

**GrantThornton**

Consolidated Financial Statements

Membertou Reserve Band Council

March 31, 2015

## **Management's Responsibility for Financial Reporting**

The accompanying consolidated financial statements of the Membertou Reserve Band Council and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council.

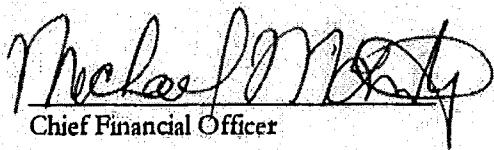
The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate, and the Band's assets are appropriately accounted for and adequately safeguarded.

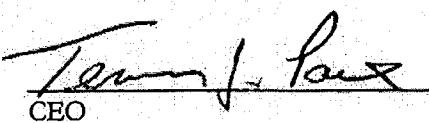
The Band Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report.

The consolidated financial statements have been audited by Grant Thornton LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Grant Thornton LLP has full and free access to the Council.



Michael J. Murphy  
Chief Financial Officer



Tom J. Page  
CEO



## Independent Auditor's Report

Grant Thornton LLP  
Suite 200  
500 George Place  
Sydney, NS  
B1P 1K6  
T (902) 562-5581  
F (902) 562-0073  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

To the Chief and Councillors of the

Membertou Reserve Band Council

We have audited the accompanying consolidated statement of financial position of the Membertou Reserve Band Council (the "Band Council") as at March 31, 2015, and the consolidated statement of operations, changes in net financial liabilities, statement of fund balances, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

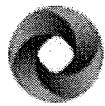
### **Management's responsibility for the financial statements**

The Band Council's management is responsible for the preparation and fair presentation of these 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.

### **Auditor's 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 auditor's 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



# Grant Thornton

assessments, the auditor considers internal control relevant to the Band Council'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 Band Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Band Council's 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 the Membertou Reserve Band Council as at March 31, 2015, and the results of its operations, changes in its net financial liabilities, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Sydney, Nova Scotia

July 14, 2015

*Grant Thornton LLP*

Chartered accountants

# Membertou Reserve Band Council

## Consolidated Statement of Operations

Year ended March 31

Schedule

Budget

2015

2014  
(Restated  
Note 17)

Revenue					
Aboriginal Affairs and Northern Development					
Canada	B	\$ 6,029,068	\$ 6,394,138	\$ 8,923,459	
Education	I	2,704,740	3,080,707	7,904,416	
Employment development	J	434,580	493,373	434,580	
Health Canada programs	K	1,477,512	1,969,934	2,177,253	
Department of Fisheries					
and Oceans – AFS program	L	162,000	198,392	167,000	
Rental income	M	9,768	22,309	33,569	
Province of Nova Scotia	M, AC	150,000	1,206,506	214,435	
Atlantic Canada Opportunities Agency	AC	–	2,500,000	–	
Membertou Housing Fund	N	1,569,948	1,491,900	1,478,358	
Membertou Public Works	O	–	226,203	3,414,176	
Membertou Enterprise Fund	P	3,833,864	4,537,029	3,860,179	
Membertou Development Corporation	Q	163,000	222,935	562,102	
Membertou Commercial Fisheries	R	2,599,664	2,991,809	2,840,693	
Membertou Gaming Commission Inc.	S	13,065,592	13,754,472	13,259,104	
Membertou Market	T	7,132,980	6,239,047	6,724,426	
Membertou Trade & Convention Centre Limited	U	2,990,767	2,104,924	2,393,894	
Membertou Entertainment Centre	W	5,324,843	5,393,673	6,222,420	
Membertou Insurance Brokers Inc.	X	102,000	80,617	74,152	
Membertou Rental Division	Y	839,366	679,342	663,895	
Membertou Cultural & Heritage Centre Foundation	Z	228,480	130,454	90,033	
Membertou Data Centre	AA	297,000	300,022	297,850	
Membertou Geomatics	AB	375,000	308,939	353,504	
Membertou Sport and Wellness Centre	AC	–	3,000,000	–	
Sundry	M, AC	–	60,906	120,301	
		\$ 49,490,172	\$ 57,387,731	\$ 62,209,799	
Expenditure					
Aboriginal Affairs and Northern Development					
Canada	B	9,119,188	9,803,015	11,614,665	
Education	I	3,609,760	3,843,917	3,119,558	
Employment development	J	434,574	434,415	428,058	
Health Canada programs	K	1,414,341	1,707,069	1,787,326	
Department of Fisheries					
and Oceans - AFS program	L	174,727	169,928	167,192	
Membertou Housing Fund	N	2,764,964	2,829,578	2,628,457	
Membertou Public Works	O	1,818,589	2,043,479	1,653,475	
Membertou Enterprise Fund	P	3,622,557	4,338,052	3,800,440	
Membertou Development Corporation	Q	804,551	976,306	892,784	
Membertou Commercial Fisheries	R	1,390,277	2,077,796	2,365,394	
Membertou Gaming Commission Inc.	S	2,968,832	2,867,589	2,901,808	
Membertou Market	T	7,114,417	6,388,544	6,801,795	
Membertou Trade & Convention Centre Limited	U	3,434,827	2,694,323	3,053,099	
Membertou Entertainment Centre	W	5,031,676	5,180,681	5,970,061	
Membertou Insurance Brokers Inc.	X	89,662	86,516	117,265	
Membertou Rental Division	Y	877,936	860,079	876,395	
Membertou Cultural & Heritage Centre Foundation	Z	247,137	330,107	287,615	
Membertou Data Centre	AA	440,016	375,557	379,354	
Membertou Geomatics	AB	320,679	298,112	322,828	
Interest and bank charges	M	463,897	737,591	405,632	
		46,142,607	48,042,654	49,573,201	
Excess of revenue over expenditures before other (expense) income		3,347,565	9,345,077	12,636,598	
Community member contribution	Q	(2,100,000)	(2,058,000)	(1,965,000)	
Investment allowance	Q	–	(14,605)	(114,195)	
Share of limited partnership loss	–	–	990,000	(213,804)	
Commodity tax recovery	T	(2,100,000)	(1,082,605)	(2,292,999)	
Excess of revenue over expenditure		\$ 1,247,565	\$ 8,262,472	\$ 10,343,599	

See accompanying notes to the consolidated financial statements.

# Membertou Reserve Band Council

## Consolidated Statement of Financial Position

March 31

2015

2014

Financial assets		
Cash	\$ 4,962,670	\$ 835,458
Receivables (Note 2)	3,181,649	4,686,673
Band funds in trust (Note 3)	25,008	24,064
Restricted cash	1,401,886	859,864
Investments (Note 4)	<u>2,770,913</u>	<u>2,885,518</u>
	<u>12,342,126</u>	<u>9,291,577</u>
Financial liabilities		
Payables and accruals (Note 9)	7,372,538	6,161,441
Deferred revenue (Note 10)	530,582	336,177
Long term debt (Note 11)	36,018,710	32,513,519
Deferred trust contributions (Note 13)	5,540,707	5,281,207
Capital lease obligations (Note 12)	<u>159,616</u>	<u>310,233</u>
	<u>49,622,153</u>	<u>44,602,577</u>
Net financial liabilities (Page 6)	(37,280,027)	(35,311,000)
Non-financial assets		
Capital assets (Note 7)	87,086,836	77,032,826
Prepays (Note 5)	193,882	160,662
Inventory (Note 6)	<u>286,383</u>	<u>293,619</u>
	<u>87,567,101</u>	<u>77,487,107</u>
Net assets	<u>\$ 50,287,074</u>	<u>\$ 42,176,107</u>
Fund balances (Page 7)	<u>\$ 50,287,074</u>	<u>\$ 42,176,107</u>

Contingencies (Note 14)

Commitments (Note 15)

On behalf of the Band Council

James Port Chief

Allen D. Mathew Councillor

See accompanying notes to the consolidated financial statements.

**Membertou Reserve Band Council**  
**Consolidated Statement of Changes in Net Financial Liabilities**  
Year ended March 31

	Budget	2015	2014
Net revenues	\$ 1,247,565	<b>\$ 8,262,472</b>	\$ 10,343,599
Depreciation	3,340,948	<b>3,371,979</b>	3,186,214
Capital assets acquired	<u>(6,192,035)</u>	<u>(13,425,989)</u>	<u>(18,031,922)</u>
	<u>(1,603,522)</u>	<u>(1,791,538)</u>	<u>(4,502,109)</u>
Replacement Reserve transfers, net of approved repairs	(131,909)	<b>(156,533)</b>	(127,705)
Allocation to capital reserve, net of withdrawals	-	<b>4,084</b>	7,500
Interest earned on funds in trust	-	<b>944</b>	594
Usage of prepaid expenses	-	<b>(33,220)</b>	72,723
Acquisition of inventory, net of usage	<u>-</u>	<u>7,236</u>	<u>(24,151)</u>
	<u>(131,909)</u>	<u>(177,489)</u>	<u>(71,039)</u>
Change in net financial liabilities	(1,735,431)	<b>(1,969,027)</b>	(4,573,148)
Net financial liabilities, beginning of year	<u>(35,311,000)</u>	<u>(35,311,000)</u>	<u>(30,737,852)</u>
Net financial liabilities, end of year	<b><u>\$ (37,046,431)</u></b>	<b><u>\$ (37,280,027)</u></b>	<b><u>\$ (35,311,000)</u></b>

See accompanying notes to the consolidated financial statements.

**Membertou Reserve Band Council  
Consolidated Statement of Fund Balances**

Year ended March 31

2015

2014

	Net Assets - Externally Restricted						<b>Total</b>	<b>Total</b>
	<b>Unrestricted</b>	<b>Funds on Deposit Fund with AANDC</b>	<b>Replacement Reserve</b>	<b>Moveable Capital Asset Reserve</b>	<b>Total</b>			
Opening balance	\$ 41,733,277	\$ 24,064	\$ 336,374	\$ 82,392	\$ 42,176,107		\$ 31,952,119	
Excess of revenue over expenditures (Page 4)	8,262,472	-	-	-	8,262,472		10,343,599	
Current year allocations	(125,205)	-	125,205	7,725	7,725		7,500	
Withdrawals	-	-	(159,281)	(3,641)	(162,922)		(127,705)	
Interest earned	-	944	2,748	-	3,692		594	
Ending balance	<b>\$ 49,870,544</b>	<b>\$ 25,008</b>	<b>\$ 305,046</b>	<b>\$ 86,476</b>	<b>\$ 50,287,074</b>		<b>\$ 42,176,107</b>	

See accompanying notes to the consolidated financial statements.

# Membertou Reserve Band Council

## Consolidated Statement of Cash Flows

Year ended March 31

2015

2014

Increase in cash and cash equivalents

### Operating

Excess of revenue over expenditures	\$ 8,262,472	\$ 10,343,599
Depreciation	3,371,979	3,186,214
Loss from write-off of investment	-	114,195
Share of limited partnership loss	<u>14,605</u>	<u>213,804</u>
	<u>11,649,056</u>	<u>13,857,812</u>
Change in non-cash operating working capital		
Receivables	1,505,024	1,126,586
Prepays	(33,220)	72,723
Inventory	7,236	(24,151)
Payables and accruals	1,211,097	481,574
Deferred revenue	<u>194,405</u>	<u>(62,741)</u>
	<u>14,533,598</u>	<u>15,451,803</u>

### Investing

Partnership draws	100,000	-
Purchase of investments	-	(76,542)
	<u>100,000</u>	<u>(76,542)</u>

### Financing

Replacement reserve (net of approved repairs)	(156,533)	(127,705)
Moveable Capital Asset Reserve transfers (net of withdrawals)	4,084	7,500
Trust contributions	944	594
New deferred trust contributions	259,500	466,500
Repayment of long term capital lease obligation	(150,617)	(269,510)
Receipt of long term debt	6,659,104	9,942,054
Repayment of long term debt	<u>(3,153,913)</u>	<u>(4,164,825)</u>
	<u>3,462,569</u>	<u>5,854,608</u>

### Capital

Proceeds from disposal of capital assets	-	-
Capital assets acquired	<u>(13,425,989)</u>	<u>(17,943,547)</u>
	<u>(13,425,989)</u>	<u>(17,943,547)</u>

Net increase in cash and cash equivalents	4,670,178	3,286,322
Cash and cash equivalents, beginning of year	<u>1,719,386</u>	<u>(1,566,936)</u>
Cash and cash equivalents, end of year	<u>\$ 6,389,564</u>	<u>\$ 1,719,386</u>

Cash and cash equivalents consist of:

Cash	\$ 4,962,670	\$ 835,458
Funds in trust	25,008	24,064
Restricted cash	<u>1,401,886</u>	<u>859,864</u>
	<u>\$ 6,389,564</u>	<u>\$ 1,719,386</u>

See accompanying notes to the consolidated financial statements.

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# **Membertou Reserve Band Council**

## **Notes to the Consolidated Financial Statements**

March 31, 2015

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### **1. Summary of significant accounting policies**

#### **Reporting entity and principles of financial reporting**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which encompass the principles common with First Nations.

The consolidated financial statements of the Membertou Reserve Band Council are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the First Nation and the changes thereto. The consolidated statement of financial position includes all the assets and liabilities of the First Nation.

Significant aspects of the accounting policies adopted by the First Nation are as follows:

#### **Principles of consolidation**

The consolidated financial statements include the accounts of all funds and operations in which the First Nation has a controlling interest, after the elimination of inter-fund transactions and balances. The entities include the following Membertou Reserve Band Council Funds - Operating Fund, Housing Fund, Public Works Fund, Capital Fund, Economic Development Fund, Enterprise Fund, Employment Development Fund, Health Fund, AFS Program Fund, Social Fund, Enterprise Fund, and Education Fund, as well as, the Membertou Development Corporation, the Membertou Market, the Membertou Trade & Convention Centre Limited, the Membertou Gaming Commission Inc., 3237395 Nova Scotia Limited (Operating as Membertou Insurance Brokers), Membertou Commercial Fisheries, Membertou Entertainment Centre, the Membertou Business Centre, the Membertou Cultural and Heritage Centre Foundation Inc., Membertou Data Centre, Membertou Geomatics, and Membertou Sport and Wellness Centre.

#### **Revenue recognition**

Membertou Reserve Band Council follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses or capital expenditures are incurred. Unrestricted contributions are recognized as revenue when recovered or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks, and term deposits net of bank overdraft.

#### **Capital assets**

Capital assets are recorded at cost.

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# Membertou Reserve Band Council

## Notes to the Consolidated Financial Statements

March 31, 2015

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### 1. Summary of significant accounting policies (continued)

#### Depreciation

Rates and bases of depreciation applied to write off the cost of property and equipment over their estimated lives are as follows:

Buildings	4%, declining balance
Housing properties	25 year, straight line
Infrastructure	4%, declining balance
Fishing vessels	15%, declining balance
Fishing equipment	20%, declining balance
Equipment	20%, declining balance
Motor vehicles	20%, declining balance
Moveable equipment	20%, declining balance
School buses	20%, declining balance
Computer hardware and software	20%, declining balance
Office equipment and furniture	20%, declining balance
Parking lots	20%, declining balance
Equipment under capital lease	20%, declining balance

#### Investments

Investments are valued at the lower of cost and net realizable value.

#### Use of estimates

In preparing the Band's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

#### Income taxes

The Band Council is exempt from income taxes under Section 149(l) (c) of the *Canadian Income Tax Act*.

#### Moveable Capital Asset Reserve

The Band is required to maintain a Moveable Capital Asset Reserve in accordance with the consolidated contribution agreement with Health Canada. The reserve is for the maintenance or replacement of capital assets transferred to the band by Health Canada. Expenditures of capital funds under the reserve are restricted to expenditures on these assets only and there can be no transfer of these funds to the operating budget.

#### Net debt

The Band's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Band is determined by its liabilities less its financial assets.

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# **Membertou Reserve Band Council**

## **Notes to the Consolidated Financial Statements**

March 31, 2015

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### **1. Summary of significant accounting policies (continued)**

#### **Inventory**

The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present location and condition, such as freight. The cost is reduced by the value of rebates and allowances received from vendors. The Band estimates net realizable value as the amount that inventories are expected to be sold. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage, or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling price, the amount of the write-down previously recorded is reversed. Costs that do not contribute to bringing inventories to their present location and condition, such as storage and administrative overheads, are specifically excluded from the cost of inventories and are expensed in the period incurred.

The cost of inventory recognized as an expense during fiscal 2015 was \$9,608,297 (2014 \$9,665,445). No write-down of inventories below their cost to their net realizable value was made in fiscal 2015. There were no reversals of inventories written down previously that are no longer estimated to sell below cost.

#### **Leases**

Leases are classified as either capital or operating in nature. Capital leases are those which transfer substantially all the benefits and risks of ownership to the lessee. If the lease contains a term that allows ownership to pass to the Company or there is a bargain purchase option the capitalized value is depreciated over the estimated useful life of the related asset. Otherwise, the capitalized value is depreciated on a straight line basis over the lesser of the lease term and its estimated useful life. Obligations recorded under capital leases are reduced by the principal portion of lease payments as incurred and the imputed interest portion of capital lease payments is charged to expense and amortized straight-line over the life of the lease. Operating lease payments are charged to expense.

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# Membertou Reserve Band Council

## Notes to the Consolidated Financial Statements

March 31, 2015

2. Receivables	2015	2014
Aboriginal Affairs and Northern Development Canada	\$ 8,848	\$ 7,216
Housing rents	665,422	585,066
Mi'Kmaq Employment Training Secretariat	118,630	57,694
Health Canada	38,786	245,297
Commodity sales tax	925,837	62,136
Department of Fisheries and Oceans	52,592	167,000
Atlantic Integrated Commercial Fisheries Initiative	37,565	413,754
Province of Nova Scotia	344,306	773,709
Loan proceeds	223,957	905,147
Enterprise Cape Breton Corporation	-	59,393
3250777 Nova Scotia Limited	-	60,250
Mi'Kmaw Kina'matnewey	63,819	304,252
Sundry	153,775	223,403
Unama'ki Economics Benefits Office	72,038	-
Canada Mortgage and Housing Corporation	141,143	-
Trade	423,819	842,561
	<u>3,270,537</u>	<u>4,706,878</u>
Less: allowance for doubtful accounts	<u>(88,888)</u>	<u>(20,205)</u>
	<u>\$ 3,181,649</u>	<u>\$ 4,686,673</u>

### 3. Band funds in trust

The Trust Fund arises from monies derived from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the *Indian Act*.

The changes in net assets of the Trust Fund during the year are as follows:

	2015	2014
Net assets, beginning of year	\$ 24,064	\$ 23,470
Interest earned	<u>944</u>	<u>594</u>
Net assets, end of year	<u>\$ 25,008</u>	<u>\$ 24,064</u>

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## **Membertou Reserve Band Council**

### **Notes to the Consolidated Financial Statements**

March 31, 2015

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4. Investments	<u>2015</u>	<u>2014</u>
Membertou Hotel Limited Partnership	<u>\$ 2,770,913</u>	<u>\$ 2,885,518</u>
5. Prepays	<u>2015</u>	<u>2014</u>
Core funding	\$ 6,002	\$ 14,155
Insurance	168,362	133,269
Miscellaneous	<u>19,518</u>	<u>13,238</u>
	<u>\$ 193,882</u>	<u>\$ 160,662</u>
6. Inventory	<u>2015</u>	<u>2014</u>
Membertou Enterprise Fund	\$ 187	\$ 5,980
Membertou Trade and Convention Centre Limited	67,549	61,463
Membertou Entertainment Centre	21,478	29,991
Membertou Cultural and Heritage Centre Foundation Inc.	54,010	48,166
Membertou Market	<u>143,159</u>	<u>148,019</u>
	<u>\$ 286,383</u>	<u>\$ 293,619</u>

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**Membertou Reserve Band Council**  
**Notes to the Consolidated Financial Statements**

Year ended March 31

**7. Capital assets**

	<u>Opening Cost</u>	<u>Additions</u>	<u>Disposals</u>	<u>Closing Cost</u>	<u>Opening Accumulated Depreciation</u>	<u>Depreciation</u>	<u>Closing Accumulated Depreciation</u>	<u>2015 Net Book Value</u>	<u>2014 Net Book Value</u>
Land	\$ 5,976,129	\$ 919,040	\$ -	\$ 6,895,169	\$ -	\$ -	\$ -	\$ 6,895,169	\$ 5,976,129
Buildings	29,225,767	4,322,171	(164,680)	33,383,258	7,633,503	1,094,865	8,728,368	24,654,890	21,592,264
Infrastructure	27,688,322	-	-	27,688,322	4,378,533	668,486	5,047,019	22,821,303	23,489,789
Housing properties	20,354,425	1,240,022	-	21,594,447	9,170,475	821,719	9,992,194	11,602,253	11,183,950
Fishing vessels	1,340,100	71,067	-	1,411,167	481,932	133,949	615,881	795,286	858,168
Fishing equipment	361,528	33,900	-	395,428	186,022	40,186	226,208	169,220	175,506
Equipment	2,000,118	163,873	(26,439)	2,137,552	1,406,326	332,380	1,738,706	398,846	593,792
Motor vehicles	421,618	116,227	-	537,845	289,927	32,613	322,540	215,305	131,691
Moveable equipment	911,785	-	-	911,785	675,810	57,134	732,944	178,841	235,975
School buses	127,997	84,261	-	212,258	88,281	24,795	113,076	99,182	39,716
Equipment under capital lease	1,350,752	-	-	1,350,752	778,272	69,715	847,987	502,765	572,480
Computer hardware and software	1,688,543	45,332	-	1,733,875	1,296,582	78,400	1,374,982	358,893	391,961
Parking lots	628,204	-	-	628,204	201,745	17,737	219,482	408,722	426,459
Assets under construction	11,364,946	8,758,975	(2,137,760)	17,986,161	-	-	-	17,986,161	11,364,946
	<b>\$103,620,234</b>	<b>\$ 15,754,888</b>	<b>\$ (2,328,879)</b>	<b>\$117,046,223</b>	<b>\$ 26,587,408</b>	<b>\$ 3,371,979</b>	<b>\$ 29,959,387</b>	<b>\$ 87,086,836</b>	<b>\$77,032,826</b>

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# Membertou Reserve Band Council

## Notes to the Consolidated Financial Statements

March 31, 2015

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### 8. Bank indebtedness

The Band Council has an established line of credit of \$2,500,000. The line of credit bears interest at a rate of prime plus 1%. At the year end, the line of credit had a balance outstanding of nil (2014 - nil).

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9. Payables and accruals	2015	2014
Trade	\$ 3,954,038	\$ 3,764,845
Accrued liabilities	3,311,943	1,768,065
Commodity tax	43,221	530,294
Employee benefits	60,088	98,237
Other	<u>3,248</u>	<u>-</u>
	<u>\$ 7,372,538</u>	<u>\$ 6,161,441</u>

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10. Deferred revenue	2015	2014
Tui'kn Partnership	\$ 109,582	\$ 119,148
Long term deferred gain on land sale	94,741	94,741
Health Canada	16,681	-
Miscellaneous	<u>309,578</u>	<u>122,288</u>
	<u>\$ 530,582</u>	<u>\$ 336,177</u>

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# Membertou Reserve Band Council

## Notes to the Consolidated Financial Statements

March 31, 2015

11. Long term debt	<u>2015</u>	<u>2014</u>
<b>Royal Bank of Canada</b>		
Prime loan bearing interest at prime plus 1.5%, repaid during the year	\$ -	\$ 671,908
Prime loan bearing interest at prime plus 1.5%, repaid during the year	-	698,245
<b>Canada Mortgage and Housing Corporation</b>		
1.39% - 2.84% mortgages, repayable under various terms by October 2038.	6,777,211	7,224,057
<b>First Nation Finance Authority</b>		
3.79% loan, repayable in monthly instalments of \$97,792, including interest, beginning in September 2015, maturing June 2024.	20,775,414	15,791,316
<b>Royal Bank of Canada</b>		
2.21% - 5.25% mortgages, repayable under various terms by September 20, 2032.	1,385,015	1,562,847
<b>Ford Credit Canada</b>		
6.99% term loan repaid during the year	-	5,930
6.99% term loan repaid during the year	-	6,599
6.99% term loan repaid during the year	-	7,332
<b>UInooweg Development Group</b>		
8% term loan, maturing in October 2016, repayable in 84 monthly blended payments of \$3,165.	56,320	88,367
Prime plus 3% term loan, maturing in March 2016, repayable in equal monthly instalments of \$5,840.	60,586	120,026
<b>Bank of Montreal</b>		
4.25% term loan, maturing in July 2019, repayable in equal annual instalments of \$40,714.	458,572	554,286
4.25% mortgage, repayable in equal monthly instalments of \$5,378, including interest, matures August 2023.	446,908	496,035

# Membertou Reserve Band Council

## Notes to the Consolidated Financial Statements

March 31, 2015

11. Long term debt (continued)	<u>2015</u>	<u>2014</u>
<b>Bank of Montreal (continued)</b>		
4.25% term loan, repayable in annual instalments of 143,333, plus interest, matures in July 2016.	286,666	430,000
3.75% non-revolving, demand loan, with repayment of interest only during the construction phase, up to 12 months. After construction phase, loan will be Converted to a term loan with the option of a fixed rate. Loan will be repayable over 25 years.	1,455,594	1,125,148
<b>Peace Hills Trust</b>		
4.25% mortgage repayable in 180 monthly instalments of \$8,173, matures August 2028.	1,625,066	986,465
4.25% mortgage, repayable in 170 monthly instalments of \$15,140, matures May 2028.	1,829,829	1,931,391
<b>General Motors Acceptance Corporation</b>		
6.2% term loan repayable in monthly instalments of principal and interest of \$443, maturing in May 2016, secured by a chattel mortgage on a 2011 Chevrolet truck.	5,867	10,759
<b>Bank of Nova Scotia</b>		
Interest free loan, maturing in December 2019, repayable in equal monthly instalments of \$397	22,626	-
Interest free loan, maturing in December 2019, repayable in equal monthly instalments of \$397	22,626	-
<b>Enterprise Cape Breton Corporation</b>		
Interest free term loan, maturing in August 2015, repayable in monthly instalments of \$5,444.	27,244	92,572
Interest free term loan, maturing in April 2015, repayable in equal monthly instalments of \$785.	766	10,185
5.75% repayable loan, payments begin July 2014, repayable in monthly instalments of \$6,479, matures June 2021.	407,382	460,051

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# Membertou Reserve Band Council

## Notes to the Consolidated Financial Statements

March 31, 2015

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11. Long term debt (continued)	<u>2015</u>	<u>2014</u>
<b>Doncaster Mortgage</b>		
Interest free mortgage, repayable in annual instalments of \$60,000, maturing April 2017	<u>180,000</u>	240,000
<b>Poushay Mortgage</b>		
Interest free mortgage, repayable in one instalment of \$53,875, matures April 2015	<u>53,875</u>	-
<b>Canada Mortgage and Housing Corporation</b>		
2.02% mortgage advances		
Section 95	<u>141,143</u>	-
	<u>36,018,710</u>	32,513,519
Current portion of long term debt		
Principal payments due within one year	<u>1,707,227</u>	<u>2,442,913</u>
	<u>\$ 34,311,483</u>	<u>\$ 30,070,606</u>

As security, the band has provided a Band Council Resolution providing an irrevocable authorization to the Aboriginal Affairs and Northern Development Canada to assign all funding until all loans are repaid to the bank and a floating charge on the assets of the Band Council.

As security, the Royal Bank of Canada has been given a general security agreement constituting a first ranking security interest in all personal property of the Membertou Reserve Band Council, Membertou Gaming Commission, Membertou Commercial Fisheries, and the Membertou Trade and Convention Centre, as well as guarantees in the amount of \$12,000,000 from each of the above noted divisions of the Band.

Repayments in each of the next five (5) years are as follows:

2016	\$ 1,707,227
2017	\$ 1,458,865
2018	\$ 1,323,011
2019	\$ 1,290,779
2020	\$ 1,295,131
Thereafter	<u>\$ 28,943,697</u>
	<u>\$ 36,018,710</u>

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# Membertou Reserve Band Council

## Notes to the Consolidated Financial Statements

March 31, 2015

12. Capital lease obligations	2015	2014
<b>Royal Bank of Canada</b>		
1.92% capital lease repayable in equal monthly instalments of \$6,327, including interest, maturing September 2015.	\$ 71,755	\$ 145,532
4.18% capital lease, repayable in monthly instalments of \$2,607 on account of principal and interest maturing in December 2016, on a CAT Backhoe.	50,285	78,819
6.07% capital lease, repayable in monthly instalments of \$2,062 on account of principal and interest maturing in May 2015.	4,093	27,804
7.6% capital lease, repayable in monthly instalments of \$2,347 on account of principal and interest maturing in June 2016.	33,483	58,078
	159,616	310,233
Less: current portion	<u>148,595</u>	<u>146,120</u>
	<u>\$ 11,021</u>	<u>\$ 164,113</u>

Repayments in each of the next five (5) years are as follows:

2015	-	160,125
2016	160,121	139,503
2017	6,137	30,038
	166,258	329,666
Less: amounts representing interest	<u>6,642</u>	<u>19,433</u>
Present value of net minimum capital lease payments	159,616	310,233
Less: Current portion of obligations under capital lease	<u>148,595</u>	<u>146,120</u>
	<u>\$ 11,021</u>	<u>\$ 164,113</u>

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# Membertou Reserve Band Council

## Notes to the Consolidated Financial Statements

March 31, 2015

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13. Deferred trust contributions	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 5,281,207	\$ 4,814,707
Contributions during the year	(529,500)	(309,500)
Deferrals during the year	<u>789,000</u>	<u>776,000</u>
	<u>5,540,707</u>	<u>5,281,207</u>
Contributions due within one year	<u>555,000</u>	<u>588,500</u>
Deferred trust contributions	<u>\$ 4,985,707</u>	<u>\$ 4,692,707</u>

The Membertou Reserve Band Council has setup a Children's Trust Fund for all children on the Membertou Reserve Band Council list. An annual contribution is made on each child's behalf to the trust fund.

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### 14. Contingencies

- a) The Band has entered into a five year alternative funding arrangement with the Aboriginal Affairs and Northern Development Canada, effective April 1, 2010. These funds may be repayable if any of the following conditions are not met:
  - 1) minimum program requirements are not met;
  - 2) capital funds are not expended for capital purposes; and
  - 3) any mandatory capital projects are not completed.
- b) As at March 31, 2015, the Band has provided a guarantee for mortgages payable by Band members, totalling \$1,080,474 (2014 - \$961,368), which were obtained under Section 10 of the *Indian Act*. In the event that the individual is unable to meet its obligations at some future date and the Band is required to honour its guarantee, any payments will be accounted for as a charge to operations in the year such payments are made.
- c) The Band's pension plan contributions are funded by the Aboriginal Affairs and Northern Development Canada. Any unexpended portion of these funds is repayable by the band.
- d) The Band has entered into contribution agreements with various government departments. Funding received under these contribution agreements is subject to repayment if the band fails to comply with the terms and conditions of the agreements.

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# **Membertou Reserve Band Council**

## **Notes to the Consolidated Financial Statements**

March 31, 2015

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### **15. Commitments**

Membertou Entertainment Centre has entered into an agreement to lease handsets which expires on July 31, 2018. The annual rent of the handsets consists of a minimum monthly payment. Minimum lease payments for the next four (4) years are as follows:

2016	\$ 290,304
2017	\$ 290,304
2018	\$ 290,304
2019	\$ 96,768

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### **16. Replacement reserve fund**

Under the terms of the agreement with the CMHC, the replacement reserve account is to be increased by annual charges to equity. The charge in the current year is \$125,205 (2014 - \$121,705). 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 the CMHC from time to time. The funds in the account may only be used as approved by the CMHC. Withdrawals are credited to interest first and then principal.

As of March 31, 2015, the reserve was fully funded.

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### **17. Change in accounting policy**

During the year, the Band changed its accounting policy used in recording revenues from its Membertou Gaming Commission Inc. operations to align with the accounting policies used in the gaming industry. Previously, gross wagers were included in total revenues with an offsetting expenditure for payouts. The Band has adopted an accounting policy whereby 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.

The change in accounting policy has been applied retroactively and as a result, the following financial statement items as at March 31, 2014 have been increased (decreased) by the following amounts:

#### Statement of operations

Revenue – Membertou Gaming Commission Inc.	\$ (62,412,360)
Expenditures – Membertou Gaming Commission Inc.	\$ (62,412,360)

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# **Membertou Reserve Band Council**

## **Notes to the Consolidated Financial Statements**

March 31, 2015

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### **18. Financial Instruments**

#### **Credit risk**

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Entity's financial instruments that are exposed to concentrations of credit risk are primarily accounts receivable.

The Entity's maximum exposure to credit risk corresponds to the carrying amount for all receivables.

#### **Liquidity risk**

Liquidity risk is the risk that the Entity may not have cash available to satisfy its liabilities as they come due. The Entity actively maintains a committed credit facility to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

The Entity monitors capital markets and the related conditions. Market conditions allowing, the Entity will access debt capital markets for various long-term debt maturities and as other liabilities come due or as assessed to be appropriate in order to minimize risk and optimize pricing.

The contractual maturities of the principal portion of significant financial liabilities as at March 31, 2015, are outlined in Note 11.

#### **Fair value of financial instruments**

The fair value of a financial instrument is the estimated amount that the Entity would receive or pay to settle the financial assets and financial liabilities at the reporting date.

The book values of cash and cash equivalents, receivables, and payables and accruals approximate fair values at the balance sheet date due to their short term to maturity. The fair value of the long term debt approximates its carrying amount.

#### **Interest rate risk**

The Band has interest bearing loans on which general interest rate fluctuations apply. The financial risk is the risk to the Band's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Band does not use derivative instruments to reduce its exposure to interest and foreign currency risk.

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# **Membertou Reserve Band Council**

## **Notes to the Consolidated Financial Statements**

March 31, 2015

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### **19. Pension costs and obligations**

The Band is required to match contributions to a group registered retirement savings plan for all full time employees to a limit of 5.5% of the yearly maximum pensionable earnings for non-band members and 9% for band members. Total contributions during the year amounted to \$448,540 (2014 - \$416,325).

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### **20. Government transfers**

	2015			2014		
	Operating	Capital	Total	Operating	Capital	Total
Aboriginal Affairs and Northern Development Canada	\$ 6,054,834	\$3,339,304	\$ 9,394,138	\$ 5,785,052	\$3,138,407	\$ 8,923,459
Health Canada	1,911,103	58,831	1,969,934	1,954,498	222,755	2,177,253
Canada Mortgage and Housing Corporation	387,728		387,728	406,437		406,437
Mi'kmaq Kina'matnewey	3,033,311		3,033,311	2,800,644	5,081,315	7,881,959
Other	736,837	2,780,565	3,517,402	719,660	275,587	995,247
Total	12,123,813	6,178,700	18,302,513	11,666,291	8,718,064	20,384,355
Province of Nova Scotia	206,506	1,000,000	1,206,506	247,950	590,000	837,950
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 12,330,319	\$7,178,700	\$ 19,509,019	\$11,914,241	\$9,308,064	\$ 21,222,305

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# **Membertou Reserve Band Council**

## **Notes to the Consolidated Financial Statements**

March 31, 2015

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### **21. Segmented information**

Membertou Reserve Band Council provides a wide range of services to its members, including training, education, social, health care and housing. For management reporting purposes Membertou Reserve Band Council's operations and activities are organized and reported by Divisions. The Divisions were created for the purpose of recording activities to comply with specific regulations and requirements.

Divisions that have been separately disclosed in the consolidated schedules of revenues and expenditures on the following pages are:

- Social Development – social assistance provided to qualifying members.
- Band Government – all associated with the administration of the Band operations
- Human Resources and Quality Management – centralized human resource division for the Band's operations.
- Capital Projects – provides capital construction projects for the community.
- Operations and Maintenance – repairs and maintenance carried out during the year to the community buildings.
- Economic Development – specified development projects undertaken by the Band.
- Education – providing elementary, secondary and post-secondary tuition for qualifying members along with related programs and support.
- Employment Development – activities related to job training and skills.
- Health Canada – activity of the Health Centre which provides a variety of health care programs and support.
- Department of Fisheries and Oceans – AFS Program – management of the DFO fisheries operations.
- Miscellaneous – all other items not reported in a specified division.
- Housing Fund – Section 95 and non-subsidized housing operations.
- Public Works – expenditures and revenues related to the creation and maintenance of infrastructure of the Band.
- Enterprise Fund – the Band's tobacco sales operation and community expenses.
- Development Corporation – specified development projects and expenditures initiated at the Band level.
- Commercial Fishing – encompasses the fisheries activities of the Band.
- Gaming Commission – the VLT operations of the Band.
- Membertou Market – gas bar and deli operation.
- Trade and Convention Centre – convention hall and Kiju's restaurant.
- Entertainment Centre – the Band's bingo operations.
- Membertou Insurance Brokers – insurance brokerage operated by the Band.
- Rental Division – operates the commercial rental division.
- Cultural and Heritage Centre Foundation – operates the Heritage Park and Petroglyph's Gift Shop
- Data Centre – revenues and expenditures related to the IT division
- Geomatics – revenues and expenditures related to the geomatics consulting division
- Membertou Sport and Wellness Centre – capital revenues received related to the new sport and wellness centre.

See financial data on Page 57.

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# **Membertou Reserve Band Council**

## **Notes to the Consolidated Financial Statements**

March 31, 2015

22. Expenses by object	<u>2015</u>	<u>2014</u>
Administrative	\$ 1,053,021	\$ 1,090,482
Capital projects	-	2,654,688
Community expenses	2,894,974	2,791,383
Core funding and benefits	941,526	869,942
Depreciation	3,371,979	3,186,214
Education and training	1,447,265	1,530,532
Fishing	201,918	970,160
Health programs	804,530	1,064,871
Insurance	596,496	319,570
Interest	1,301,311	1,103,544
Other	3,727,683	3,659,542
Professional fees	379,403	364,794
Purchases	9,496,698	9,518,101
Repairs and maintenance	3,281,473	2,986,902
Salaries and benefits	13,345,579	12,477,814
Social	3,588,410	3,608,035
Wager payouts	<u>4,438,925</u>	<u>5,153,631</u>
	<u>50,871,191</u>	<u>53,350,205</u>
Less: transfers/recoveries	<u>(755,932)</u>	<u>(1,485,005)</u>
	<u><b>\$ 50,115,259</b></u>	<u><b>\$ 51,865,200</b></u>

### **23. Comparative figures**

Certain of the 2014 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2015.