	-	-	-	-	-	-
	1,570,916	2,434,913	2,570,223	1,477,373	1,655,882	1,482,539	455,190	848,463	1,153,133
EXPENDITURE									
Salaries and employee benefits	202,678	206,308	200,500	1,144,830	1,087,222	1,164,414	305,448	338,603	335,519
Direct program costs	1,246,586	2,008,519	2,018,803	-	-	-	149,744	214,372	168,704
Interest on long-term debt	-	-	-	-	-	-	-	-	-
Administrative costs	81,590	91,834	70,999	97,117	84,285	157,871	-	-	-
Amortization of capital assets	-	-	-	-	-	-	-	-	-
	1,530,854	2,306,661	2,290,302	1,241,947	1,171,507	1,322,285	455,190	550,975	504,223
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	\$ 40,062	\$ 128,252	\$ 279,921	\$ 235,426	\$ 484,375	\$ 170,254	\$ -	\$ 295,488	\$ 1,239,641

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018, with comparative figures for 2017

20. SEGMENT DISCLOSURE (Continued)

	Education		Health		Band Business Enterprises	
	Budget 2018 (unaudited)	2018	2017	Budget 2018 (unaudited)	2017	Budget 2018 (unaudited)
REVENUE						
Indigenous Services Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mikmaw Kina'lnatnewey	17,312,701	17,871,070	17,230,035	-	-	-
Mikmaw Employment Training Secretariat	258,168	258,168	249,968	-	-	-
Indigenous Services Canada - FNIHB	-	-	-	-	-	-
Atlantic Canada Opportunities Agency	-	-	-	5,376,200	5,294,788	-
Province of Nova Scotia	-	-	-	-	-	-
Fisheries and Oceans Canada	-	-	-	-	-	-
Canada Mortgage and Housing Corp.	-	-	-	-	-	40,000
Net earnings of limited partnership	-	-	-	-	-	-
Unincorporated enterprises revenue	-	-	-	-	-	-
Other revenue	129,283	-	-	-	-	-
	17,700,152	18,431,148	17,650,202	868,000	927,983	16,715,434
				6,244,200	6,222,771	16,715,434
EXPENDITURE						
Salaries and employee benefits	11,832,599	12,128,319	11,508,248	3,121,630	3,096,564	1,697,190
Direct program costs	4,298,925	4,035,616	4,109,643	2,687,930	1,970,040	11,588,559
Interest on long-term debt	10,000	6,678	32,924	-	-	-
Administrative costs	272,500	354,829	259,678	434,640	452,782	1,349,947
Amortization of capital assets	-	-	-	-	-	-
	16,414,024	16,525,442	15,910,493	6,244,200	5,519,386	14,571,804
				6,244,200	5,519,386	15,021,512
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	\$ 1,286,128	\$ 1,905,706	\$ 1,739,709	\$ -	\$ 703,385	\$ 2,255,401
						\$ 2,228,816

ESKASONI BAND COUNCIL

Notes to Consolidated Financial Statements

Year ended March 31, 2018, with comparative figures for 2017

20. SEGMENT DISCLOSURE (Continued)

	Corporate Division				Other Programs				Total	
	Budget 2018 (unaudited)	2018	2017	Budget 2018 (unaudited)	2018	2017	Budget 2018 (unaudited)	2018	2017	2017
REVENUE	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Indigenous Services Canada	-	250,000	-	-	-	-	18,590,503	19,227,975	19,227,975	19,723,494
Mik'maq Employment Training Secretariat	-	-	-	-	-	-	17,599,274	18,199,391	18,199,391	17,592,221
Indigenous Services Canada - FNIHB	-	-	-	-	-	-	1,242,784	1,271,976	1,271,976	1,234,584
Atlantic Canada Opportunities Agency	-	105,695	-	-	-	-	5,376,200	9,034,563	9,034,563	5,294,788
Province of Nova Scotia	-	-	-	-	-	-	-	-	-	199,021
Fisheries and Oceans Canada	-	124,000	-	475,000	525,133	463,395	-	135,995	135,995	794,057
Canada Mortgage and Housing Corporation	-	-	-	-	-	-	325,190	643,798	643,798	490,731
Net earnings of limited partnership	320,000	543,600	370,000	1,194,200	1,560,222	1,413,292	1,170,000	1,343,474	1,343,474	1,273,839
Unincorporated enterprises revenue	-	-	-	-	-	-	2,380,200	3,161,172	3,161,172	4,093,892
Other revenue	-	148,013	141,471	452,330	471,830	630,238	16,715,434	17,236,913	16,710,355	16,710,355
	320,000	1,171,308	511,471	2,121,530	2,557,185	2,506,925	2,931,313	4,465,399	4,465,399	5,230,658
EXPENDITURE							66,805,898	75,188,554	75,188,554	72,637,640
Salaries and employee benefits	213,842	222,248	218,347	114,820	109,564	100,508	19,679,770	19,906,532	19,906,532	19,208,787
Direct program costs	105,800	220,465	191,121	1,444,018	1,986,993	1,722,776	40,468,838	42,395,177	42,395,177	41,760,558
Interest on long-term debt	-	-	-	-	-	1,584	322,435	303,366	303,366	361,857
Administrative costs	-	-	-	-	-	-	2,473,327	2,684,352	2,684,352	2,969,050
Amortization of capital assets	-	-	-	3,861,528	4,438,430	4,425,321	3,861,528	4,438,430	4,438,430	4,425,321
	319,642	442,713	409,468	5,420,366	6,534,887	6,250,189	66,805,898	69,727,857	69,727,857	68,325,373
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	\$ 358	\$ 728,595	\$ 102,003	\$ (3,298,836)	\$ (3,977,702)	\$ (3,743,264)	\$ -	\$ 5,460,697	\$ 5,460,697	\$ 4,312,267